



**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2004-2003



**Auditor of State
Betty Montgomery**

MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Cover Letter.....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Change in Cash Balance For the Year Ended November 30, 2004	5
Statement of Receipts, Disbursements, and Change in Cash Balance For the Year Ended November 30, 2003	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

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**Auditor of State
Betty Montgomery**

Medina County Agricultural Society
Medina County
710 West Smith Road
Medina, Ohio 44256

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 Society 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 22, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Medina County Agricultural Society
Medina County
710 West Smith Road
Medina, Ohio 44256

To the Board of Directors:

We have audited the accompanying financial statements of Medina County Agricultural Society, Medina County, Ohio, (the Society) as of and for the years ended November 30, 2004 and 2003. 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.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 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 year ended November 30, 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, 2004, or its changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Medina County Agricultural Society, Medina County, Ohio, as of November 30, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended November 30, 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 September 22, 2005, 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.



Betty Montgomery
Auditor of State

September 22, 2005

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2004**

	2004
Operating Receipts:	
Admissions	\$504,127
Privilege Fees	192,704
Rentals	67,502
Sustaining and Entry Fees	28,605
Parimutuel Wagering Commission	4,918
Other Operating Receipts	31,382
Total Operating Receipts	829,238
Operating Disbursements:	
Wages and Benefits	160,173
Utilities	51,189
Professional Services	97,051
Equipment and Grounds Maintenance	178,035
Race Purse	55,257
Senior Fair	79,233
Junior Fair	18,380
Capital Outlay	22,703
Other Operating Disbursements	119,004
Total Operating Disbursements	781,025
Excess of Operating Receipts Over Operating Disbursements	48,213
Non-Operating Receipts (Disbursements):	
State Support	33,982
County Support	3,300
Debt Proceeds	27,000
Donations/Contributions	38,085
Investment Income	2,200
Debt Service	(46,195)
Net Non-Operating Receipts (Disbursements)	58,372
Excess of Receipts Over Disbursements	106,585
Cash Balance, Beginning of Year	169,265
Cash Balance, End of Year	\$275,850

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

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2003**

	2003
Operating Receipts:	
Admissions	\$443,243
Privilege Fees	180,055
Rentals	69,324
Sustaining and Entry Fees	29,175
Parimutuel Wagering Commission	5,123
Other Operating Receipts	32,108
Total Operating Receipts	759,028
Operating Disbursements:	
Wages and Benefits	140,598
Utilities	66,617
Professional Services	106,652
Equipment and Grounds Maintenance	209,125
Race Purse	58,838
Senior Fair	66,649
Junior Fair	19,123
Capital Outlay	14,149
Other Operating Disbursements	125,483
Total Operating Disbursements	807,234
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(48,206)
Non-Operating Receipts (Disbursements):	
State Support	36,925
County Support	3,300
Debt Proceeds	116,000
Donations/Contributions	46,129
Investment Income	1,538
Debt Service	(42,748)
Net Non-Operating Receipts (Disbursements)	161,144
Excess of Receipts Over Disbursements	112,938
Cash Balance, Beginning of Year	56,327
Cash Balance, End of Year	\$169,265

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

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003**

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 Medina County Agricultural Society, Medina 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 1845 to operate an annual agricultural fair. The Society sponsors the week-long Medina County Fair during the month of July. Medina County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 30 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Medina 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, harness racing during fair week, and Junior Fair Board Activities. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including dog and horse shows. The reporting entity does not include any other activities or entities of Medina County, Ohio.

Notes 8 and 9, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Basis of Accounting

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.

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

C. Cash and Investments

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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. The Board reviews the budget throughout the year and compares it with actual results.

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Restricted Support - Donations/Contributions

Restricted support includes amounts that donors restrict for specific uses.

G. 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.

H. Race Purse

Harness stake races are held during the Medina 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 Home Talent Horseman's Association 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 4 for additional information.

I. 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 4 for additional information.

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

2. BUDGETARY ACTIVITY

For the year ended November 30, 2004, the Society had budgeted receipts of \$880,375, actual receipts of \$933,805, resulting in a variance of (\$53,430). Additionally, the Society had budgeted disbursements of \$875,686, actual disbursements of \$827,220, resulting in a variance of \$48,466.

For the year ended November 30, 2003, the Society had budgeted receipts of \$795,406, actual receipts of \$962,920, resulting in a variance of (\$167,514). Additionally, the Society had budgeted disbursements of \$1,056,919, actual disbursements of \$849,982, resulting in a variance of \$206,937.

3. CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$275,850	\$160,476
Certificates of deposit		8,789
Total deposits	\$275,850	\$169,265

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money are reported on the financial statements as State Support. These monies totaled \$21,848 and \$24,384 to supplement the purse for two year ended November 30, 2004 and 2003, respectively.

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.

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

4. HORSE RACING (Continued)

Pari-mutuel Wagering (Continued)

	2004	2003
Total Amount Bet (Handle)	\$ 28,877	\$ 30,430
Less: Payoff to Bettors	(23,959)	(25,307)
Parimutuel Wagering Commission	4,918	5,123
Tote Service Set Up Fee	(400)	(400)
Tote Service Commission	(2,285)	(2,417)
State Tax	(710)	(695)
Society Portion	\$ 1,523	\$ 1,611

5. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Insurance Note	\$62,023	4% - 10%
Boom Lift Note	27,000	4.75%
Total	\$89,023	

The \$62,023 Insurance Note bears a variable interest rate between 4% and 10% percent and is payable to Farmer's Savings Bank. The note was entered into on June 25, 2003 and matures August 15, 2008. Proceeds of the note were used to purchase a general liability insurance policy for July 1, 2003 through July 1, 2004.

The \$27,000 Boom Lift Note bears an interest rate of 4.75 percent and is payable to Farmer's Savings Bank. The note was entered into on October 15, 2004 and matures October 15, 2009. Proceeds of the note were used to purchase a boom lift and are collateralized by the boom lift.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Insurance Note	Boom Lift	Interest	Total
2005	14,654	4,911	3,918	\$23,483
2006	15,277	5,144	3,062	23,483
2007	15,926	5,389	2,169	23,484
2008	16,166	5,645	1,236	23,047
2009		5,911	281	6,192
Total	\$62,023	\$27,000	\$10,666	\$99,689

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT

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

The Medina County Commissioners provide general insurance coverage for all the buildings on the Medina County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by the County Risk Sharing Authority with aggregate limits of \$1,000,000 each and an umbrella policy of \$5,000,000. The Society's Treasurer and Secretary are bonded with coverage of \$100,000 and \$50,000, respectively.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 2005.

7. CONTINGENT LIABILITIES

The Society is defendant in several lawsuits. Although the Society's management cannot presently determine the outcome of these suits, its counsel believes their resolution will not materially adversely affect the Society's financial condition.

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 Medina County Fair. The Society disbursed \$18,380 and \$19,123 directly to vendors to support Junior Fair activities during fiscal years 2004 and 2003 respectively. These expenses are reflected as disbursements in the accompanying financial statement as Junior Fair Disbursement. Medina County paid the Society \$500 to support Junior Club work during both fiscal year 2004 and 2003. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30 follows:

	2004	2003
Beginning Cash Balance	\$ 56	\$ 56
Receipts	1,389	1,222
Disbursements	(1,093)	(1,222)
Ending Cash Balance	\$ 352	\$ 56

**MEDINA COUNTY AGRICULTURAL SOCIETY
MEDINA COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

9. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Medina County's auction. A commission of 3 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30 follows:

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$ 7,665	\$ 6,817
Receipts	240,671	236,900
Disbursements	<u>(239,607)</u>	<u>(236,052)</u>
Ending Cash Balance	<u>\$ 8,729</u>	<u>\$ 7,665</u>

10. SUBSEQUENT EVENTS

Litigation – With neither party admitting fault and subsequent to the audit period, the Society paid \$60,000 to settle a lawsuit involving a long-term lease agreement. This suit was filed prior to the end of the November 2004 fiscal year.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Medina County Agricultural Society
Medina County
710 West Smith Road
Medina, Ohio 44256

To the Board of Directors:

We have audited the financial statements of the Medina County Agricultural Society (the Society) as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated September 22, 2005, wherein we noted the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 September 22, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Medina County Agricultural Society
Medina 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 management and Board of Directors. It is not intended for 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

September 22, 2005



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

MEDINA 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
NOVEMBER 22, 2005**