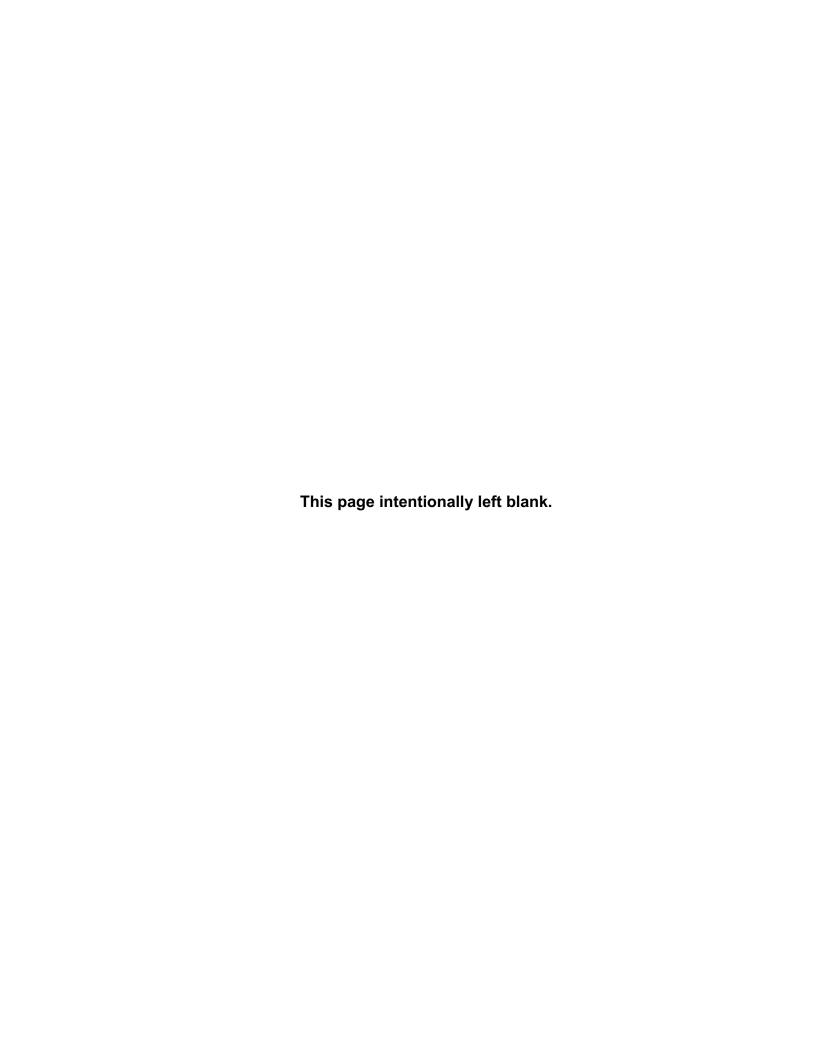




#### December 1, 2003 through November 30, 2005

#### **TABLE OF CONTENTS**

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report	3
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2005	5
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2004	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards	13





Lorain County Agricultural Society Lorain County P.O. Box 15 Wellington, Ohio 44090

Mary Taylor

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, CPA Auditor of State

July 21, 2008

This page intentionally left blank.



#### 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, 2005 and November 30, 2004. 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.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, 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, 2005 and November 30, 2004 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, 2005 and November 30, 2004, or its changes in financial position or cash flows for the years then ended.

Lorain County Agricultural Society Lorain County Independent Accountants' Report Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Lorain County Agricultural Society, Lorain County, Ohio, as of November 30, 2005 and November 30, 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2005 and November 30, 2004. 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 July 21, 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.

Mary Taylor, CPA Auditor of State

Mary Taylor

July 21, 2008

## STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN CASH BALANCE FOR THE YEAR ENDED NOVEMBER 30, 2005

	2005
Operating Receipts:	
Admissions	\$755,790
Privilege Fees	280,204
Rentals	139,613
Sustaining and Entry Fees	32,963
Pari-mutuel Wagering Commission	46,784
Other Operating Receipts	2,472
Total Operating Receipts	1,257,826
Operating Disbursements:	
Wages and Benefits	212,842
Utilities	90,730
Professional Services	183,667
Equipment and Grounds Maintenance	316,164
Race Purse	88,908
Senior Fair	58,209
Junior Fair	31,254
Capital Outlay	88,914
Other Operating Disbursements	231,603
Total Operating Disbursements	1,302,291
Excess (Deficiency) of Operating Receipts	
Over (Under) Operating Disbursements	(44,465)
Non-Operating Receipts (Disbursements):	
State Support	32,044
County Support	3,300
Donations/Contributions	16,596
Investment Income	11,136
Debt Service	(6,732)
Net Non-Operating Receipts (Disbursements)	56,344
Excess (Deficiency) of Receipts Over (Under) Disbursements	11,879
Cash Balance, Beginning of Year	808,079
Cash Balance, End of Year	\$819,958

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

## STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN CASH BALANCE FOR THE YEAR ENDED NOVEMBER 30, 2004

	2004
Operating Receipts:	
Admissions	\$666,294
Privilege Fees	282,202
Rentals	127,980
Sustaining and Entry Fees	32,165
Pari-mutuel Wagering Commission	48,652
Other Operating Receipts	1,809
Total Operating Receipts	1,159,102
Operating Disbursements:	
Wages and Benefits	214,154
Utilities	82,772
Professional Services	143,256
Equipment and Grounds Maintenance	229,958
Race Purse	95,617
Senior Fair	51,180
Junior Fair	32,972
Capital Outlay	66,805
Other Operating Disbursements	215,493
Total Operating Disbursements	1,132,207
Excess (Deficiency) of Operating Receipts	
Over (Under) Operating Disbursements	26,895
Non-Operating Receipts (Disbursements):	
State Support	33,982
County Support	3,300
Donations/Contributions	11,340
Investment Income	13,343
Debt Service	(4,572)
Net Non-Operating Receipts (Disbursements)	57,393
Excess (Deficiency) of Receipts Over (Under) Disbursements	84,288
Cash Balance, Beginning of Year	723,791
Cash Balance, End of Year	\$808,079

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

#### NOTES TO THE FINANCIAL STATEMENT NOVEMBER 30, 2005 AND 2004 (Continued)

#### 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 Lorain County Agricultural Society, Lorain County, Ohio, (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 1846 to operate 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 Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. 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 horse shows. The reporting entity does not include any other activities or entities of Lorain County, Ohio.

Notes 5 and 6, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

#### B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This 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 prescribe 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.

The Society values certificates of deposit at cost. Money market mutual finds are recorded at the share value the mutual fund reports.

#### D. Budgetary Process

The Board of Directors did not formally adopt an operating budget.

#### NOTES TO THE FINANCIAL STATEMENT NOVEMBER 30, 2005 AND 2004 (Continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not report these items as assets.

#### F. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

#### G. 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.

#### H. Race Purse

Home Talent Colt Stakes Harness Races are held 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. They must make payment before a horse can participate in a stake race. The accompanying financial statements 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.

#### I. 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 parimutuel 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.

#### NOTES TO THE FINANCIAL STATEMENT NOVEMBER 30, 2005 AND 2004 (Continued)

#### 2. CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$56,799	\$156,040
Certificates of deposit	550,000	0
Money Market	213,159	652,039
Total deposits	\$819,958	\$808,079

**Deposits:** The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was uninsured and uncollateralized.

#### 3. HORSE RACING

#### State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement the purse for the years ended November 30, 2005 and November 30, 2004, respectively, was \$21,848 and \$20,304, and is included as State Support.

#### Pari-mutuel Wagering

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

	2005		2004	
Total Amount Bet (Handle) Less: Payoff to Bettors	\$	27,233 (16,175)	\$	32,062 (19,069)
Parimutuel Wagering Commission Tote Service Set Up Fee Tote Service Commission State Tax		11,058 (3,600) (5,529) (728)		12,993 (3,600) (6,497) (884)
Society Portion	\$	1,201	\$	2,012

#### NOTES TO THE FINANCIAL STATEMENT NOVEMBER 30, 2005 AND 2004 (Continued)

#### 4. 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. A private company provides general liability and vehicle insurance, 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 2006.

#### 5. 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 2005 and 2004, the Society disbursed \$4,352 and \$4,578, respectively, directly to the Junior Fair Board and \$26,902 and \$28,394, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursement. In 2005 and 2004, Lorain County paid the Society \$3,852 and \$4,078, respectively, to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2005 and November 30, 2004 follows:

	2005		2004	
Beginning Cash Balance	\$	4,439	\$	4,424
Receipts		13,917		15,932
Disbursements		(12,944)		(15,917)
5 " O I D I		5.440		4 400
Ending Cash Balance	\$	5,412	_\$	4,439

#### NOTES TO THE FINANCIAL STATEMENT NOVEMBER 30, 2005 AND 2004 (Continued)

#### 6. 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. A commission of 3 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2005 and November 30, 2004 follows:

		2005		2004	
Beginning Cash Balance	\$	10,609	\$	11,820	
Receipts		297,916		305,452	
Disbursements		(299,043)		(306,663)	
Ending Cash Balance	\$	9.482	\$	10,609	
Linaming Gaoin Balantoo	<u> </u>	5, 102	Ψ_	. 5,000	

#### 7. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For both 2005 and 2004 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, 2005 and 2004.

This page intentionally left blank.



## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2005 and November 30, 2004, and have issued our report thereon dated July 21, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Society's management dated July 21, 2008, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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*. In a separate letter to the Society's management dated July 21, 2008, we reported other matters related to noncompliance we deemed immaterial.

Lorain County Agricultural Society
Lorain County
Independent Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

Mary Taylor, CPA Auditor of State

Mary Taylor

July 21, 2008



#### **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.

**CLERK OF THE BUREAU** 

Susan Babbitt

CERTIFIED AUGUST 12, 2008