



**Auditor of State
Betty Montgomery**

STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Stark County Agricultural Society
Stark County
305 Wertz Avenue NW
PO Box 80279
Canton, Ohio 44708-0279

To the Board of Directors:

We have audited the accompanying financial statement of Stark County Agricultural Society, Stark County, Ohio, (the Society) as of and for the year ended November 30, 2002. 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.

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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30, 2002 and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2003 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.

Stark County Agricultural Society
Stark County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 10, 2003

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2002**

	2002
Operating Receipts:	
Admissions	\$546,591
Privilege Fees	170,579
Rentals	174,254
Sustaining and Entry Fees	37,395
Parimutuel Wagering Commission	7,166
Other	57,402
Total Operating Receipts	993,387
Operating Disbursements:	
Wages and Benefits	159,078
Utilities	65,712
Professional Services	219,558
Equipment and Grounds Maintenance	201,703
Race Purse	69,711
Senior Fair	102,761
Junior Fair	15,635
Capital Outlay	70,578
Other	126,159
Total Operating Disbursements	1,030,895
Excess (Deficiency) of Operating Receipts (Under) Operating Disbursements	(37,508)
Non-Operating Receipts (Disbursements):	
State Support	38,626
County Support	48,431
Donations/Contributions	23,292
Investment Income	3,080
Debt Service	(50,204)
Net Non-Operating Receipts (Disbursements)	63,225
Excess of Receipts Over Disbursements	25,717
Cash Balance, Beginning of Year	212,724
Cash Balance, End of Year	\$238,441

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

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**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Stark County Agricultural Society, Stark County, (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 1849 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Stark County Fair during August/September. During the fair, harness races are held. Stark 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 20 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Stark 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 held during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The community events include the Stark County Italian-American Festival and the Stark County BIA Home and Garden Spectacular. The reporting entity does not include any other activities or entities of Stark County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 9 and Note 10, respectively.

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 maintains monies in a checking account and money market savings account.

D. Budgetary Process

The Budget Committee annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the fiscal year.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(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. 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.

G. Race Purse

Home Talent Colt stake races are conducted during the fair. The Society pays all Sustaining and Entry fees, the required portion of the cash received from the Ohio Fairs Fund, and an amount provided by the Society as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and Home Talent Colt 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. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

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

H. 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 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. See Note 4 for additional information.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)**

2. BUDGETARY ACTIVITY

For the year ended November 30, 2002, the Society's budgeted receipts totaled \$999,600 while actual receipts were \$1,106,816, resulting in no material variances. Additionally, the Society's budgeted disbursements totaled \$993,515 while actual disbursements were \$1,081,099, resulting in a variance of \$87,584.

3. CASH

The carrying amount of cash at November 30, 2002 follows:

	2002
Demand deposits	\$44,856
Money market accounts	193,585
Total deposits	\$238,441

Deposits: \$100,000 of the bank balance was covered by Federal Depository Insurance Corporation (FDIC). The remainder was uninsured and uncollateralized.

4. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$29,488 and is included within State Support on the accompanying financial statement.

Parimutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany 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 expenses are included in Professional Services Disbursements. State taxes, which are also paid from Parimutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2002
Total Amount Bet (Handle)	\$ 35,343
Less: Payoff to Bettors	(28,177)
Parimutuel Wagering Commission	7,166
Tote Service Set Up Fee	(400)
Tote Service Commission	(3,820)
State Tax	(889)
Society Portion	\$ 2,057

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)**

5. DEBT

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
Note Payable for Office Building	\$232,769	8.84%

The \$326,000 Office building Note bears an interest rate of 8.84% and is due to the Key Bank National Association. The note, which is secured by an open-end mortgage, was entered into on March 23, 1999 and matures March 23, 2009. Proceeds of the note were used to construct an office building and are collateralized by the building.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending November 30:	Building Note
2002	\$49,505
2003	49,505
2004	49,505
2005	49,505
2006	49,505
2007 - 2009	115,512
Total	\$363,037

6. RETIREMENT SYSTEM

In 1996, the Society established a 403(b) plan in which all qualified employees may participate. This plan is funded by both Board and employee contributions. The Board contributes \$700 annually to the accounts of the Secretary and Caretaker. All other contributions are funded entirely by the employee.

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2002, 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, 2002.

7. RISK MANAGEMENT

The Society provides health coverage for full-time employees through McKinley Life insurance company.

The Stark County Commissioners provide general insurance coverage for all the buildings on the Stark County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by an Insurance Company with limits of \$1,000,000 individually and in the aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$80,000 during fair week and \$1,000 the remainder of the year. The Society's Secretary and Treasurer are bonded with coverage of \$20,000 each.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 31, 2002.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)**

8. RELATED PARTY TRANSACTIONS

A Board member also owns a company which sold concessions at the fairgrounds throughout the year. The Board member paid the Society \$5,100 for that right.

The Caretaker owns a company which received \$1,500 from the Society for cleaning the grandstands during fair week.

The Caretaker and a Board member also rent horse stables from the Society.

9. 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 Stark County Fair. The Society disbursed \$15,635 directly to vendors to support Junior Fair activities. These costs are reflected as disbursements in the accompanying financial statement as Junior Fair Disbursements. The Society was reimbursed \$500 by Stark County for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 8,663
Receipts	18,736
Disbursements	<u>(18,619)</u>
Ending Cash Balance	<u>\$ 8,780</u>

10. JUNIOR LIVESTOCK SALE COMMITTEE

The individual junior livestock committees (i.e. the Beef Committee, the Swine Committee, etc.) are separate committees 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 Stark County's auction. Monies to cover the cost of the auction are generated through commissions which are retained by the individual livestock committees. The accompanying financial statement does not include the activities of the junior livestock committees. The junior livestock committees' financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 42,533
Receipts	454,046
Disbursements	<u>(459,497)</u>
Ending Cash Balance	<u>\$ 37,082</u>

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Stark County Agricultural Society
Stark County
305 Wertz Avenue NW
PO Box 80279
Canton, Ohio 44708-0279

To the Board of Directors:

We have audited the financial statement of the Stark County Agricultural Society, Stark County, Ohio, (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated April 10, 2003. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Society in a separate letter dated April 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, 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 statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we 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 April 10, 2003.

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Stark County Agricultural Society
Stark County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

April 10, 2003



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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STARK COUNTY AGRICULTURAL SOCIETY

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 12, 2003**