



Dave Yost • Auditor of State

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

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Dave Yost • 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 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

November 26, 2012

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Dave Yost • 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 the Summit County Agricultural Society, Summit County, Ohio, (the Society) as of and for the years ended November 30, 2011 and 2010. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the regulatory cash basis receipts, disbursements and change in cash balance the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Society's larger (i.e. major) funds separately. 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 governments 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances as of November 30, 2011 and 2010 of the Summit County Agricultural Society, Summit County, Ohio, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2012, 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

November 26, 2012

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2011 AND 2010**

	2011	2010
Operating Receipts:		
Admissions	\$ 149,717	\$ 151,055
Privilege Fees	68,953	69,900
Rentals	138,566	152,337
Sustaining and Entry Fees	49,000	67,300
Parimutuel Wagering Commission	21,976	18,795
Utilities	18,644	20,903
Other Operating Receipts	77,230	73,389
Total Operating Receipts	524,086	553,679
Operating Disbursements:		
Wages and Benefits	142,862	158,422
Utilities	33,316	33,107
Professional Services	48,442	61,441
Equipment and Grounds Maintenance	120,830	110,424
Race Purse	75,971	94,680
Senior Fair	50,156	56,140
Junior Fair	8,253	10,853
Capital Outlay	1,500	14,183
Advertising	23,063	12,491
Other Operating Disbursements	44,926	42,281
Total Operating Disbursements	549,319	594,022
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(25,233)	(40,343)
Non-Operating Receipts		
State Support	19,524	22,192
Donations/Contributions	14,119	15,925
Investment Income	13	26
Sale of Assets	0	310
Total Non-Operating Receipts	33,656	38,453
Excess (Deficiency) of Receipts Over (Under) Disbursements	8,423	(1,890)
Cash Balance, Beginning of the Year	15,054	16,944
Cash Balance, End of the Year	\$ 23,477	\$ 15,054

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

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**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010**

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, Ohio, (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 24 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. Other year round activities at the fairgrounds include facility rentals, storage rental, and community events such as dog shows and craft shows. The reporting entity does not include any other activities or entities of Summit County, Ohio.

Note 8 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. Accounting Basis

This financial statement follows 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.

This statement includes 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 records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(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 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.

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 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 AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2011 and 2010 was \$23,477 and \$15,054 respectively, and was covered by Federal Depository Insurance Corporation (FDIC). In addition, the Society maintained \$2,150 in undeposited cash on hand at November 30, 2011 and 2010.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement the purse for the year ended November 30, 2011 and 2010 of \$12,776 and \$15,040, respectively, 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.

	2011	2010
Total Amount Bet (Handle)	\$ 105,503	\$ 88,682
Less: Payoff to Bettors	(83,527)	(69,887)
Parimutuel Wagering Commission	21,976	18,795
Tote Service Breakage	8	128
Tote Service	(9,053)	(7,853)
State Tax	(3,871)	(3,089)
Society Portion	\$ 9,060	\$ 7,981

4. DEBT AND RELATED PARTY TRANSACTIONS

Debt outstanding at November 30, 2011 was as follows:

	2011
Summit County Loan	\$973,340
Personal Loan	3,456
Total	\$976,796

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

4. DEBT AND RELATED PARTY TRANSACTIONS (continued)

The Summit County Loan originated in 1993 and was for the construction of an Arena Complex, the principal amount was \$906,000. The County of Summit entered into an agreement with the Society on December 19, 2007. As part of the agreement, the County agreed to forgive the outstanding debt owed by the Society at the rate of one-tenth of the debt per year provided the Society is in compliance with the terms and conditions of the agreement, which in addition to conducting an annual fair includes the Society's participation in a process for developing a Summit County Fairgrounds Operational Plan and participation in reviews of operations and implementation of policies, procedures and recommendations by the Summit County Internal Audit Department. For the years ending 2011 and 2010, the Society has completed participation in a process for developing an Operational Plan and in a review by the Summit County Internal Audit Department, therefore, the County forgave \$162,223.26 each year. These amounts are not reflected as disbursements on the financial statements based on the Society's accounting basis.

The \$3,456 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 two years, although no additional interest was to be accrued for delinquent payments beyond the original term of the loan. For the years ended 2011 and 2010, the individual forgave \$300 each year. These payments are not reflected as disbursements on the financial statements based on the Society's accounting basis.

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2011 and 2010, employees contributed 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, 2011 and 2010.

6. RISK MANAGEMENT

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

The County of Summit provides general insurance coverage for all the buildings on the Summit County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 aggregate each. This policy includes crime coverage for employee dishonesty with limits of liability of \$5,000 with no deductible and wrongful acts coverage with limits of liability of \$2,000,000 with a \$2,500 deductible.

7. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 1711.13(B), the Society's total net indebtedness at November 30, 2011 and 2010 exceeded an amount equal to twenty-five percent of its annual revenues.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

8. 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 \$8,253 and \$10,853 for fiscal years 2011 and 2010, 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.

9. MANAGEMENT PLANS

The Society has a total net indebtedness in excess of twenty-five percent of its annual revenues; as discussed in Note 7. In addition, on August 12, 2011, the Internal Revenue Service placed a notice of levy against the Society's bank account in the amount of \$141,861 which includes interest and late payment penalty to September 8, 2011. This levy was placed for unpaid federal income and medicare taxes for the quarterly periods ending June 30, 2002 through December 31, 2004.

In response, the Society continues to investigate ways in order to increase revenues and decrease expenditures, including participation in the development of a Summit County Fairgrounds Operational Plan conducted by and under the supervision of the Ohio State University Extension Service, which was completed in September 2009. In addition, the Society will participate in reviews of operations and will implement the policies, procedures and recommendations by the Summit County Internal Audit Department as required by the operating agreement with Summit County as discussed in Note 4. Additionally, the Society continues to investigate 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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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, 2011 and 2010, and have issued our report thereon dated November 26, 2012, wherein we noted the Society followed accounting practices the Auditor of State prescribes or permits 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.

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 more than a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 an instance of noncompliance or other matter we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2011-01.

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 also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated November 26, 2012.

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 the finance/audit committee, management, the 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

November 26, 2012

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Net Indebtedness

<i>Finding Number</i>	2011-01
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NONCOMPLIANCE

Ohio Rev. Code Section 1711.13 (B) requires the total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

For fiscal years 2011 and 2010, the total net indebtedness for the Society exceeded twenty-five percent of its annual revenues by more than \$700,000. Additionally, the Society did not maintain a debt ledger which includes key information relating to the Society's debt. This does not provide for adequate information to monitor the Society's long-term obligations.

Although the Society has entered into an agreement with the County of Summit (to whom the majority of the Society's debt is owed) in which the County agreed to forgive the debt over a ten year period, the Society should create and maintain a debt ledger documenting all pertinent information for all Society debt such as the terms and conditions of each loan, debt outstanding, any payments paid on principal and interest, and any amounts forgiven. Maintaining this information will assist in tracking debt obligations of the Society and in keeping management apprised of debt activity.

Official's Response: While the Society may not have a labeled "Debt Ledger" describing this fee, the Society does have a file with the agreement terms and we monthly report the debt to the Board; showing the debt, credits and current balance.

This is a finding that will continually be made against the Society in all future audits for approximately a five or six year period.

The County debt that is carried is the only debt that would be applicable to a debt ledger.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	26 U.S.C. Sections 3402 and 3102(a) – Failure to remit federal income and Medicare withholding taxes	No	Partially Corrected. See footnote 9. Although taxes for the current audit period have been remitted, the IRS placed a notice of levy for unpaid taxes during 2002 through 2004.
2009-002	Ohio Rev. Code Section 1711.13(B) – Debt exceeds 25% of annual revenue and debt agreements not in writing	No	Not Corrected. Reissued as Finding 2011-01
2009-003	Ohio Rev. Code Section 5747.07(B)(3) – Failure to remit State employment taxes	Yes	Finding No Longer Valid.
2009-004	City of Tallmadge Ordinance #38-1999 – Failure to remit City income taxes	Yes	Finding No Longer Valid.



Dave Yost • Auditor of State

SUMMIT COUNTY 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
DECEMBER 13, 2012**