



Mary Taylor, CPA
Auditor of State

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Change in Cash Balances - For the Years Ended November 30, 2009 and 2008	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Lake County Agricultural Society
Lake County
1301 Mentor Avenue
Painesville, Ohio 44077

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

May 28, 2010

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lake County Agricultural Society
Lake County
1301 Mentor Avenue
Painesville, Ohio 44077

To the Board of Directors:

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

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Lake County Agricultural Society, Lake County, as of November 30, 2009 and November 30, 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 May 28, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 28, 2010

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008**

	2009	2008
Operating Receipts:		
Taxes	\$3,749	\$3,848
Admissions	122,596	130,280
Privilege Fees	113,254	114,584
Sales by Fairboard	15,480	19,468
Racing Fees and Charges	100,870	108,318
Utilities	42,056	85,886
Rentals	163,856	167,130
Restricted Support	323,713	208,606
Unrestricted Support	48,777	36,103
Interest	9	385
	<u>934,360</u>	<u>874,608</u>
Operating Disbursements:		
Wages and Benefits	88,888	85,566
Utilities	67,111	83,058
Supplies	15,877	27,214
Professional Services	79,027	108,019
Equipment and Grounds Maintenance	56,358	55,716
Administrative	10,551	27,777
Racing	87,906	83,118
Advertising	20,663	21,245
Repairs	19,302	18,928
Senior Fair	22,875	27,311
Contests	19,908	12,599
Junior Fair	1,101	6,826
Insurance	19,815	18,043
Rent	12,167	12,156
Capital Outlay	37,924	193,448
Debt Service	226,520	3,618
Other Operating Disbursements	130,413	118,410
	<u>916,406</u>	<u>903,052</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>17,954</u>	<u>(28,444)</u>
Non-Operating Receipts (Disbursements):		
State Support	23,703	26,148
County Support	3,300	3,300
Administrative	(218)	-
Supplies	(1,426)	(2,490)
Utilities	(1,774)	(2,159)
Repairs	(400)	(238)
Advertising	-	(750)
Racing	(13,481)	(16,267)
Rent	(3,700)	(2,000)
Capital Outlay	(1,150)	-
Senior Fair	-	(142)
Junior Fair	(4,635)	(5,054)
Other Operating Disbursements	(219)	(348)
	<u>-</u>	<u>-</u>
Net Non-Operating Receipts (Disbursements)	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>17,954</u>	<u>(28,444)</u>
Cash Balance, Beginning of Year	<u>25,941</u>	<u>54,385</u>
Cash Balance, End of Year	<u>\$43,895</u>	<u>\$25,941</u>

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

This page intentionally left blank.

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE 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 Lake County Agricultural Society, Lake 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 1840 to operate an annual agricultural fair. The Society sponsors the week-long Lake County Fair during August. During the fair, harness races are held, culminating in the running of the Harness Racing Speed Program. Lake County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 19 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Lake 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 horse shows and garage sales. The reporting entity does not include any other activities or entities of Lake County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee are included in the financial statements of the Society.

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

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

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

Stake races are held during the Lake 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 U.S. Trotting 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.

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 3 for additional information.

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE 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, 2009 and 2008 follows:

	2009	2008
Demand deposits	\$43,895	\$25,941
Total deposits	\$43,895	\$25,941

Deposits: All of the bank balance 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, 2009 and 2008 was \$23,703 and \$26,148, 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 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)	\$11,889	\$17,100
Less: Payoff to Bettors	(9,497)	(13,644)
Parimutuel Wagering Commission	2,392	3,456
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(886)	(1,434)
State Tax	(314)	(466)
Society Portion	\$592	\$956

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

4. DEBT

Debt outstanding at November 30, 2009 was as follows:

	Principal	Interest Rate
Note Payable for Office Building	\$224,328	7.00%
Total	\$224,328	

The \$225,600 Promissory Note bears an interest rate of seven percent and is due to the Lake National Bank. The note was entered into on September 15, 2009 and matures with a balloon payment of \$191,227 on November 1, 2014. Proceeds of the note were used to construct an office building and are collateralized by the building.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Building Note Principal	Interest	Total
2010	8,985	17,547	\$26,532
2011	5,955	15,091	\$21,046
2012	6,349	14,696	\$21,045
2013	6,856	14,192	\$21,048
2014	196,183	12,581	\$208,764
Total	\$224,328	\$74,107	\$298,435

Between October 2007 and March 2008, the Society received an installment loan in the amount of \$200,000 from Board member Richard Parker at an interest rate of 5.00%, this loan was repaid on September 15, 2009, in the amount of \$222,485, with the proceeds from the above scheduled note.

5. 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 of equal to 6.2% of participant's gross salaries through November 30, 2009 and 2008.

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

6. RISK MANAGEMENT

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society provides health coverage for full-time, supervisory employees through Lake County.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

6. RISK MANAGEMENT (CONTINUED)

approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society's share of these unpaid claims collectible in future years is approximately \$19,000. This payable includes the subsequent year's contribution due if the Society terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2007	\$22,054
2008	\$17,717
2009	\$19,489

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. RELATED PARTY TRANSACTIONS

A Director of the Society provided a short term loan to the Society. The details of the loan are documented in the Society's debt footnote.



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*

Lake County Agricultural Society
Lake County
1301 Mentor Avenue
Painesville, Ohio 44077

To the Board of Directors:

We have audited the financial statements of the Lake County Agricultural Society, Lake County, Ohio, (the Society) as of and for the years ended November 30, 2009 and November 30, 2008, and have issued our report thereon dated May 28, 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 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.

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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors, and it is not intended for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

May 28, 2010



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

LAKE 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 8, 2010**