



**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2009 & NOVEMBER 30, 2008



Mary Taylor, CPA
Auditor of State

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

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Mary Taylor, CPA
Auditor of State

Lorain County Agricultural Society
Lorain County
P.O. Box 15
Wellington, Ohio 44090

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 14, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lorain County Agricultural Society
Lorain County
P.O. Box 15
Wellington, Ohio 44090

To the Board of Directors:

We have audited the accompanying financial statements of Lorain County Agricultural Society, Lorain County, Ohio, (the Society) as of and for the years ended November 30, 2009 and 2008. 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.

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. 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, 2009 and 2008 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, 2009 and 2008, 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 Lorain County Agricultural Society, Lorain County, Ohio, as of November 30, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 July 14, 2010 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 14, 2010

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2009**

	2009
Operating Receipts:	
Admissions	\$653,097
Privilege Fees	284,070
Rentals	160,976
Sustaining and Entry Fees	38,049
Parimutuel Wagering Commission	32,114
Other Operating Receipts	3,231
Total Operating Receipts	1,171,537
Operating Disbursements:	
Wages and Benefits	282,976
Utilities	94,455
Professional Services	226,875
Equipment and Grounds Maintenance	449,901
Race Purse	68,014
Senior Fair	73,216
Junior Fair	22,863
Capital Outlay	36,375
Other Operating Disbursements	280,729
Total Operating Disbursements	1,535,404
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(363,867)
Non-Operating Receipts (Disbursements):	
State Support	23,704
County Support	3,300
Donations/Contributions	33,403
Investment Income	7,677
Debt Service	(4,842)
Net Non-Operating Receipts (Disbursements)	63,242
Excess (Deficiency) of Receipts Over (Under) Disbursements	(300,625)
Cash Balance, Beginning of Year	763,820
Cash Balance, End of Year	\$463,195

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

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2008**

	2008
Operating Receipts:	
Admissions	\$763,574
Privilege Fees	278,311
Rentals	172,713
Sustaining and Entry Fees	35,548
Parimutuel Wagering Commission	36,372
Other Operating Receipts	12,408
Total Operating Receipts	1,298,926
Operating Disbursements:	
Wages and Benefits	268,559
Utilities	95,211
Professional Services	209,829
Equipment and Grounds Maintenance	225,606
Race Purse	73,129
Senior Fair	71,025
Junior Fair	31,842
Capital Outlay	23,536
Other Operating Disbursements	264,706
Total Operating Disbursements	1,263,443
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	35,483
Non-Operating Receipts (Disbursements):	
State Support	26,148
County Support	3,300
Donations/Contributions	26,962
Investment Income	21,508
Debt Service	(6,155)
Net Non-Operating Receipts (Disbursements)	71,763
Excess (Deficiency) of Receipts Over (Under) Disbursements	107,246
Cash Balance, Beginning of Year	656,574
Cash Balance, End of Year	\$763,820

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

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008**

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 Lorain County Agricultural Society, Lorain 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Lorain County Fair during August. During the fair, harness races are held, culminating in the running of the Home Talent Colt Stakes (HTCS) harness racing event. Lorain County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Lorain 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 other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including *trade shows and horse shows*. The reporting entity does not include any other activities or entities of Lorain County, Ohio.

Notes 6 and 7, 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. Accounting Basis

These financial statements follow 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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Society values certificates of deposit at cost.

D. Budgetary Process

The Board of Directors did not formally adopt an operating budget.

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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.

F. Restricted Support

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

Home Talent Colt Stakes Harness Races are held during the Lorain 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 Colt Stakes 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 3 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 3 for additional information.

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

2. CASH AND INVESTMENTS

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

	2009	2008
Demand deposits	\$463,195	\$654,303
Certificates of deposit	0	109,517
Total deposits	\$463,195	\$763,820

Deposits: The Society's deposits are insured by the Federal Depository Insurance Corporation up to \$250,000 for 2009 and \$100,000 for 2008 per institution. The remainder was uninsured and uncollateralized.

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2009 and 2008, respectively, was \$23,704 and \$26,148, and is included 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.

	2009	2008
Total Amount Bet (Handle)	\$ 20,745	\$ 24,278
Less: Payoff to Bettors	(12,288)	(14,413)
Parimutuel Wagering Commission	8,457	9,865
Tote Service Set Up Fee	(3,000)	(3,600)
Tote Service Commission	(4,229)	(4,932)
State Tax	(592)	(680)
Society Portion	\$ 636	\$ 653

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

4. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For both 2009 and 2008 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participants gross salaries through November 30, 2009 and 2008. Employer contributions amounted to \$18,895 and \$17,236 for 2009 and 2008, respectively.

5. RISK MANAGEMENT

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

The Lorain County Commissioners provide general insurance coverage for all the buildings on the Lorain County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$5,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$5,000,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through July 2010.

6. 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 Lorain County Fair. The Society disbursed \$5,135 and \$5,641 directly to the Junior Fair Board and \$17,728 and \$26,201 directly to vendors to support Junior Fair activities, respectively for the years ended November 30, 2009 and 2008. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. In 2009 and 2008, Lorain County paid the Society \$500 for each fiscal year 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, 2009 and 2008 follows:

	2009	2008
Beginning Cash Balance	\$ 3,803	\$ 5,722
Receipts	24,935	15,902
Disbursements	(21,270)	(17,821)
Ending Cash Balance	\$ 7,468	\$ 3,803

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

7. 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 Lorain 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 years ended November 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Beginning Cash Balance	\$ 15,168	\$ 16,295
Receipts	255,144	286,336
Disbursements	<u>(263,215)</u>	<u>(287,463)</u>
Ending Cash Balance	<u>\$ 7,097</u>	<u>\$ 15,168</u>

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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*

Lorain County Agricultural Society
Lorain County
P.O. Box 15
Wellington, Ohio 44090

To the Board of Directors:

We have audited the financial statements of Lorain County Agricultural Society, Lorain County, Ohio, (the Society) as of and for the years ended November 30, 2009 and 2008, and have issued our report thereon dated July 14, 2010, wherein we noted the Society followed 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

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Lorain County Agricultural Society
Lorain County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated July 14, 2010

We intend this report solely for the information and use of management, Board of Directors and others within the Society. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

July 14, 2010



Mary Taylor, CPA
Auditor of State

LORAIN COUNTY AGRICULTURAL SOCIETY

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 7, 2010**