



Mary Taylor, CPA
Auditor of State

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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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

June 27, 2008

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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 Lake County Agricultural Society, Lake County, Ohio, (the Society) as of and for the years ended November 30, 2007 and November 30, 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. 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, 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.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Lake County Agricultural Society, Lake County, as of November 30, 2007 and November 30, 2006, 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 June 27, 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.

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

Mary Taylor, CPA
Auditor of State

June 27, 2008

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

	2007	2006
Operating Receipts:		
Taxes	\$3,517	\$3,817
Admissions	110,668	126,182
Privilege Fees	96,190	107,957
Sales by Fairboard	12,995	1,232
Racing Fees and Charges	72,077	122,345
Utilities	48,852	12,235
Rentals	151,688	197,535
Restricted Support	11,632	14,009
Unrestricted Support	170,609	89,359
Interest	35,676	25,046
	307	502
 Total Operating Receipts	 714,211	 700,219
Operating Disbursements:		
Wages and Benefits	80,410	76,315
Utilities	65,950	86,574
Supplies	21,653	18,668
Professional Services	93,876	75,512
Equipment and Grounds Maintenance	88,093	88,276
Administrative	8,001	9,108
Racing	73,811	130,444
Advertising	17,466	18,406
Repairs	22,506	13,132
Senior Fair	16,832	19,059
Contests	18,492	28,046
Junior Fair	947	0
Capital Outlay	36,623	16,224
Debt Service	3,380	1,844
Other Operating Disbursements	137,487	123,256
	685,527	704,864
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 28,684	 (4,645)
Non-Operating Receipts (Disbursements):		
State Support	29,044	29,155
County Support	3,300	32,746
Supplies	(498)	(2,490)
Utilities	(4,763)	(143)
Repairs	(200)	(1,823)
Advertising	0	(750)
Racing	(22,496)	(22,704)
Capital Outlay	0	(29,446)
Senior Fair	0	(200)
Junior Fair	(4,311)	(4,345)
Other Operating Disbursements	(76)	0
	0	0
 Net Non-Operating Receipts (Disbursements)	 0	 0
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 28,684	 (4,645)
 Cash Balance, Beginning of Year	 25,701	 30,346
 Cash Balance, End of Year	 \$54,385	 \$25,701

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

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**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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, 2007 AND 2006
(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, 2007 AND 2006
(Continued)**

2. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2007 and 2006 follows:

	2007	2006
Demand deposits	\$46,775	\$18,371
Certificates of deposit	7,610	7,330
Total deposits	54,385	25,701
Total deposits and investments	\$54,385	\$25,701

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. 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, 2007 and 2006 was \$17,696 and \$17,704, 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.

	2007	2006
Total Amount Bet (Handle)	\$10,168	\$19,036
Less: Payoff to Bettors	(8,092)	(15,142)
Parimutuel Wagering Commission	2,076	3,894
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(831)	(1,644)
State Tax	(302)	(554)
Society Portion	\$343	\$1,096

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

4. DEBT

Debt outstanding at November 30, 2007 was as follows:

	Principal	Interest Rate
Note Payable for Lawnmower	\$2,151	0.00%
Total	\$2,151	

The \$7,374 Lawnmower Note bears an interest rate of zero percent and is due to the Sheffield Financial LLC. The note was entered into on July 1, 2006 and matures June 30, 2008. Proceeds of the note were used to purchase a lawnmower and are collateralized by the lawnmower.

Amortization of the above debt is scheduled as follows:

Year ending	Tractor Note	Interest	Total
November 30:			
2008	2,151	0	\$2,151
Total	\$2,151	\$0	\$2,151

5. RETIREMENT SYSTEM

All employees contribute to Society Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For both 2007 and 2006 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, 2007 and 2006.

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. PEP is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

6. RISK MANAGEMENT (CONTINUED)

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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

6. RISK MANAGEMENT (CONTINUED)

approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Government's share of these unpaid claims collectible in future years is approximately \$25,000. This payable includes the subsequent year's contribution due if the Government 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>	
2005	\$18,821
2006	\$22,610
2007	\$22,054

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 is owner of a company from which the Society acquired stone during the year. The Society paid \$1,754 in FY 2007 and \$1,316 in FY 2006 for this acquisition.



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, 2007 and November 30, 2006, and have issued our report thereon dated June 27, 2008, 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, we intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

June 27, 2008



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 15, 2008**