



**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED NOVEMBER 30, 2007-2006**



**Mary Taylor, CPA**  
Auditor of State



THE SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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

To the Board of Directors:

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 11, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Summit County Agricultural Society of Ohio, Summit County, (the Society) as of and for the years ended November 30, 2007 and 2006. 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. The Auditor of State billed the Society approximately \$5,200 for audit services provided for fiscal years 2005 and 2004 and \$5,000 for fiscal years 2003 and 2002. As of June 30, 2008, \$6,993 remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments and Ohio Revised Code § 117.13 includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. 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.

While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits.

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Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Summit County Agricultural Society of Ohio, Summit County, as of November 30, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Society has incurred late fees, overdraft charges, and as described in Note 7 has failed to remit certain payroll taxes to the appropriate authorities for the last two years. Additionally, the net indebtedness exceeds the amount allowed by the Ohio Revised Code. Management's plans to raise additional revenues and control certain disbursements are described in Note 11.

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 11, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

September 11, 2008

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating Receipts:</b>		
Admissions	\$ 132,151	\$ 140,778
Privilege Fees	66,771	74,969
Rentals	140,682	141,241
Sustaining and Entry Fees	101,900	122,500
Parimutuel Wagering Commission	28,903	34,465
Utilities	16,941	24,812
Other Operating Receipts	70,700	97,751
 Total Operating Receipts	 558,048	 636,516
<b>Operating Disbursements:</b>		
Wages and Benefits	131,021	90,213
Utilities	59,663	88,315
Professional Services	62,900	48,657
Equipment and Grounds Maintenance	168,407	118,896
Race Purse	128,562	153,188
Senior Fair	37,882	52,196
Junior Fair	10,284	16,775
Capital Outlay	7,468	5,293
Advertising	15,092	28,136
Other Operating Disbursements	66,820	76,072
 Total Operating Disbursements	 688,099	 677,741
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (130,051)	 (41,225)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	29,044	29,154
Donations/Contributions	81,068	13,875
Investment Income	133	292
Sale of Assets	328	-
Debt Service	-	(1,000)
 Net Non-Operating Receipts (Disbursements)	 110,573	 42,321
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 (19,478)	 1,096
 Cash Balance, Beginning of Year	 41,070	 39,974
 <b>Cash Balance, End of Year</b>	 <b>\$ 21,592</b>	 <b>\$ 41,070</b>

*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, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Summit County Agricultural Society, Summit County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1957 to operate an annual agricultural fair. The Society sponsors the week-long Summit County Fair during July. During the fair, harness races are held. Summit County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 23 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Summit County and pay an annual membership fee to the Society.

**Reporting Entity**

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, stall rental, and community events including horse shows. The reporting entity does not include any other activities or entities of Summit County, Ohio.

Notes 10 summarize the Junior Fair Board's financial activity.

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

**B. Accounting Basis**

This financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

**C. Cash and Investments**

All cash received by the Society is maintained in demand deposit accounts.

**D. Property, Plant, and Equipment**

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

**E. Income Tax Status**

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Race Purse**

Stake races are held during the Summit County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund, and amounts contributed by Northfield Park and the Society as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and Buckeye Super Stakes pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

**G. Pari-mutuel Wagering**

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**2. CASH AND INVESTMENTS**

The carrying amount of cash and investments at November 30, 2007 and 2006 was \$21,592 and \$41,070, respectively, and was covered by Federal Depository Insurance Corporation (FDIC).

**3. 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, 2007 and 2006 of \$21,696 and \$21,704, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

**3. HORSE RACING (Continued)**

Pari-mutuel Wagering (Continued)

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.

	2007	2006
Total Amount Bet (Handle)	\$ 134,933	\$ 163,289
Less: Payoff to Bettors	(106,030)	(128,824)
Parimutuel Wagering Commission	28,903	34,465
Tote Service Breakage	288	77
Tote Service Commission	(12,039)	(14,443)
State Tax	(4,825)	(5,579)
Society Portion	\$ 12,327	\$ 14,520

**4. DEBT AND RELATED PARTY TRANSACTIONS**

Debt outstanding at November 30, 2007 was as follows:

	2007
Summit County Loan	\$1,622,233
Personal Loan	4,984
Total	\$1,627,217

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 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 and interest outstanding at November 30, 2007 was \$1,622,233, while the Society believes the balance is somewhat less than that amount. 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 was the subject of litigation between the two parties, which was resolved in December 2007. See Notes 8 and 9 regarding pending litigation and subsequent.

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. Due to the pending litigation between the two parties, no payments were made to Summit County during the audit period.

The \$4,984 personal loan relates to a \$17,000 loan the Society received from its Board President on January 11, 2000 to pay a certain vendor. At its inception, the loan carried an interest rate of 9.5% and was expected to be repaid within two years, although no additional interest was to be accrued for delinquent payments beyond the original term of the loan. One payment of \$1,000 was made on this loan during the audit period.

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

**4. DEBT AND RELATED PARTY TRANSACTIONS (Continued)**

The Secretary/Treasurer's spouse, who also serves as an Assistant Concession Manager and a Board of Directors Member, provided snowplowing services at a discount as an independent contractor to the Society in the amount of \$825 in 2006.

During 2007, the Society received \$15,000 from an Honorary Member of the Board of Directors to help mitigate the cost of the fair. Additionally, during 2006, the Society received \$5,000 from the same Honorary Board of Directors Member for the purpose of defraying legal costs associated with the pending litigation with Summit County. In accordance with their verbal agreements, these amounts were to be considered gifts with no expectation of repayment. Accordingly, these amounts have been classified as donations in the year given.

**5. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2007 and 2006, employees contributed 6.2% of their gross salaries. The Society was responsible for contributing an amount equal to 6.2% of participant's gross salaries through November 30, 2007 and 2006.

**6. RISK MANAGEMENT**

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

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

**7. NONCOMPLIANCE**

Contrary to 26 U.S.C. Sections 3402 and 3102(a), the Society did not remit all federal payroll taxes and Medicare taxes collected during tax years 2007 and 2006. These procedures may subject the Society to certain interest and penalties. As of December 31, 2007 and 2006, the Society collected and did not remit federal payroll taxes of approximately \$12,900 and \$8,466, respectively, including Medicare and Social Security.

Contrary to Ohio Rev. Code Section 5747.07(B)(3) the Society did not remit all state payroll taxes collected during tax years 2007 and 2006. These procedures may subject the Society to certain interest and penalties. As of December 31, 2007 and 2006, the Society collected and did not remit state payroll taxes of approximately \$1,467 and \$141, respectively.

Contrary to Tallmadge City Ordinance #38-1999 and #92-003, the Society did not remit all local payroll taxes collected during tax years 2007 and 2006. These procedures may subject the Society to certain interest and penalties. As of December 31, 2007 and 2006, the Society collected and did not remit local payroll taxes of approximately \$1,161 and \$116, respectively.

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

**7. NONCOMPLIANCE (Continued)**

Contrary to Ohio Rev. Code Section 1711.13(B), the Society's total net indebtedness at November 30, 2007 and 2006 exceeded an amount equal to twenty-five percent of its annual revenues.

**8. PENDING LITIGATION**

The Society brought suit against Summit County seeking injunctive relief against the County to:

- prohibit the County from evicting the Society from the fairgrounds
- receive funds due the Society from the County pursuant to R.C. 1711.01, 1711.02, 1711.03, 1711.12 and 1711.24
- obtain funding from the County in conformance with Summit County Ord. No. 2000-430 for an indoor athletic surface for the arena in the sum of \$200,000, and
- for an accounting for funds actually due the County per agreement for payment of the arena.

In the same action, the County counter-sued seeking eviction and monies due in conjunction with the arena construction. The Court ruled in the Society's favor and against the County and granted the injunctive relief prohibiting the County from evicting the Society from the fairgrounds. The County counter-sued on the basis of contract claiming that certain monies are owed with respect to the outstanding obligation with the arena.

Previously, the parties had reached a Memorandum of Understanding that was to conclude this matter. It was to involve the payment of agreed monies to the County. The settlement agreement has not been completed as the parties have made many attempts to conclude this matter. In September 2006, a resolution was passed by Summit County Council to transfer the approximately 66.77 acres of County property upon which the fairgrounds sit to the Society and forgive the \$1,381,369 debt owed by the Society. In October 2006, this resolution was vetoed by the County Executive. The outcome of this matter is discussed in Note 9, subsequent events.

**9. SUBSEQUENT EVENTS**

In December 2007, an operating and lease agreement between the Society and Summit County was signed. Per the agreement, the County agreed to forgive the outstanding debt owed by the Society at the rate of one-tenth of the debt per year provided the Society is in compliance with the terms and conditions of the agreement, which in addition to conducting an annual fair includes the Society's participation in a process for developing a Summit County Fairgrounds Operational Plan conducted by and under the supervision of the Ohio State University Extension Service and participation in reviews of operations and implementation of policies, procedures and recommendations by the Summit County Internal Audit Department.

**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 Summit County Fair. The Society disbursed \$10,284 and \$16,775 for fiscal years 2007 and 2006, 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.

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

**11. MANAGEMENT PLANS**

The Society has incurred late charges and fees; as discussed in Note 7, has failed to remit federal, state, and local payroll taxes to the respective taxing authorities; has a total net indebtedness in excess of twenty-five percent of its annual revenues; and has payables older than 90 days totaling \$54,724 and \$43,880 for fiscal years 2007 and 2006, respectively.

In response, the Society continues to investigate ways in order to increase revenues and decrease expenditures, including participating in a process for developing a Summit County Fairgrounds Operational Plan conducted by and under the supervision of the Ohio State University Extension Service and participation in reviews of operations and implementation of policies, procedures and recommendations by the Summit County Internal Audit Department as required by the lease agreement with Summit County as discussed in Note 9. Additionally, the Society continues to investigate the possibility of applying for grants for programs related to the Society's pursuits.

Additionally, as discussed in Note 4, the Society continues to receive assistance from various related parties who support the Society's purpose and goals.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the Summit County Agricultural Society, Summit County, (the Society) as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated September 11, 2008, wherein we noted the Society followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Auditor of State billed the Society approximately \$5,200 for audit services provided for fiscal years 2005 and 2004 and \$5,000 for fiscal years 2003 and 2002. As of June 30, 2008, \$6,993 remains unpaid. AICPA Code of Professional Conduct, Section 100, ET Section 191 normally considers unpaid audit fees related to periods more than one year prior to the current period under audit to impair the independence of the Auditor of State. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity because Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments and Ohio Revised Code § 117.13 includes provisions for the collection of unpaid audit fees including negotiating a schedule for payment of the amount due, seeking payment through the office of budget and management or through the county auditor of the county in which the local public office is located. We also noted the Society was involved in litigation incurred late fees and overdraft charges, and failed to remit payroll taxes. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Government's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

In a separate letter to the Society's management dated September 11, 2008, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-004.

The Society's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the finance/audit committee, management, and the Board of Directors. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 11, 2008

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2007-001**

**Material Noncompliance and Significant Deficiency**

**26 U.S.C. Section 3402**, provides that an employer is required to deduct and withhold federal income tax from the salaries and wages of their employees. 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 2007 and 2006, the Society withheld federal payroll taxes from employees; however, the Society did not remit all of these taxes to the Internal Revenue Service. For the tax years ended December 31, 2007 and 2006, the Society collected but failed to remit approximately \$12,900 and \$8,466, respectively, including Medicare and Social Security. These payroll taxes are not assets of the Society and all unpaid taxes should be forwarded to the Internal Revenue Service. This matter will be referred to the IRS.

**Officials' Response:** The Society is committed to following IRS requirements on remittance of employee withholding taxes and has submitted said delinquencies to the proper Agency.

**FINDING NUMBER 2007-002**

**Material Noncompliance and Significant Deficiency**

**Ohio Rev. Code Section 1711.13 (B)** provides that county agricultural societies may enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society provided that the agreements are in writing and are first approved by the board of directors of the society. It additionally indicates the total net indebtedness incurred by a county agricultural society pursuant to division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

In the past, the Society entered into several debt/loan agreements which were not always in writing. As a result, the specific terms and conditions were unknown. For example, the personal loan from a Board member in 2000 was not committed to writing. For the agreements which were in writing, the terms and conditions were not specific. For example, the Society entered into an agreement with the Summit County for the construction of an Arena Complex in the amount of \$1.4 million and a capital improvement for the construction of a sports floor for the Arena in the amount of \$200,000. Subsequent additional stipulations were agreed upon for the sports floor, but were not formalized into writing. Consequently, the Society was involved in a dispute with the County regarding this debt.

Additionally, the Society did 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.

Lastly, for fiscal years 2007 and 2006, the total net indebtedness for the Society pursuant to R.C. 1711.13(B) exceeded twenty-five percent of its annual revenues.

### FINDING NUMBER 2007-002 (Continued)

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

**Officials' Response:** Since the finding on the 1991 agreement with the County of Summit and the personal loan agreement of 2000, the Society has not entered into any verbal (not committed to writing) Agreements. The Society is careful to assure that all agreements are approved by the Board and in writing.

It is important to note that the Society does and has always maintained an accounts payable ledger where two of the three loan commitment balances were tracked. The Society will move these two loan commitments and the new County of Summit loan agreement to a 'debt ledger'.

The Society's main purpose is to provide the Annual County Fair. The attendance of the fair relies, mostly in part, on weather conditions during that six-day period. The Society has closely monitored and reduced the expenses of the fair. However, poor and/or detrimental weather conditions on three consecutive years have resulted in a continual debt carryover from year to year. When weather conditions improved and attendance figures increased, the debt carried from prior years has slowly declined, however recovery from this cycle will take more than one year to overcome. Yes, the Society's debt (which includes the indebtedness to the County) is over the stated twenty-five percent this was not the intent of the Board. It is imperative to note that the debt due the County of Summit is stated in a written agreement with a non-cash payment obligation.

### FINDING NUMBER 2007-003

#### Material Noncompliance

**Ohio Rev. Code Section 5747.07 (B)(3)** generally requires that if an employer's actual or required state payroll tax withholding payments were more than \$2,000 during the twelve-month period ending on the thirtieth 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 fifteen days following the last day of such month. The employer shall file the return prescribed by the tax commissioner with the payment.

During fiscal years 2007 and 2006 the Society withheld state payroll taxes from employees; however, the Society did not remit all of these taxes to the State of Ohio. For the tax years ended December 31, 2007 and 2006, the Society collected but failed to remit approximately \$1,467 and \$141, respectively. These payroll taxes are not assets of the Society and all unpaid taxes should be forwarded to the State of Ohio. The Society should remit state payroll withholding taxes to the State on a monthly basis.

**Officials' Response:** The Society is committed to following State of Ohio requirements on remittance of employee state withholding taxes and has submitted said delinquencies to the proper Agency.

**FINDING NUMBER 2007-004**

**Material Noncompliance**

**Tallmadge City Ordinance #181.06** requires employers to deduct and withhold city income tax from the salaries and wages of their employees and remit these taxes to the city.

During fiscal years 2007 and 2006, the Society withheld local payroll taxes from employees; however, the Society did not remit these taxes to the local taxing authorities. For the tax years ended December 31, 2007 and 2006, the Society collected but failed to remit approximately \$1,161 and \$116, respectively. These payroll taxes are not assets of the Society and all unpaid taxes should be forwarded to the proper taxing authority. The Society should remit the city payroll withholding taxes to the City on a monthly basis.

**Officials' Response:** The Society is committed to following Tallmadge City requirements on remittance of employee city withholding taxes and has submitted said delinquencies to the proper Agency.

**SUMMIT COUNTY AGRICULTURAL SOCIETY  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	26 U.S.C. Sections 3402 and 3102(a) – Failure to remit federal income and Medicare withholding taxes	No	Not Corrected. Reissued as Finding 2007-001
2005-002	Ohio Rev. Code Section 1711.13(B) – Debt exceeds 25% of annual revenue and debt agreements not in writing	No	Not Corrected. Reissued as Finding 2007-002



**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 6, 2008**