



**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2003 & 2002



**Auditor of State
Betty Montgomery**

LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY

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**Auditor of State
Betty Montgomery**

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 the Lorain County Agricultural Society, Lorain County, Ohio, (the Society) as of and for the years ended November 30, 2003 and November 30, 2002. 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 audits.

We conducted our audits 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 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 that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Society prepares its financial statements 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 statements 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, 2003 and November 30, 2002, 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 May 3, 2004, 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 audits.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 3, 2004

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

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

	2003
Operating Receipts:	
Admissions	\$646,802
Privilege Fees	278,742
Rentals	122,185
Sustaining and Entry Fees	29,326
Parimutuel Wagering Commission	48,702
Other Operating Receipts	9,444
Total Operating Receipts	1,135,201
Operating Disbursements:	
Wages and Benefits	184,692
Utilities	79,411
Professional Services	155,311
Equipment and Grounds Maintenance	288,283
Race Purse	96,271
Senior Fair	59,588
Junior Fair	29,221
Capital Outlay	65,269
Other Operating Disbursements	232,092
Total Operating Disbursements	1,190,138
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(54,937)
Non-Operating Receipts (Disbursements):	
State Support	36,925
County Support	3,300
Donations/Contributions	24,121
Investment Income	16,801
Other Uses	(3,032)
Net Non-Operating Receipts (Disbursements)	78,115
Excess of Receipts Over Disbursements	23,178
Cash Balance, Beginning of Year	700,613
Cash Balance, End of Year	\$723,791

The notes to the financial statements 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, 2002**

	2002
Operating Receipts:	
Admissions	\$584,802
Privilege Fees	268,887
Rentals	120,649
Sustaining and Entry Fees	30,976
Parimutuel Wagering Commission	54,548
Other Operating Receipts	2,902
Total Operating Receipts	1,062,764
Operating Disbursements:	
Wages and Benefits	135,251
Utilities	75,741
Professional Services	163,726
Equipment and Grounds Maintenance	293,609
Race Purse	107,501
Senior Fair	60,241
Junior Fair	28,941
Capital Outlay	125,318
Other Operating Disbursements	231,178
Total Operating Disbursements	1,221,506
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(158,742)
Non-Operating Receipts (Disbursements):	
State Support	38,627
County Support	3,300
Donations/Contributions	44,626
Investment Income	22,216
Other Uses	(2,927)
Sale of Assets	3,460
Net Non-Operating Receipts (Disbursements)	109,302
(Deficiency) of Receipts (Under) Disbursements	(49,440)
Cash Balance, Beginning of Year	750,053
Cash Balance, End of Year	\$700,613

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

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002**

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 Home Talent Colt Stakes (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 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 6 and Note 7, respectively.

The Society's management believes the financial statements present all activities for which the Society is financially accountable.

B. Basis of Accounting

This financial statements 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

The Society maintains demand deposits and certificate of deposits.

D. Budgetary Process

The Board of Directors did not formally adopt an annual 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 statements.

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 accompanying 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 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.

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.

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

2. CASH

The carrying amount of cash at November 30 was as follows:

	2003	2002
Demand deposits	\$523,791	\$400,613
Certificates of deposit	200,000	300,000
Total deposits	\$723,791	\$700,613

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement the purse for the years ended November 30, 2003 and 2002, respectively, was \$24,384 and \$25,488, and is included within State Support on the accompanying financial statements.

Parimutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statements, 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.

	2003	2002
Total Amount Bet (Handle)	\$ 36,033	\$ 33,934
Less: Payoff to Bettors	(21,489)	(20,228)
Parimutuel Wagering Commission	14,544	13,706
Tote Service Set Up Fee	(3,600)	(3,750)
Tote Service Commission	(7,272)	(6,853)
State Tax	(972)	(836)
Society Portion	\$ 2,700	\$ 2,267

4. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2002, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2003.

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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. General liability and vehicle coverage is provided by an insurance company 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 August 2004.

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. In 2003 and 2002, the Society disbursed \$4,709 and \$5,141, respectively, to the Junior Fair Board and \$24,512 and \$23,800, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. In 2003 and 2002, the Society was reimbursed \$4,209 and \$4,640, respectively, 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, follows:

	2003	2002
Beginning Cash Balance	\$ 6,249	\$ 2,065
Receipts	11,268	12,587
Disbursements	(13,093)	(8,403)
Ending Cash Balance	\$ 4,424	\$ 6,249

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. 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 statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30 follows:

	2003	2002
Beginning Cash Balance	\$ 9,014	\$ 9,026
Receipts	884,289	283,659
Disbursements	(881,483)	(283,671)
Ending Cash Balance	\$ 11,820	\$ 9,014



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 statements of the Lorain County Agricultural Society, Lorain County, Ohio, (the Society) as of and for the years ended November 30, 2003 and November 30, 2002, and have issued our report thereon dated May 3, 2004. We conducted our audits 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 are 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated May 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audits, 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 statements 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 misstatement 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. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to management of the Society in a separate letter dated May 3, 2004.

Lorain County Agricultural Society
Lorain County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 3, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
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Columbus, Ohio 43216-1140

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800-282-0370

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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
JUNE 10, 2004**