



**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2005-2004



Mary Taylor, CPA
Auditor of State

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

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Mary Taylor, CPA
Auditor of State

Summit County Agricultural Society
Summit County
P.O. Box 89
Tallmadge, Ohio 44278

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 a February 2, 2005 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 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 8, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Summit County Agricultural Society
Summit County
P.O. Box 89
Tallmadge, Ohio 44278

To the Board of Directors:

We have audited the accompanying financial statements of Summit County Agricultural Society, Summit County, Ohio, (the Society) as of and for the years ended November 30, 2005 and 2004. 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. The Auditor of State billed the Society approximately \$5,000 for audit services provided for fiscal years 2003 and 2002 and as of the date of this report, approximately \$6,400 is unpaid (which includes current audit fees). AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments and Ohio Revised Code § 117.13 include provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. 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.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the years ended November 30, 2005 and 2004. 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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position or cash flows 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 Summit County Agricultural Society, Summit County, Ohio as of November 30, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Management has asserted the valuation of the Summit County Loan is \$1,000,000 which is presented in Note 4. Summit County (the County) has asserted the amount the Society owes is \$1,381,369 and the Society has defaulted on the Loan. As discussed in Notes 4 and 8, the Society is involved in litigation with the County concerning certain debt owed to the County by the Society, as well as certain other related issues. Management feels this litigation will result in a negotiated settlement. The ultimate outcome of this litigation cannot be presently determined. Nevertheless, due to the uncertainties with the lawsuit, it is at least reasonably possible that these matters could have an unfavorable outcome for the Society.

The Society has incurred late fees and overdraft charges and, as discussed in Note 7 has failed to remit certain payroll taxes to the appropriate authorities for the last two years. Management's plans to raise additional revenues and control certain disbursements are described in Note 11.

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, 2005 and 2004. 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 8, 2007, 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.



Mary Taylor, CPA
Auditor of State

March 8, 2007

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2005 AND 2004**

	2005	2004
Operating Receipts:		
Admissions	\$145,011	221,595
Privilege Fees	80,565	75,244
Rentals	149,904	171,758
Sustaining and Entry Fees	111,900	136,400
Parimutuel Wagering Commission	34,867	18,706
Utilities	26,911	30,525
Other Operating Receipts	59,931	47,730
Total Operating Receipts	609,089	701,958
Operating Disbursements:		
Wages and Benefits	93,568	97,451
Utilities	73,177	95,058
Professional Services	41,705	101,214
Equipment and Grounds Maintenance	130,735	141,124
Race Purse	158,300	179,200
Senior Fair	47,146	43,534
Junior Fair	11,086	10,032
Capital Outlay	11,884	12,199
Advertising	41,343	18,421
Other Operating Disbursements	49,146	46,069
Total Operating Disbursements	658,090	744,302
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(49,001)	(42,344)
Non-Operating Receipts (Disbursements):		
State Support	32,044	33,982
Donations/Contributions	31,085	31,162
Investment Income	194	187
Debt Service	(2,268)	(3,089)
Net Non-Operating Receipts	61,055	62,242
Excess of Receipts Over Disbursements	12,054	19,898
Cash Balance, Beginning of Year	27,921	8,023
Cash Balance, End of Year	\$39,975	\$27,921

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

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**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004**

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 Summit County Agricultural Society, Summit 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 1957 to operate an annual agricultural fair. The Society sponsors the week-long Summit County Fair during July. During the fair, harness races are held. Summit County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 26 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Summit 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 held at Northfield Park. Other year round activities at the fairgrounds include facility rental, stall rental, and community events including horse shows. The reporting entity does not include any other activities or entities of Summit County, Ohio.

Note 10 summarizes the Junior Fair Board'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

This financial statement follows 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 rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

All cash received by the Society is maintained in demand deposit accounts.

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.

E. Income Tax Status

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

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

Stake races are held during the Summit County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund, the net pari-mutuel wagering commission, and amounts contributed by Northfield Park and the Society as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and Buckeye Super Stakes pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. CASH

The carrying amount of cash at November 30, 2005 and 2004 was \$39,975 and \$27,921, respectively, and was covered by Federal Depository Insurance Corporation (FDIC)

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, 2005 and 2004 of \$24,304 and \$25,848, respectively, as State Support.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

3. HORSE RACING (Continued)

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.

	2005	2004
Total Amount Bet (Handle)	\$ 164,163	\$ 87,173
Less: Payoff to Bettors	(129,296)	(68,467)
Parimutuel Wagering Commission	34,867	18,706
Tote Service Breakage	353	207
Tote Service Commission	(14,692)	(7,746)
State Tax	(5,482)	(3,215)
Society Portion	\$ 15,046	\$ 7,952

4. DEBT AND RELATED PARTY TRANSACTIONS

Debt outstanding at November 30, 2005 was as follows:

	Principal	
Summit County Loan	\$1,000,000	(to potentially \$1,381,369)
Personal Loan	5,984	
Total	\$1,005,984	(to potentially \$1,387,353)

During 1993, the Society entered into an agreement with Summit County for the construction of an Arena Complex in the amount of \$1,490,000. Subsequently, bonds were issued by the County for construction cost of the Arena, and the Society was required to make payments to the County in an amount necessary to service the bonds. The County believes the total principal outstanding at November 30, 2005 was \$1,381,369, while the Society believes the balance is approximately \$1,000,000. Due to this disparity, the annual debt service for this loan cannot be determined. The disagreement regarding the amount owed by the Society to the County is part of pending litigation. See Note 8.

In addition to this loan agreement, the Society entered into a lease agreement with Summit County for the lease of land for an annual fee of \$1 through March 2018. Due to the pending litigation between the two parties, no payments were made to Summit County during the audit period.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

4. DEBT AND RELATED PARTY TRANSACTIONS (Continued)

The \$5,984 personal loan relates to a \$17,000 loan the Society received from its Board President on January 11, 2000 to pay a certain vendor. At its inception, the loan carried an interest rate of 9.5% and was expected to be repaid within 2 years, although no additional interest was to be accrued for delinquent payments beyond the original term of the loan. No payments were made on this loan during the audit period.

The Secretary/Treasurer's spouse, who also serves as an Assistant Concession Manager and a Board of Directors Member, provided snowplowing at a discount as an independent contractor to the Society in the amounts of \$3,850 and \$7,250 in 2005 and 2004, respectively. Every 2 to 3 years, the Board of Directors solicits bids from independent contractors for snowplowing services. It is the Board's policy to accept the lowest and best bid for these services.

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004, employees contribute 6.2% of their gross salaries. The Society was responsible for contributing an amount equal to 6.2% of participant's gross salaries through November 30, 2005 and 2004.

6. RISK MANAGEMENT

The Society provides health coverage for full-time, supervisory employees through an insurance company.

Summit County provides general insurance coverage for all the buildings on the Summit County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. The Ohio Fair Participating Plan provides general liability and vehicle insurance, with limits of \$1,000,000 and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Secretary/Treasurer is bonded with coverage of \$100,000.

7. NONCOMPLIANCE

Contrary to 26 U.S.C Sections 3402 and 3102(a), the Society has not remitted federal payroll taxes and medicare taxes collected for the period November 2000 through November 2005. These procedures may subject the Society to certain interest and penalties. As of November 30, 2005, the Society collected and did not remit federal payroll taxes of approximately \$10,222 and \$15,621 for the fiscal years of 2005 and 2004, respectively, including medicare and social security.

Contrary to Ohio Rev. Code Section 1711.13(B) (which became effective September 26, 2003), the Society's total net indebtedness exceeds an amount equal to twenty-five percent of its annual revenues, mainly because of the 1993 loan.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

8. LITIGATION

The Society brought suit against Summit County seeking injunctive relief against the County to:

- prohibit the County from evicting the Agricultural Society from the fairgrounds
- receive funds due the Society from the County pursuant to R.C. 1711.01, 1711.02, 1711.03, 1711.22 and 1711.24
- obtain funding from the County in conformance with Summit County Ord. No. 2000-430 for an indoor athletic surface for the arena in the sum of \$200,000, and
- for an accounting for funds actually due the County per agreement for payment for the arena

In the same action, the County counter-sued seeking eviction and monies due in conjunction with the arena construction. The Court ruled in the Society's favor and against the County and granted the injunctive relief prohibiting the County from evicting the Society from the fairgrounds. The County counter-sued on the basis of contract claiming that certain monies are owed with respect to the outstanding obligation with the arena.

Previously, the parties had reached a Memorandum of Understanding that was to conclude this matter. It was to involve the payment of agreed monies to the County. The settlement agreement has not been completed as the parties have made many attempts to conclude this matter. The outcome of this matter is uncertain but it is believed that a settlement agreement will be completed.

9. SUBSEQUENT EVENTS

In September 2006, a resolution was passed by Summit County Council to transfer the approximately 66.77 acres of County property upon which the fairgrounds sit to the Summit County Agricultural Society and forgive the \$1,381,369 debt owed by the Society. In October 2006, this resolution was vetoed by the County Executive.

10. 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 Summit County Fair. The Society disbursed \$11,086 and \$10,032 for fiscal years 2005 and 2004, 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.

11. MANAGEMENT PLANS

The Society has incurred late charges and fees; as discussed in Note 7, has failed to remit federal payroll taxes to the Internal Revenue Service and has a total net indebtedness in excess of twenty-five percent of its annual revenues; and has payables older than 90 days totaling \$57,677 and \$72,981 for fiscal years 2005 and 2004, respectively.

In response, the Arena Advisory Committee continues to discuss legal issues including a possible settlement agreement with Summit County as discussed in Note 8. Additionally, the Arena Advisory Committee reviews financial data and is striving to prepare a plan for the future use of the Arena and its role in the Summit County Fair. With the Arena Advisory Committee's assistance, the Society continues to investigate ways in order to increase revenues and decrease expenditures, including investigating the possibility of applying for grants for programs related to the Society's pursuits.

Additionally, as discussed in Note 4, the Society continues to receive assistance from various related parties who support the Society's purpose and goals.

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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

Summit County Agricultural Society
Summit County
P.O. Box 89
Tallmadge, Ohio 44278

To the Board of Directors:

We have audited the financial statements of the Summit County Agricultural Society, Summit County, Ohio, (the Society) as of and for the years ended November 30, 2005 and 2004, and have issued our report thereon dated March 8, 2007, 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, a discrepancy exists in the valuation of the Society's loan from Summit County, the Society was involved in litigation, has unpaid audit fees, incurred late fees, overdraft charges, and failed to remit payroll taxes. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

In a separate letter to the Society's management dated March 8, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Summit County Agricultural Society
Summit County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the finance/audit committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 8, 2007

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation

26 U.S.C. Section 3402 requires that an employer is required to deduct and withhold federal income tax from the salaries and wages of their employees. Such withholdings are to be remitted to the Internal Revenue Service.

26 U.S.C. Section 3102(a) requires employers to withhold a Medicare tax from an employee's wages if the employee was hired after April 1, 1986.

During fiscal year 2005 and 2004, the Society withheld federal payroll taxes from employees; however, the Society did not remit these taxes to the Internal Revenue Service. For the tax years ended December 31, 2005 and 2004, the Society collected but failed to remit approximately \$10,222 and \$15,621, respectively, including Medicare and Social Security. These payroll taxes are not assets of the Society and all unpaid taxes should be forwarded to the Internal Revenue Service.

The Society should implement procedures to ensure that all required federal payroll taxes are submitted to Internal Revenue Services as required.

Officials' Response: The Society is currently remitting on time payments for federal income tax and medicare withholdings and is in the progress of paying delinquent tax payments.

FINDING NUMBER 2005-002

Noncompliance Citation

Ohio Rev. Code Section 1711.13 (B) provides that county agricultural societies may enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society provided that the agreements are in writing and are first approved by the board of directors of the society. It additionally states the total net indebtedness incurred by a county agricultural society pursuant to this division shall not exceed an amount equal to twenty-five percent of its annual revenues.

In the past, the Society entered into several debt/loan agreements which were not always in writing. As a result, the specific terms and conditions were unknown. For example, a personal loan from a Board member in 2000 was not committed to writing. Additionally, a purchase agreement for two tractors from an individual in 2002 that was paid off in 2005 was not committed to writing. For the agreements which were in writing, the terms and conditions were not specific, nor were they readily available. For example, the Society entered into an agreement with Summit County for the construction of an Arena Complex in the amount of \$1.4 million and a capital improvement for the construction of a sports floor for the Arena in the amount of \$200,000. Subsequent additional stipulations were agreed upon for the sports floor, but were not formalized in writing. Consequently, the Society is in dispute with the County regarding this debt.

Additionally, the Society did not maintain a debt ledger which includes key information relating to debt outstanding and payments paid on principal and interest. This does not provide adequate information to monitor the Society's long-term obligations. However, we performed other procedures to help ensure completeness and accuracy of the debt as presented in the financial statement and notes.

FINDING NUMBER 2005-002 (Continued)

Lastly, for fiscal years 2005 and 2004, the total net indebtedness for the Society exceeded twenty-five percent of its annual revenues because the debt was secured before this law was in place.

The Society should implement procedures to ensure that all significant contracts and agreements are written, and readily available. The Society should also ensure the terms and conditions are both completely understood and fully incorporated into the contract or agreement. A debt ledger should be created and maintained to include pertinent information such as debt outstanding and payments paid on principal and interest. Maintaining this information will assist in tracking debt obligations of the Society and in keeping management apprised of debt activity.

Officials' Response: The Society recognizes the need for signed agreements and debt ledgers as found during the audit of the 2002 and 2003 fiscal years. The Society will, when applicable, retain a debt ledger (although no such agreements have occurred to this nature). The Society would, however, like to make note that the Society does carry an accounts payable ledger and the two should not be confused as one in the same. In addition, the Society recognizes that aged agreements were not in writing and has not entered into any further agreements without being in writing.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code Section 5747.07 (B)(3) – Failure to remit state withholding taxes	Yes	Finding No Longer Valid
2003-002	26 U.S.C. Sections 3401 through 3406 and 3102(a) – Failure to remit federal withholding taxes	No	Not Corrected. Reissued as Finding 2005-001
2003-003	Tallmadge City Ordinance #38-1999 and #92-003 – Failure to remit local withholding taxes	Yes	Finding No Longer Valid
2003-004	Debt agreements not in writing	No	Not Corrected. Reissued as Finding 2005-002



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

SUMMIT 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 10, 2007**