



Dave Yost • Auditor of State



**LAKE COUNTY AGRICULTURAL SOCIETY  
LAKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Change in Cash Balances - For the Years Ended November 30, 2011 and 2010 .....	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
Schedule of Findings.....	15

**This page intentionally left blank.**



# Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

May 29, 2012

**This page intentionally left blank.**



# Dave Yost • 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, 2011 and 2010. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

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, 2011 and 2010, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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](http://www.auditor.state.oh.us)

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2012, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

May 29, 2012

**LAKE COUNTY AGRICULTURAL SOCIETY  
LAKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>Operating Receipts:</b>		
Taxes	\$4,044	\$3,646
Admissions	133,260	119,299
Privilege Fees	118,415	106,745
Sales by Fairboard	27,407	24,252
Racing Fees and Charges	56,886	63,743
Sales Activities	290	76
Utilities	30,641	29,601
Fees	16,476	26,389
Rentals	183,413	164,749
Support	171,285	134,550
Interest	72	103
	<b>742,189</b>	<b>673,153</b>
<b>Total Operating Receipts</b>		
<b>Operating Disbursements:</b>		
Wages and Benefits	94,023	93,708
Utilities	63,224	63,754
Supplies	23,624	25,040
Professional Services	94,470	83,297
Equipment and Grounds Maintenance	57,595	56,386
Administrative	12,568	11,559
Racing	65,971	70,227
Advertising	28,007	20,476
Repairs	7,058	9,623
Senior Fair	18,402	20,464
Contests	11,385	18,348
Junior Fair	1,699	2,014
Insurance	19,983	18,370
Rent	13,955	13,586
Capital Outlay	2,100	1,412
Debt Service	32,283	31,857
Other Operating Disbursements	145,955	129,745
	<b>692,302</b>	<b>669,866</b>
<b>Total Operating Disbursements</b>		
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<b>49,887</b>	<b>3,287</b>
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	19,524	22,192
County Support	3,300	3,300
Supplies	(587)	(564)
Utilities	0	(1,738)
Racing	(13,776)	(16,040)
Property Expense	(1,513)	0
Rent	0	(301)
Senior Fair	(1,868)	(1,935)
Junior Fair	(4,235)	(4,914)
Other Operating Expenses	(845)	0
	<b>0</b>	<b>0</b>
<b>Net Non-Operating Receipts (Disbursements)</b>		
Excess (Deficiency) of Receipts Over (Under) Disbursements	<b>49,887</b>	<b>3,287</b>
Cash Balance, Beginning of Year	<b>47,182</b>	<b>43,895</b>
<b>Cash Balance, End of Year</b>	<b>\$97,069</b>	<b>\$47,182</b>

*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, 2011 AND 2010**

**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**

The Society only has cash deposits during the audit period.

**LAKE COUNTY AGRICULTURAL SOCIETY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(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. Support**

Support includes amounts that were donated to the Society.

**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, 2011 AND 2010  
(Continued)**

**2. CASH AND INVESTMENTS**

The carrying amount of cash and investments at November 30, 2011 and 2010 follows:

	2011	2010
Demand deposits	\$97,069	\$47,182
Total deposits	\$97,069	\$47,182

**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, 2011 and 2010 was \$19,524 and \$22,192, 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.

	2011	2010
Total Amount Bet (Handle)	\$9,867	\$9,919
Less: Payoff to Bettors	(7,844)	(7,907)
Parimutuel Wagering Commission	2,023	2,012
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(736)	(739)
State Tax	(291)	(276)
Society Portion	\$396	\$397

**LAKE COUNTY AGRICULTURAL SOCIETY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(Continued)**

**4. DEBT**

Debt outstanding at November 30, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable for Office Building	\$193,564	7.00%
Total	\$193,564	

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 \$180,359 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
2012	6,349	14,696	\$21,045
2013	6,856	14,192	21,048
2014	180,359	12,581	192,940
Total	\$193,564	\$41,469	\$235,033

**5. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For both 2011 and 2010 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, 2011 and 2010.

**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 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. 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

**LAKE COUNTY AGRICULTURAL SOCIETY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 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 accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Society's share of these unpaid claims collectible in future years is approximately \$18,000.

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.

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
\$19,624	\$18,011

**LAKE COUNTY AGRICULTURAL SOCIETY  
LAKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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.

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. 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.



# Dave Yost • 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, 2011 and 2010, and have issued our report thereon dated May 29, 2012, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *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 more than a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

The Society's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the Society's response and, accordingly, we express no opinion on it.

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.



**Dave Yost**  
Auditor of State

May 29, 2012

**LAKE COUNTY AGRICULTURAL SOCIETY  
LAKE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2011-001**

**Material Noncompliance**

**Financial Report Filing**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year, within sixty days after the close of the fiscal year for those public offices not reporting pursuant to generally accepted accounting principles. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. In part, this report shall contain the following:

- Amount of collections and receipts, and accounts due from each source; and
- Amount of expenditures for each purpose.

Ohio Administrative Code Section 117-2-03(D) further clarifies the filing requirements of Ohio Revised Code Section 117.38. This section provides that all local public offices shall file their annual financial reports with the Auditor of State, including notes to the financial statements.

The Society did not file its financial statements for the years ended November 30, 2011 and 2010, as required above.

We recommend the Society organize its financial recordkeeping, develop tickler files as a reminder of filing dates and take all other steps necessary to file its financial statements within the prescribed time period. If these financial statements are not filed within the prescribed timetable the Society may be assessed a late filing penalty.

**Officials Response:**

The Society will comply with this reporting requirement in the future.





# 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  
JUNE 14, 2012