



**Auditor of State
Betty Montgomery**

STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY

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**Auditor of State
Betty Montgomery**

Stark County Agricultural Society
Stark County
P.O. Box 80279
Canton, Ohio 44708-0279

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

October 17, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Stark County Agricultural Society
Stark County
P.O. Box 80279
Canton, Ohio 44708-0279

To the Board of Directors:

We have audited the accompanying financial statements of the Stark County Agricultural Society, Stark 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 for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Stark County Agricultural Society, Stark County, 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 October 17, 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

October 17, 2005

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2004 AND 2003**

	2004	2003
Operating Receipts:		
Admissions	\$532,014	\$426,524
Privilege Fees	182,973	171,609
Rentals	185,670	184,272
Sustaining and Entry Fees	36,870	33,339
Parimutuel Wagering Commission	6,857	5,958
Other	65,404	62,029
Total Operating Receipts	1,009,788	883,731
Operating Disbursements:		
Wages and Benefits	163,825	164,909
Utilities	78,061	85,576
Professional Services	227,449	216,542
Equipment and Grounds Maintenance	174,775	228,658
Race Purse	67,608	66,010
Senior Fair	119,323	91,894
Junior Fair	15,547	17,550
Capital Outlay	47,730	77,378
Other	148,478	144,057
Total Operating Disbursements	1,042,796	1,092,574
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(33,008)	(208,843)
Non-Operating Receipts (Disbursements):		
State Support	33,982	36,925
County Support	48,430	43,430
Donations/Contributions	24,149	29,848
Investment Income	490	1,108
Debt Service	(47,088)	(50,759)
Net Non-Operating Receipts (Disbursements)	59,963	60,552
Excess (Deficiency) of Receipts Over (Under) Disbursements	26,955	(148,291)
Cash Balance, Beginning of Year	90,150	238,441
Cash Balance, End of Year	\$117,105	\$90,150

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, 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 Stark County Agricultural Society, Stark County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1849 to operate an annual agricultural fair. The Society sponsors the week-long Stark County Fair during August/September. Stark County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 20 directors serving staggered three-year terms. Society members elect Board members from its membership. 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 include facility rental and community events. The community events include the Stark County Italian-American Festival and the Pro Football Hall of Fame Ribs Burn Off. The reporting entity does not include any other activities or entities of Stark County, Ohio.

Notes 10 and 11, 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 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 first six months of each fiscal year. The Board reviews the budget throughout the year and compares it with actual results.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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.

G. Race Purse

Home Talent Colt stake races are held during the Stark County Fair. The Society pays all Sustaining and Entry fees, the required portion of the cash received from the Ohio Fairs Fund, and the Society also contributes an additional amount for Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Home Talent Colt 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.

H. 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.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK 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 \$1,139,200, actual receipts of \$1,116,839, resulting in a variance of \$(22,361). Additionally, the Society had budgeted disbursements of \$1,139,200, actual disbursements of \$1,089,884, resulting in a variance of \$49,316. For the year ended November 30, 2003, the Society had budgeted receipts of \$1,119,200, actual receipts of \$995,042 resulting in a variance of \$(124,158). Additionally, the Society had budgeted disbursements of \$1,086,900, actual disbursements of \$1,143,333, resulting in a variance of \$(56,433).

3. CASH

The carrying amount of cash at November 30, 2004 and 2003 follows:

	2004	2003
Demand deposits	\$117,105	\$90,150
Total deposits	\$117,105	\$90,150

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance per bank. The entire year end bank balance is FDIC insured.

4. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2004 and 2003 were \$25,848 and \$28,384 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.

	2004	2003
Total Amount Bet (Handle)	\$ 33,882	\$ 29,195
Less: Payoff to Bettors	(27,025)	(23,237)
Parimutuel Wagering Commission	6,857	5,958
Tote Service Set Up Fee	(400)	(400)
Tote Service Commission	(3,599)	(3,067)
State Tax	(929)	(839)
Society Portion	\$ 1,929	\$ 1,652

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

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

5. DEBT

Debt outstanding at November 30, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable for Office Building	\$163,276	6.79%

The \$182,284 Office building Note bears an interest rate of 6.79% and is due to the Key Bank National Association. The note, which is secured by an open-end mortgage, was entered into on May 21, 2004 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:

<u>Year ending November 30:</u>	<u>Building Note</u>
2005	\$44,466
2006	44,466
2007	44,466
2008	44,466
2009	14,822
Total	\$192,686

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 2004 and 2003, 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, 2004.

7. RISK MANAGEMENT

The Society provides health coverage for full-time, supervisory 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 Rev. Code Section 1711.24. A private company provides general liability with limits of \$5,000,000 in the aggregate and \$1,000,000 per each occurrence. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000. The Society's Office and Grounds Administrator and Treasurer are bonded with coverage of \$20,000 each.

8. PENDING LITIGATION

The Society is defendant in two 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.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

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

9. RELATED PARTY TRANSACTIONS

A Board member owns a company which sold concessions at the fairgrounds throughout the year. The Board member paid the Society \$6,725 and \$4,600 during 2004 and 2003 respectively for that right.

The Caretaker owns a company which received \$1,500 each year from the Society for cleaning the grandstands during the 2004 and 2003 fair weeks.

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

10. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Holmes County Fair. The Society disbursed no monies directly to the Junior Fair Board and \$15,547 and \$17,550 for 2004 and 2003, 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. Stark County paid the Society \$500 to support Junior Club work. 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 years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 16,788	\$ 11,372
Receipts	37,369	26,340
Disbursements	(37,562)	(20,924)
Ending Cash Balance	\$ 16,595	\$ 16,788

11. 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 Stark County's auction. A commission 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 years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 52,863	\$ 34,490
Receipts	537,047	501,124
Disbursements	(548,181)	(482,751)
Ending Cash Balance	\$ 41,729	\$ 52,863

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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*

Stark County Agricultural Society
Stark County
P.O. Box 80279
Canton, Ohio 44708-0279

To the Board of Directors:

We have audited the financial statements of the Stark County Agricultural Society, Stark County, Ohio, (the Society) as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated October 17, 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 October 17, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Society's management dated October 17, 2005, we reported another matter related to noncompliance we deemed immaterial.

Stark County Agricultural Society
Stark 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 audit committee, 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

October 17, 2005



**Auditor of State
Betty Montgomery**

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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
DECEMBER 13, 2005**