

Fayette County Agriculture Society

Fayette County

Regular Audit

For the Years Ended November 30, 2008 and 2007



Balestra, Harr & Scherer, CPAs, Inc.

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Mary Taylor, CPA

Auditor of State

Board of Directors
Fayette Agricultural Society
213 Fairview Avenue
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the Fayette Agricultural Society, Fayette County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period December 1, 2006 through November 30, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Fayette Agricultural Society is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 15, 2010

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Fayette County Agricultural Society
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Independent Auditor's Report

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

We have audited the accompanying statements of the Fayette County Agricultural Society, Fayette County, (the Society) as of November 30, 2008 and 2007, as of and for the years then ended. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that 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.

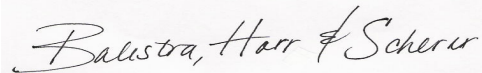
Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2008 and 2007. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, 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 Government 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 combined fund cash balances of the Fayette County Agricultural Society, Fayette County, as of November 30, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2008 and 2007. 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 February 12, 2010 on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
February 12, 2010

Fayette County Agricultural Society
*Statement of Receipts, Disbursements, and
Change in Cash Balance for the Years Ended
November 30, 2008 and 2007*

	2008	2007
Operating Receipts:		
Admission	\$233,229	\$237,073
Privilege Fees	66,095	59,430
Rentals	125,288	123,829
Substaining and Entry Fees	63,906	53,701
Parimutuel Wagering Commission	533	1,262
Other Operating Receipts	161,722	18,871
Total Operating Receipts	650,773	494,166
Operating Disbursements:		
Wages and Benefits	84,969	77,248
Utilities	72,765	72,457
Professional Services	70,881	70,068
Equipment and Grounds Maintenance	71,715	63,193
Race Purse	55,100	58,524
Senior Fair	64,085	58,270
Junior Fair	18,162	17,510
Capital Outlay	122,867	8,005
Other Operating Disbursements	150,958	95,332
Total Operating Disbursements	711,502	520,607
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(60,729)	(26,441)
Non-Operating Receipts (Disbursements):		
State Support	26,148	29,044
County Support	2,800	2,800
Donations/Contributions	56,347	4,966
Investment Income	114	150
Debt Service	(43,684)	(67)
Net Non-Operating Receipts (Disbursements)	41,725	36,893
Excess (Deficit) of Receipts over (Under) Disbursements	(19,004)	10,452
Cash Balance, Beginning of Year	24,250	13,798
Cash Balance, End of Year	\$5,246	\$24,250

See accompanying notes to the basic financial statements.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fayette County Agricultural Society, Fayette County, Ohio (the Society), is a body corporate and politic 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 1881 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Fayette County Fair during July. During the fair, harness races are held. Fayette County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 13 directors serving staggering terms, elected from the membership of the Society. Members of the Society must be residents of Fayette County and pay annual membership fees 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 and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

Notes 7 and 8, respectively, summarize the 4-H Committee 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. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and disbursements when paid when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribe or permits.

C. Cash and Deposits

The Society's funds are pooled in a checking and savings account with a local community bank. Interest earned is recognized and recorded when received.

D. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income Tax Status

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

F. Race Purse

Stake races are conducted during the Fayette 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. These payments must be made 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. CASH AND DEPOSITS

The carrying amount of cash and investments at November 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$5,246	\$24,250

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 for 2007 and \$250,000 for 2008 of the Society's bank balance.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

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 were \$26,148 and \$29,044 respectively, as State Support.

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 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.

4. DEBT AGREEMENT – PAYMENTS TO THE COUNTY

During 2006 the Society opened a \$150,000 Line of Credit with Merchant's Bank. There was activity on the line of credit in 2008, the Society had drawdown of \$136,300 and payments of \$43,286 with a remaining balance of \$93,014 outstanding as of 2008.

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For years ending November 30, 2008 and 2007 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2008.

6. RISK MANAGEMENT

The Fayette County Commissioners provide general insurance coverage for all the buildings on the Fayette County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000. The Society's Treasurer and Secretary are bonded with coverage of \$10,000 for each position

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

7. 4-H COUNCIL

The Fayette County 4-H Council, 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 Fayette County Fair. The Society disbursed \$18,162 for the year ended November 30, 2008, and \$17,510 for the year ended November 30, 2007 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statements 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 total receipts and disbursements the years ended November 30, 2008 and November 30, 2007 follows:

	<u>2008</u>	<u>2007</u>
Beginning Cash Balance	\$1,974	\$21
Receipts	18,162	17,510
Disbursements	<u>-14,868</u>	<u>-15,557</u>
Ending Cash Balance	<u>\$5,268</u>	<u>\$1,974</u>

8. 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 Fayette County's auction. Monies to cover the cost of the auction are generated through a 2.5% commission assessed on the auction price, plus \$10 a head for cattle and 5% commission assessed on the auction price for goats, lambs and hogs and are retained by the Junior Livestock Sale Committee. The total auction amount for the year ended November 30, 2008 was \$315,457 and the Junior Livestock Sale Committee received \$2,172. The total auction amount for the year ended November 30, 2007 was \$302,877 and the Junior Livestock Sale Committee received \$14,416. The Junior Livestock Sale Committee's financial activity for the years ended November 30, 2008 is included in the Junior Fair Board financial activity in Note 8.



**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based Required
by *Government Auditing Standards***

Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, Ohio 43160

We have audited the accompanying financial statements of the Fayette County Agricultural Society, (the Society), as of and for the years-ended November 30, 2008 and November 30, 2007, and have issued our report thereon dated February 12, 2009, which collectively comprise the Society's basic financial statements, wherein we noted the Society follows 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Society's financial statements that is more than inconsequential will not be prevented or detected by the Society's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Society's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

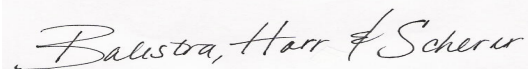
We noted other matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated February 12, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain noncompliance not requiring inclusion in this report that we reported to the Society's management in a separate letter dated February 12, 2010.

This report is intended solely for the information and use of management and members of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
February 12, 2010

FAYETTE COUNTY AGRICULTURAL SOCIETY
 FAYETTE COUNTY
 NOVEMBER 30, 2008 AND 2007

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Noncompliance Citation and Material Weakness – Properly maintaining records	Yes	
2006-002	Material Weakness – Segregation of Duties	Yes	



Mary Taylor, CPA
Auditor of State

FAYETTE COUNTY AGRICULTURAL SOCIETY

FAYETTE 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 6, 2010**