



Dave Yost • Auditor of State

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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Dave Yost • Auditor of State

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

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 statement 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

April 19, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

To the Board of Directors:

We have audited the accompanying financial statement of the Darke County Agricultural Society, Darke County, (the Society) as of and for the years ended November 30, 2010 and 2009. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on the financial statement 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 the financial statement 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 effect on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the fund the accompanying financial statement presents, 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 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, 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 Darke County Agricultural Society, Darke 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 April 19, 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

April 19, 2011

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

	2010	2009
Operating Receipts:		
Admissions	\$802,999	\$750,719
Privilege Fees	344,234	335,851
Rentals	276,231	285,959
Sustaining and Entry Fees	54,425	65,253
Parimutuel Wagering Commission	13,749	15,980
Fees	29,270	32,018
Other Operating Receipts	37,195	16,679
Total Operating Receipts	1,558,103	1,502,459
Operating Disbursements:		
Wages and Benefits	192,580	202,571
Utilities	207,995	195,984
Professional Services	227,511	223,445
Equipment and Grounds Maintenance	248,141	242,433
Race Purse	123,747	134,387
Senior Fair	621,435	547,913
Junior Fair	52,534	51,125
Capital Outlay	74,480	469,505
Other Operating Disbursements	150,473	157,493
Total Operating Disbursements	1,898,896	2,224,856
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(340,793)	(722,397)
Non-Operating Receipts (Disbursements):		
State Support	22,192	23,704
County Support	2,000	2,000
Restricted	501,289	521,524
Unrestricted	8,007	11,242
Investment Income	1,088	9,015
Debt Service	(83,965)	(78,254)
Net Non-Operating Receipts (Disbursements)	450,611	489,231
Excess (Deficiency) of Receipts Over (Under) Disbursements	109,818	(233,166)
Cash Balance, Beginning of Year	312,043	545,209
Cash Balance, End of Year	\$421,861	\$312,043

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

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**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

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, Darke County, (the Society) as a body corporate and politic. The Society is an independent agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded on November 24, 1852 to operate an annual agricultural fair. The Society sponsors the nine day-long Great Darke County Fair during August. During the fair, harness races are held, culminating in the running of the speed races. Darke County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of eleven directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Darke 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. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Darke 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.

Money market mutual funds are recorded at share values the mutual funds report.

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.

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses. These include money for sponsorships and promotions. The receipts for Junior Livestock Sale are also classified as restricted support.

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

Stake races are held during the Darke 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 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.

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 statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

2. DEPOSITS AND INVESTMENTS

The Society maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30 was as follows:

	2010	2009
Demand deposits	\$408,846	\$281,982
Certificates of deposit	13,015	12,963
Money Market		17,098
Total deposits	\$421,861	\$312,043

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

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 \$22,192 and \$23,704, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany 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.

	2010	2009
Total Amount Bet (Handle)	\$122,197	\$141,285
Less: Payoff to Bettors	(97,070)	(112,138)
Parimutuel Wagering Commission	25,127	29,147
Tote Service Commission	(11,379)	(13,141)
State Tax	(3,658)	(4,303)
Society Portion	\$ 10,090	\$ 11,703

4. DEBT

Debt outstanding at November 30, 2010 was as follows:

	Principal	Interest Rate
Note Payable for Capital Project	\$341,195	3.66%

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

4. DEBT (Continued)

On April 9, 2008, the Society obtained a loan from Farmers State Bank in the amount of \$453,921. The loan bears an interest rate of 3.66% and is due to the Farmers State Bank. The loan will mature on September 30, 2016. Proceeds were used to construct restrooms at the fairgrounds.

Amortization of the above debt is scheduled as follows:

<u>Year ending November 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 55,113	\$12,487	\$67,600
2012	57,130	10,470	67,600
2013	59,221	8,379	67,600
2014	61,389	6,211	67,600
2015	63,636	3,964	67,600
2016	44,706	1,635	46,341
Total	<u>\$341,195</u>	<u>\$43,146</u>	<u>\$384,341</u>

5. RISK MANAGEMENT

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity.

Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

5. RISK MANAGEMENT (Continued)

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	\$21,118,036	\$20,459,329

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Society's share of these unpaid claims collectible in future years is approximately \$23,156.

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

Contributions to PEP	
2009	2008
\$24,633.84	\$26,566.04

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

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 Darke County Fair. The Society disbursed \$52,534 in 2010 and \$51,125 in 2009, directly to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. 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 follows:

	2010	2009
Beginning Cash Balance	\$1,789	\$2,016
Receipts	7,514	6,878
Disbursements	(6,981)	(7,105)
Ending Cash Balance	\$2,322	\$1,789

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

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 Darke County Fair's auction. There is no commission collected from the auction. 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 follows:

	<u>2010</u>	<u>2009</u>
Beginning Cash Balance	\$ 9,731	\$5,650
Receipts	4,270	5,232
Disbursements	<u>(3,621)</u>	<u>(1,151)</u>
Ending Cash Balance	<u><u>\$10,380</u></u>	<u><u>\$9,731</u></u>



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

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

To the Board of Directors:

We have audited the financial statement of the Darke County Agricultural Society, Darke County, (the Society) as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated April 19, 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated April 19, 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, 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

April 19, 2011

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

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

FINDING NUMBER 2010-001

MATERIAL WEAKNESS

Sign Off for Goods/Services Received

The Society routinely incurs charges for good purchased or services provided to the entity. Upon receipt of the invoice for such services a representative of the Society is responsible for reviewing and signing off on the invoice. Signing off on each invoice that the goods or services have been received is a key control necessary to prevent duplicate payments or a payment for goods and services that were not received.

Results of testing showed that eight of forty expenditures tested, or 20%, failed to have signatures indicating that the goods or services were actually received. Failure to indicate this review increases the risk that the Society would make disbursements for items that are not true obligations of the entity, and could potentially result in loss of funds to the Society.

The Board members and/or employees of the Agricultural Society receiving the goods/services should document on the invoice that the goods/services were received and mark the invoice "okay to pay" prior to any payment to document the invoices are actual obligations of the Society.

Official's Response:

We will work to be more efficient in this area. The 11 Member Board approves every expenditure and every check that is issued from the Fair Office. Actual receipts for the expenditures they are asked to approve each month are present in the Board conference room for review if requested. Check stubs are attached to each receipt of the purchase(s) and coded by account number and class assignment. Purchase Orders, when applicable, are also attached to these documents.

DARKE COUNTY AGRICULTURAL SOCIETY
DARKE 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	Financial Statements	Yes	Fully Corrected
2008-002	Admission Receipts	Yes	Fully Corrected



Dave Yost • Auditor of State

DARKE COUNTY AGRICULTURAL SOCIETY

DARKE 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 31, 2011**