



**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED NOVEMBER 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the accompanying financial statement of the Lorain County Agricultural Society, Lorain County, Ohio, (the Society) as of and for the year ended November 30, 2001. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Lorain County Agricultural Society, Lorain County, Ohio as of November 30, 2001, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2002 on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 6, 2002

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED NOVEMBER 30, 2001**

	<u>Operating</u>	<u>State and Local</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:			
Admissions	\$654,402		\$654,402
Privilege Fees	253,064		253,064
Sales	1,530		1,530
Racing Fees and Charges	93,347		93,347
Fees	36,214		36,214
Rentals	133,313		133,313
State Support		\$40,482	40,482
Local Support		3,300	3,300
Restricted Support	9,709		9,709
Unrestricted Support	25,984		25,984
Investment Income	32,190		32,190
Other Receipts	2,855		2,855
Total Cash Receipts	<u>1,242,608</u>	<u>43,782</u>	<u>1,286,390</u>
Cash Disbursements:			
Salaries and Wages	62,664		62,664
Benefits	20,935		20,935
Administrative	27,529		27,529
Racing Supplies	955	1,000	1,955
Supplies	67,459		67,459
Utilities	71,474		71,474
Racing	115,527	30,800	146,327
Professional Services	139,777		139,777
Property Services	202,516		202,516
Advertising	41,575		41,575
Repairs	53,621		53,621
Insurance	23,686		23,686
Rent and Lease	29,210		29,210
Capital Outlay	90,273		90,273
Debt Service	(137)		(137)
Senior Fair	59,936	6,442	66,378
Contest	61,252		61,252
Junior Fair	20,431	5,540	25,971
Other Fair	7,676		7,676
Miscellaneous	22,271		22,271
Total Disbursements	<u>1,118,630</u>	<u>43,782</u>	<u>1,162,412</u>
Total Receipts Over/(Under) Disbursements	<u>123,978</u>	<u>0</u>	<u>123,978</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	123,978	0	123,978
Fund Cash Balances, December 1	<u>626,075</u>		<u>626,075</u>
Fund Cash Balances, November 30	<u>\$750,053</u>	<u>\$0</u>	<u>\$750,053</u>

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

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**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Lorain County Agricultural Society, Lorain County, Ohio, (the Society) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1846 to direct the operation of 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 HTCS harness racing event. Lorain County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 21 directors serving staggered three-year terms, elected from the membership of the Society. 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 for three nights 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 house shows. The reporting entity does not include any other activities or entities of Lorain County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 7 and Note 8, respectively.

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

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

F. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

G. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

H. Race Purse

Home Talent Colt Stakes Harness Races stake races are conducted 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. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompany financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

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

I. Parimutuel Wagering

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

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Parimutuel Wagering (Continued)

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

2. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2001 follows:

Demand deposits	\$350,053
Certificates of deposit	400,000
Total deposits and investments	\$750,053

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

3. HORSE RACING

State Support Portion of the Purse

Ohio Fairs Fund money received to supplement the purse for the year ended November 30, 2001 was \$26,800 and is included within State Support on the accompany financial statement.

Parimutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Parimutuel Wagering Commission (commission) which is the Society's share of total parimutuel wagers after paying winning bettors. The expenses of providing the parimutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Parimutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2001
Total Amount Bet (Handle)	\$42,567
Payoff to Bettors	24,443
Parimutuel Wagering Commission	18,124
Tote Service Set Up Fee	3,750
Tote Service Commission	8,562
State Tax	1,100
Society Portion	\$4,712

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

4. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2001 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participants gross salaries through November 30, 2001.

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 Section 1711. 24. General liability and vehicle coverage is provided by an Insurance Company with limits of \$250,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$5,000,000. The Society's general manager is bonded with coverage of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2001.

6. CONTINGENT LIABILITIES

The Society is a defendant in one lawsuit. This lawsuit was settled after the audit period and did not materially adversely affect the Society's financial condition.

7. 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 \$5,540 directly to the Junior Fair Board and \$20,430 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$5,040 by Lorain County for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 2001 follows:

Beginning Cash Balance	\$2,102
Receipts	12,388
Disbursements	<u>(12,425)</u>
Ending Cash Balance	<u><u>\$2,065</u></u>

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

8. 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 Lorain County's auction. Monies to cover the cost of the auction are generated through a 3% commission and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2001 follows:

Beginning Cash Balance	\$7,514
Receipts	271,954
Disbursements	<u>(270,442)</u>
Ending Cash Balance	<u><u>\$9,026</u></u>

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 statement of the Lorain County Agricultural Society, Lorain County, Ohio, (the Society) as of and for the year ended November 30, 2001, and have issued our report thereon dated June 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 6, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 11, 2002**