



**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED NOVEMBER 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the accompanying financial statement of the Summit County Agricultural Society, Summit County, Ohio, (the Society) as of and for the year ended November 30, 2001. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in paragraph four, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Management was unable to provide sufficient evidence to us to support the valuation of the Summit County Loan presented at \$800,000 in Note 3. Summit County has asserted the amount the Society owes is \$1,301,065 and that the Society has defaulted on the Loan.

In our opinion, except for revisions that may have been necessary to the amount disclosed for the Summit County Loan in Note 3, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30, 2001, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

As discussed in Notes 3 and 8, the Society is involved in litigation with Summit County (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 5, has failed to remit certain payroll taxes to the appropriate authorities for the last year. Management's plans to raise additional revenues and control certain expenses are described in Note 9.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2002 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 grants. 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.

This report is intended solely for the information and use of management and the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

August 9, 2002

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2001**

Operating Receipts:

Admissions	\$ 261,078
Rentals	175,570
Sustaining and Entry Fees	146,200
Privilege Fees	62,869
Parimutuel Wagering Commission	13,764
Utilities	41,898
Other Operating Receipts	<u>77,623</u>
 Total Operating Receipts	 779,002

Operating Disbursements:

Race Purse(s)	195,600
Equipment and Grounds Maintenance	133,696
Professional Services	132,743
Wages and Benefits	118,613
Utilities	88,222
Senior Fair	40,669
Junior Fair	15,610
Capital Outlay	40,084
Advertising	45,380
Other Operating Disbursements	<u>66,788</u>
 Total Operating Disbursements	 <u>877,405</u>

(Deficiency) of Operating Receipts	
(Under) Operating Disbursements	(98,403)

Non-Operating Receipts (Disbursements):

State Support	40,483
Proceeds of Loans	40,000
Donations/Contributions	61,807
Investment Income	631
Loan Repayments	(51,828)
Interest	<u>(2,322)</u>
 Net Non-Operating Receipts	 <u>88,771</u>

(Deficiency) of Receipts (Under) Disbursements	(9,632)
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Cash Balance, Beginning of Year	<u>23,494</u>
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Cash Balance, End of Year	<u><u>\$ 13,862</u></u>
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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, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Summit County Agricultural Society, Summit 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 formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1957 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Summit County Fair during the month of July. During the fair, harness races are held. Summit 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 consists of 26 directors serving staggered three-year terms, elected from the membership of the Society. 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 Summit County Fairgrounds. This includes the annual fair; Junior Fair Board activities; and other year round activities at the fairgrounds, including facility rental, track and stall rental and community events such as horse shows. In addition, harness racing at Northfield Park during fair week. This reporting entity does not include any other activities or entities of Summit County, Ohio.

The financial activity of the Junior Fair Board is summarized in Note 7.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Society did not have any investments during the audit period.

D. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the first six months of each fiscal year.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

F. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

G. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

H. Race Purse

Stake races are conducted during the annual 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 Buckeye Super Stakes 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. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fair Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement race purse.

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2001 was \$26,800 and is included within State Support on the accompanying financial statement.

I. Parimutuel 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 determined by the parimutuel wagering system. The Society contracts with Northfield Park, which contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

Parimutuel Wagering Commission (Commission) is the Society's share of total parimutuel 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 Parimutuel Wagering Commission.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Parimutuel Wagering (Continued)

The Society does not record the total amount bet or the payoff to bettors in the accompanying financial statement, rather, it records the Parimutuel Wagering Commission (Commission) which is the Society's share of total parimutuel wagers after paying winning bettors. The expenses of providing the parimutuel wagering system are called Tote Services, and these costs are included in Professional Services disbursements. State taxes, which are also paid from the Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2001
Total Amount Bet (Handle)	\$ 150,082
Payoff to Bettors	(118,486)
Parimutuel Wagering Commission	31,596
Northfield Park/Tote Service Breakage	435
Northfield Park/Tote Service Commission	(13,330)
State Tax	(4,937)
Society Portion	\$ 13,764

2. CASH

The carrying amount of cash at November 30, 2001 was \$13,862. Deposits were covered by Federal Depository Insurance Corporation (FDIC).

3. DEBT AND RELATED PARTY TRANSACTIONS

Debt outstanding at November 30, 2001, was as follows:

	Principal	
Summit County Loan	\$800,000	(to potentially \$1.3 million)
CitiCapital Commercial Corp Note	10,879	
Personal Loan	8,688	
	\$ 819,567	(to potentially \$1.32 million)

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

3. DEBT AND RELATED PARTY TRANSACTIONS (Continued)

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 the 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 balance outstanding at November 30, 2001 was \$1,301,065, while the Society believes the balance is approximately \$800,000. 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.

The \$10,879 CitiCapital note relates to a loan of approximately \$21,000 the Society received from CitiCapital Commercial Corp (9.9% interest rate). The note requires quarterly payments of \$1,552 including interest, and matures May 1, 2002. The note proceeds were used to purchase a 1998 Bobcat.

The \$8,688 personal loan relates to a \$17,000 loan the Society received from its Board President on January 11, 2000, (9.5% interest rate) to pay a certain vendor. The Society made sporadic repayments of the loan until March 1, 2001. The Society has not made any payments from March 1, 2001 through the date of these financial statements, and no formal terms of repayment have been established.

On June 21, 2001, the Society received separate \$10,000 loans from three Board members and another interested party. The loans were used to pay initial expenses for the 2001 Summit County Fair. All loans were repaid by July 30, 2001, with 2% interest.

During 2001, the Secretary/Treasurer's spouse, who also serves as an Assistant Concession Manager and a Board of Directors Member, provided snowplowing as an independent contractor to the Society in the amount of \$4,800. It is the policy of the Board that Board Members abstain from voting on such related issues. 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.

Finally, the Society accumulated \$46,574 of accounts payable as of November 30, 2001. In addition, the Society had an outstanding \$5,000 payable for five \$1,000 Certificates of Participation (issued during 1982) at November 30, 2001.

4. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2001, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participating gross salaries through November 30, 2001.

5. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5747.07, the Society has not remitted state withholding taxes collected for the period April 2001 through June 2002. In addition, contrary to 26 U.S.C. Section 3402 and 3102 (a), the Society has not remitted federal payroll taxes and medicare taxes collected for the period November 2000 through June 2002. These procedures may subject the Society to certain interest and penalties. As of November 30, 2001, the Society collected and did not remit State taxes for approximately \$1,614 for the second and third quarters of 2001 (April through September). As of November 30, 2001, the Society collected and did not remit federal payroll taxes for approximately \$18,773 through August 2002, including medicare and social security.

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

6. RISK MANAGEMENT

The Summit County Commissioners provide general insurance coverage for all the buildings on the Summit County Fairgrounds pursuant to Ohio Revised Code Section 1711. 24. General liability and vehicle coverage is provided by the Ohio Fair Participating Plan, with limits of \$1 million and \$3 million in the aggregate. This policy includes crime coverage for employee dishonesty with a liability limit of \$10,000. The Society's Secretary/Treasurer and the Assistant Secretary/Treasurer are separately bonded with coverage of \$100,000.

The Society provides workers compensation coverage for all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 31, 2001.

7. JUNIOR FAIR BOARD

The Junior Fair Board, which consists of 4-H, Future Farmers of America, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Fair. The Society disbursed \$15,610 directly to vendors to support Junior Fair activities. These payments are reflected as Junior Fair disbursements. The Junior Fair Board did not have any financial activity for the year ended November 30, 2001, but merely maintained a \$500 cash balance throughout the fiscal year.

8. LITIGATION

The Society has 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 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. 200-430 for an indoor athletic surface for the arena in the sum of \$200,000, and
- for an accounting for funds actually due County per agreement for payment for the arena

In the same action, the County has countered-sued seeking eviction and monies due in conjunction with the arena construction. The outcome of this matter is uncertain; however, Counsel is of the opinion a negotiated conclusion is likely.

9. MANAGEMENT PLANS

The Society has incurred late fees and overdraft charges, as discussed in Note 5, has failed to remit certain payroll taxes to the appropriate authorities for the last year, and its November 30, 2001 cash balance has decreased to \$13,862.

In response, on February 20, 2002, the Society formed the Save the Fair Fund for the purpose of raising funds for the Society. An Arena Advisory Committee was also recently formed and met on April 15, 2002 to discuss legal issues, define the Society's purpose, and review financial data. The Committee's mission is to assess the current financial situation with the Summit County Arena and to obtain data in order to prepare a plan for the future use of the Arena and its role in the Summit County Fair. The plan will include consideration of the outstanding debt, continuing operations, and maintenance expenses. In addition, the Society will begin to pursue agricultural society grants in order to enhance revenues.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 statement of the Summit County Agricultural Society, Summit County, Ohio, (the Society) as of and for the year ended November 30, 2001, and have issued our report thereon dated August 9, 2002, in which we noted we were unable to obtain evidence supporting the valuation of the Society's loan from Summit County, that the Society was involved in litigation and was also experiencing certain financial difficulties. Except regarding the insufficiency of evidence to support the valuation of loan from Summit County, 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.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-60977-001 and 2001-60977-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated August 9, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2001-60977-003.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weakness.

However, we also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated August 9, 2002.

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



Jim Petro
Auditor of State

August 9, 2002

**SUMMIT COUNTY AGRICULTURAL SOCIETY
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED NOVEMBER 30, 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Noncompliance Citations

FINDING NUMBER 2001-60977-001

Ohio Rev. Code Section 5747.07 (B)(3), states that if an employer's actual or required state payroll tax withholding payments were more than \$2,000 during the 12 month period ending on the 30th day of June of the preceding calendar year, the employer shall make the payment of undeposited taxes for each month during which they were required to be withheld no later than 15 days following the last day of such month. The employer shall file the return prescribed by the tax commissioner with the payment.

During fiscal year 2001, the Society withheld state payroll taxes from employees; however, the Society did not remit these taxes to the State of Ohio. As of November 30, 2001, the Society collected and did not remit State taxes for approximately \$1,614 for the second and third quarters of 2001 (April through September). The Society has continued to collect these taxes during fiscal 2002. However, these taxes were not remitted to the State until August 2, 2002. These payroll taxes are not assets of the Society and all unpaid payroll taxes should be forwarded to the State of Ohio on a quarterly basis.

FINDING NUMBER 2001-60977-002

26 U.S.C. Section 3402, states that an employer is required to deduct and withhold federal income tax from the salaries and wages of their employees and 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 2001, the Society withheld federal payroll taxes from employees; however, the Society did not remit these taxes to Internal Revenue Service. As of November 30, 2001, the Society collected and did not remit federal payroll taxes for approximately \$18,773 through August 2002, including medicare and social security. The Society has continued to collect these taxes during fiscal 2002. However, these taxes have also not been remitted. These payroll taxes are not assets of the Society and all unpaid payroll taxes should be immediately forwarded to the Internal Revenue Service.

Material Weakness

FINDING NUMBER 2001-60977-003

Debt/Lease Agreements

The Society entered into several debt/loan agreements which were not always in writing, therefore, the specific terms and conditions were unknown. For example, the personal loans from Board members were not in 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 the County which subsequently had additional stipulations; however, no formal agreement was entered into between the parties involved. Consequently, the Society is in dispute with the County. Finally, the Society does not maintain a debt ledger which includes key information relating to debt outstanding and payments paid on principal and interest. This does not provide for adequate information to monitor the Society's long-term obligations.

The Society should implement procedures to ensure that all significant contracts and agreements are written, and readily available. Additionally, the Society should also ensure the terms and conditions are both completely understood and fully incorporated into the contract or agreement. Finally, 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.



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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
SEPTEMBER 12, 2002**