



**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016



Dave Yost • Auditor of State

**LAKE COUNTY AGRICULTURAL SOCIETY
LAKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Lake County Agricultural Society, Lake County, Ohio (the Society) as of and for the years ended November 30, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Lake County Agricultural Society, Lake County, Ohio as of November 30, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 7, 2018

Lake County Agricultural Society
Lake County
Statement of Receipts, Disbursements and
Change in Fund Balance (Cash Basis)
For the Year Ended November 30, 2017

| | |
|--|------------------|
| <hr/> <hr/> | |
| Operating Receipts | |
| Admissions | \$220,295 |
| Concessions | 79,130 |
| Sales by Fair | 36,724 |
| Sustaining and Entry Fees | 25,940 |
| Sales Activities | 1,559 |
| Utilities | 15,089 |
| Fees | 16,559 |
| Rentals | 181,845 |
| | <hr/> |
| <i>Total Operating Receipts</i> | <i>577,141</i> |
| | <hr/> |
| Operating Disbursements | |
| Salaries | 86,272 |
| Benefits | 20,074 |
| Administrative Costs | 14,610 |
| Race Supplies & Materials | 1,941 |
| Supplies Purchased for Resale | 2,860 |
| Other Supplies | 19,334 |
| Utilities | 72,660 |
| Racing | 109,085 |
| Professional Services | 105,526 |
| Property Services | 71,875 |
| Advertising | 16,379 |
| Repairs | 18,291 |
| Insurance | 24,068 |
| Rentals | 15,332 |
| Capital | 43,730 |
| Debt Service & Credit Card Fees | 40,915 |
| Senior Fair | 20,588 |
| Contest Expenses | 23,141 |
| Junior Fair | 4,277 |
| Other Fair | 178,724 |
| Miscellaneous | 8,206 |
| | <hr/> |
| <i>Total Operating Disbursements</i> | <i>897,888</i> |
| | <hr/> |
| <i>Deficiency of Operating Receipts</i> Under Operating Disbursements | <i>(320,747)</i> |
| | <hr/> |
| Non-Operating Receipts | |
| Taxes | 5,024 |
| States Support | 90,360 |
| County Local Governmental Funds | 33,300 |
| Restricted Support | 171,696 |
| Unrestricted Support | 35,260 |
| Interest | 64 |
| | <hr/> |
| <i>Total Non-Operating Receipts</i> | <i>335,704</i> |
| | <hr/> |
| <i>Excess of Receipts Over Disbursements</i> | <i>14,957</i> |
| | <hr/> |
| Cash Balance, Beginning of Year | 77,848 |
| | <hr/> |
| <i>Cash Balance, End of Year</i> | <i>\$92,805</i> |
| | <hr/> <hr/> |

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
For the Year Ended November 30, 2017

Note 1 – Reporting Entity

The Lake County Agricultural Society (the Society), Lake County, Ohio is a body politic and corporate 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 1840 to operate an annual agricultural fair. The Society sponsors the week – long Lake County Fair during July. During the fair, harness races are held, culminating in the running of the Lake County Super Stakes. Lake County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of nineteen 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.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including a flea market, gun shows, horse shows, circuses, winter storage. The reporting entity does not include any other activities or entities of Lake County, Ohio.

The Junior Fair Board and Junior Livestock Sale Committee’s financial activity are reported in the Society’s financial statements.

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

The Lake County Agricultural Society is insured through the Public Entities Pool of Ohio. Note 5 provides additional information for this entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 2 – Summary of Significant Accounting Policies – (Continued)

Deposits 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.

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Race Purse

Lake County Super Stakes 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 Ohio Harness Horsemen's 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.

Pari-mutuel Wagering

There was no pari-mutuel wagering held in 2017.

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 3 – Deposits

The Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30 was as follows:

| | |
|-----------------|------------------------|
| | <u>2017</u> |
| Petty Cash | \$113 |
| Demand deposits | 72,203 |
| Savings | <u>20,489</u> |
| Total | <u><u>\$92,805</u></u> |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 4 – 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, 2017, was \$7,967 as State Support.

Note 5 – Risk Management

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

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

The Society 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. 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 York. 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 5 – Risk Management – (Continued)

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

| | <u>2017</u> |
|--------------|---------------------|
| Assets | \$44,452,326 |
| Liabilities | <u>(13,004,011)</u> |
| Net Position | <u>\$31,448,315</u> |

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Society's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

| |
|--------------------------------------|
| 2017 Contributions to PEP - \$23,709 |
|--------------------------------------|

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. 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.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2017.

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 7 – Debt

Debt outstanding at November 30, 2017, was as follows:

| | Principal | Interest Rate |
|----------------------------------|-----------|---------------|
| Note Payable for Tractor | \$12,609 | 4.00% |
| Note Payable for Office Mortgage | 57,782 | 5.00% |
| Total | \$70,391 | |

The loan for the John Deere 5065E Cab Utility Tractor and H240 Loader is a 5 year lease agreement payable to John Deere Financial. Purchase price of \$30,291 with 5 annual payments of \$6,692. This agreement was entered into on March 3, 2015 and will mature on March 3, 2020.

The society has a mortgage for their office and safety center through Erie Bank, entered into on November 18, 2014 in the amount of \$136,587, having 120 monthly payments at a 5% interest rate. Balance due at end of fiscal year 2017 is \$57,782.

Amortization of the above debt including interest follows:

| Year Ending November 30: | Tractor Note | Office Mortgage | Total |
|-----------------------------|--------------|-----------------|----------|
| 2018 | \$6,692 | \$23,070 | \$29,762 |
| 2019 | 6,693 | 16,710 | 23,403 |
| 2020 | | 16,710 | 16,710 |
| 2021 | | 5,797 | 5,797 |
| | \$13,385 | \$62,287 | \$75,672 |

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Lake County Agricultural Society
Lake County
Statement of Receipts, Disbursements and
Change in Fund Balance (Cash Basis)
For the Year Ended November 30, 2016

| | |
|--|------------------|
| <hr/> <hr/> | |
| Operating Receipts | |
| Admissions | \$188,713 |
| Concessions | 83,184 |
| Sales by Fair | 32,922 |
| Sustaining and Entry Fees | 31,228 |
| Utilities | 13,323 |
| Fees | 16,303 |
| Rentals | 180,719 |
| | <hr/> |
| <i>Total Operating Receipts</i> | <i>546,392</i> |
| | <hr/> |
| Operating Disbursements | |
| Salaries | 83,605 |
| Benefits | 24,840 |
| Administrative Costs | 12,898 |
| Race Supplies & Materials | 1,760 |
| Supplies Purchased for Resale | 2,715 |
| Other Supplies | 20,918 |
| Utilities | 68,716 |
| Racing | 119,533 |
| Professional Services | 97,678 |
| Property Services | 62,246 |
| Advertising | 21,062 |
| Repairs | 21,780 |
| Insurance | 22,900 |
| Rentals | 12,134 |
| Capital | 89,255 |
| Debt Service & Credit Card Fees | 39,423 |
| Senior Fair | 19,790 |
| Contest Expenses | 15,698 |
| Junior Fair | 4,791 |
| Other Fair | 179,271 |
| Miscellaneous | 9,328 |
| | <hr/> |
| <i>Total Operating Disbursements</i> | <i>930,341</i> |
| | <hr/> |
| <i>Deficiency of Operating Receipts</i> | |
| Under Operating Disbursements | <i>(383,949)</i> |
| | <hr/> |
| Non-Operating Receipts | |
| Taxes | 4,966 |
| States Support | 141,578 |
| County Local Governmental Funds | 38,300 |
| Restricted Support | 189,357 |
| Unrestricted Support | 15,824 |
| Interest | 127 |
| | <hr/> |
| <i>Total Non-Operating Receipts</i> | <i>390,152</i> |
| | <hr/> |
| <i>Excess of Receipts Over Disbursements</i> | <i>6,203</i> |
| | <hr/> |
| Cash Balance, Beginning of Year | 71,645 |
| | <hr/> |
| <i>Cash Balance, End of Year</i> | <i>\$77,848</i> |
| | <hr/> <hr/> |

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
For the Year Ended November 30, 2016

Note 1 – Reporting Entity

The Lake County Agricultural Society (the Society), Lake County, Ohio is a body politic and corporate 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 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 Lake County Super Stakes. Lake County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of nineteen 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.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including a flea market, gun shows, horse shows, circuses, winter storage. The reporting entity does not include any other activities or entities of Lake County, Ohio.

The Junior Fair Board and Junior Livestock Sale Committee’s financial activity are reported in the Society’s financial statements.

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

The Lake County Agricultural Society is insured through the Public Entities Pool of Ohio. Note 5 provides additional information for this entity.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 2 – Summary of Significant Accounting Policies – (Continued)

Deposits 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.

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

Race Purse

Lake County Super Stakes 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 Ohio Harness Horsemen's 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.

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 totalized 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 report as Pari-mutuel Wagering Commission.

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 3 – Deposits

The Society maintains a deposit pool for all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30 was as follows:

| | |
|------------------|----------|
| | 2016 |
| Petty Cash | \$159 |
| Demand deposits | 42,314 |
| Savings Accounts | 35,375 |
| Total | \$77,848 |

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation (FDIC).

The Society’s deposits are insured up to the applicable FDIC insurance limits, which is limited to \$250,000 combined with other funds on deposit by the same depositor in accordance with FDIC’s aggregation rules

Note 4 – 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, 2016, was \$8,400, 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 the Racing Operating Disbursements, and the amount remaining is the Society’s net portion.

| | |
|--------------------------------|----------|
| | 2016 |
| Total Amount Bet (Handle) | \$ 6,378 |
| Less: Payoff to Bettors | (5,071) |
| Parimutuel Wagering Commission | 1,307 |
| Tote Service Set Up Fee | (1,100) |
| State Tax | (153) |
| Society Portion | \$ 54 |

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 5 – Risk Management

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

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

The Society 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. 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

| | <u>2016</u> |
|--------------|---------------------|
| Assets | \$42,182,281 |
| Liabilities | <u>(13,396,700)</u> |
| Net Position | <u>\$28,785,581</u> |

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Society's share of these unpaid claims collectible in future years is approximately \$14,000.

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 5 – Risk Management

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.

| |
|------------------------------------|
| 2016 Contributions to PEP \$22,041 |
|------------------------------------|

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. 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.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants’ gross salaries. The Society has paid all contributions required through November 30, 2016.

Note 7 – Debt

Debt outstanding at November 30, 2016, was as follows:

| | Principal | Interest Rate |
|----------------------------------|-----------|---------------|
| Note Payable for Tractor | \$18,546 | 4.00% |
| Note Payable for Office Mortgage | 84,118 | 5.00% |
| Total | \$102,664 | |

The loan for the John Deere 5065E Cab Utility Tractor and H240 Loader is a 5 year lease agreement payable to John Deere Financial. Purchase price of \$30,290.81 with 5 annual payments of \$6,692. This agreement was entered into on March 3, 2015 and will mature on March 3, 2020.

The Society has a mortgage for their office and safety center through Erie Bank, entered into on November 18, 2014 in the amount of \$136,587, having 120 monthly payments at a 5% interest rate. Balance due at end of fiscal year 2016 is \$84,118.

Lake County Agricultural Society
Lake County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 7 – Debt – (Continued)

Amortization of the above debt follows:

| Year Ending November 30: | <u>Tractor Note</u> | <u>Office Mortgage</u> | <u>Total</u> |
|-----------------------------|---------------------|------------------------|------------------|
| 2017 | \$6,692 | \$30,000 | \$36,692 |
| 2018 | 6,692 | 23,070 | 29,762 |
| 2019 | 6,693 | 16,710 | 23,403 |
| 2020 | | 16,710 | 16,710 |
| 2021 | | 5,797 | 5,797 |
| | <u>\$20,077</u> | <u>\$92,287</u> | <u>\$112,364</u> |



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Lake County Agricultural Society, Lake County, Ohio (the Society) as of and for the years ended November 30, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 7, 2018, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 7, 2018



Dave Yost • Auditor of State

LAKE COUNTY 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
AUGUST 23, 2018