

**SHELBY COUNTY AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**FINANCIAL STATEMENT  
(AUDITED)**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017**





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Members of the Board  
Shelby County Agricultural Society  
PO Box 4281  
Sidney, OH 45365

We have reviewed the *Independent Auditor's Report* of the Shelby County Agricultural Society, Shelby County, prepared by Julian & Grube, Inc., for the audit period December 1, 2016 through November 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Shelby County Agricultural Society is responsible for compliance with these laws and regulations

Keith Faber  
Auditor of State  
Columbus, Ohio

June 13, 2019

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**SHELBY COUNTY AGRICULTURAL SOCIETY  
SHELBY COUNTY**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

Shelby County Agricultural Society  
Shelby County  
655 Highland Avenue  
Shelby, Ohio 45365

To the Board of Directors:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Shelby County Agricultural Society, Shelby County, Ohio as of and for the fiscal year ended November 30, 2017.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Shelby County Agricultural Society's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Shelby County Agricultural Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statement, the Shelby County Agricultural Society prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Shelby County Agricultural Society does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Shelby County Agricultural Society as of November 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Shelby County Agricultural Society, Shelby County as of November 30, 2017, for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2019, on our consideration of the Shelby County Agricultural 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Shelby County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
April 22, 2019



Shelby County Agricultural Society  
Statement of Receipts, Disbursements and Change in Fund Balance (Regulatory Basis)  
For The Fiscal Year ending November 30, 2017

OPERATING CASH RECEIPTS

Total Admissions	\$172,091.00
Privilege Fees	\$69,714.25
Sale by Fairboard	\$8,555.30
Total Racing	\$31,420.00
Sales Activity	\$2,407.80
Total Utilities	\$12,847.29
Total Fees	\$7,442.00
Total Rental	\$83,802.51
<b>TOTAL OPERATING CASH RECEIPTS</b>	<b>\$388,280.15</b>

OPERATING CASH DISBURSEMENTS

Total Wages	\$24,203.38
Total Benefits	\$1,276.25
Total Adm. Expenses	\$3,854.64
Total Race Expenses	\$1,055.45
Supplies	\$760.00
Total Supplies	\$14,839.22
Total Utilities	\$59,809.45
Racing Expenses	\$99,374.34
Total Service Expenses	\$119,217.31
Total Property Expenses	\$30,905.15
Total Advertising	\$18,770.75
Total Repairs	\$4,663.98
Total Insurance	\$14,714.32
Total Rent/Lease Expenses	\$13,892.24
Capital Outlays	\$523,236.66
Sr. Fair Expenses	\$16,566.57
Contest Expenses	\$31,252.00
Jr. Fair Expenses	\$20,940.89
Other fair expenses	\$3,240.67
Miscellaneous Expenses	\$32,487.15
<b>TOTAL OPERATING CASH DISBURSEMENTS</b>	<b>\$1,035,060.42</b>

EXCESS (DEFICIENCY) OF OPERATING RECEIPTS  
OVER/(UNDER) OPERATING DISBURSEMENTS

(\$646,780.27)

Total Taxes	\$2,011.81
State Support	\$125,879.67
Total Local Gov't	\$199,300.00
Mortgage	\$141,755.00
Total Restricted	\$315,755.91
Total Unrestricted	\$1,715.28
Interest Received	\$177.80
Total Debt Service	(\$86,774.23)

NET NON-OPERATING RECEIPTS (DISBURSEMENTS)

\$699,821.24

Excess Cash Receipts over Cash Disbursements	\$53,040.97
Cash Balance 12/01/16	\$83,666.37
Cash Balance 11/30/17	\$136,707.34

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

**SHELBY COUNTY AGRICULTURAL SOCIETY**  
**SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2017**

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**Note 1 – Reporting Entity**

The Shelby County Agricultural Society (the “Society”), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded 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.

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 including facility rental, track and stall rental, and community events including trade shows. The reporting entity does not include any other activities or entities of Shelby County, Ohio.

Notes 8 and 9, 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Society’s financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis).

***Basis of Accounting***

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***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.

**SHELBY COUNTY AGRICULTURAL SOCIETY**  
**SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2017

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***Capital Assets***

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

***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.

***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 Western Ohio Colt Racing Association (subsequently 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 reports these fees as Total Racing.

***Ohio Fairs Fund*** The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

***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. See Note 4 for additional information.

**SHELBY COUNTY AGRICULTURAL SOCIETY**  
**SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2017

**Note 3 – Deposits**

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

	2017
Demand deposits	\$103,768
Certificates of deposit	25,328
Other time deposits (savings and NOW accounts)	7,611
Total deposits	\$136,707

***Deposits***

The deposits are insured by the Federal Depository Insurance Corporation. As of November 30, 2017, \$0 deposits were not insured or collateralized.

**Note 4 – Horse Racing**

***State Support Portion of Purse***

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2017, was \$8,963, 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 Racing Expenses, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Racing Expenses, and the amount remaining is the Society's net portion.

	2017
Total Amount Bet (Handle)	\$ 5,208
Less: Payoff to Bettors	(4,100)
Parimutuel Wagering Commission	1,108
Tote Service Set Up Fee	(915)
Tote Service Commission	(385)
State Tax	(158)
Society Portion	\$ (349)

**SHELBY COUNTY AGRICULTURAL SOCIETY**  
**SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2017

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**Note 5 – Risk Management**

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 2018.

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

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. 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 York. 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, 2017 (the latest information available), PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u><b>2017</b></u>
Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets include \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Society's share of these unpaid claims collectible in future years is approximately \$8,000.

**SHELBY COUNTY AGRICULTURAL SOCIETY**  
**SHELBY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
 FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2017

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.

<b><u>2017 Contributions to PEP</u></b>
\$13,299

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.

**Note 6 – Social Security**

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2017.

**Note 7 – Debt**

Debt outstanding at November 30, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable for Grandstands	<u>\$57,742</u>	4.25%
Total	<u><u>\$57,742</u></u>	

The Society borrowed \$141,755 for a new Grandstands at an interest rate of 4.25 percent and is due to the First National Bank of New Bremen. The note was entered on April 27, 2017 and matures on April 27, 2021. There is no amortization schedule for this Note; however, the Society paid \$84,013 and \$2,761 in principal and interest respectively in 2017. \$14,438 was paid in fiscal year ending November 30, 2018, with the remaining balance paid in December 2018.

**SHELBY COUNTY AGRICULTURAL SOCIETY**  
**SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT**  
**FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2017**

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**Note 8 – Junior Fair Board**

The Junior Fair Board, which is comprised of 4-H, FFA, and Girl Scout, organization representatives, is responsible for the Junior Fair Division activities of the Shelby County Fair. The Society disbursed \$20,940.89 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Shelby County Commissioners paid the Society \$500 to support Junior Club work. The Junior Fair Board accounts for its activities separately. This accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2017, follows:

	<u>2017</u>
Beginning Cash Balance	\$ 715
Receipts	4,392
Disbursements	<u>(1,965)</u>
Ending Cash Balance	<u><u>\$ 3,142</u></u>

**Note 9 – Junior Livestock Sale Committee**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Shelby County's auction. A flat fee covers the 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 year ended November 30, 2017, follows:

	<u>2017</u>
Beginning Cash Balance	\$ 22,764
Receipts	509,552
Disbursements	<u>(507,896)</u>
Ending Cash Balance	<u><u>\$ 24,419</u></u>

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Society are subject to audit and adjustment by the grantor.

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**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Shelby County Agricultural Society  
Shelby County  
655 Highland Avenue  
Shelby, 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 statement of the cash balances, receipts and disbursements of the Shelby County Agricultural Society, Shelby County, Ohio, as of and for the fiscal year ended November 30, 2017, and the related notes to the financial statement, and have issued our report thereon dated April 22, 2019, wherein we noted the Shelby County Agricultural Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Shelby County Agricultural 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 statement, but not to the extent necessary to opine on the effectiveness of the Shelby County Agricultural 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 Shelby County Agricultural Society's financial statement. 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 Shelby County Agricultural Society's financial statement is 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*.

***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 Shelby County Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Shelby County Agricultural Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
April 22, 2019

# OHIO AUDITOR OF STATE KEITH FABER



**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 25, 2019**