



OHIO AUDITOR OF STATE
KEITH FABER



**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Lorain County Agricultural Society
Lorain County
23000 Fairgrounds Road
Wellington, Ohio 44090

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Lorain County Agricultural Society, Lorain County, Ohio (the Society) as of and for the years ended November 30, 2019, 2018 and 2017.

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, 2019, 2018 and 2017, 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 by fund type, and related notes of the Society, as of November 30, 2019, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements for the fiscal years ended November 30, 2019 and 2018, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Society. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2021, 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 10, 2021

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Lorain County Agricultural Society
Lorain County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Years Ended November 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Receipts		
Taxes	\$2,061	\$267
Admissions	881,171	708,943
Privilege Fees	324,640	325,368
Rentals	218,952	200,670
Sustaining and Entry Fees	30,093	29,933
Pari-mutuel Wagering Commission	918	863
Other Operating Receipts	99,848	44,151
<i>Total Operating Receipts</i>	<u>1,557,683</u>	<u>1,310,195</u>
Operating Disbursements		
Wages & Salaries	347,785	341,944
Utilities	105,876	100,047
Professional Services	306,905	235,847
Equipment and Grounds Maintenance	148,143	101,415
Property and Rent Services	212,299	208,879
Race Purse	91,173	102,671
Senior Fair	50,160	60,068
Junior Fair	33,961	45,517
Capital Outlay	1,546	15,447
Other Operating Disbursements	206,524	222,010
<i>Total Operating Disbursements</i>	<u>1,504,372</u>	<u>1,433,845</u>
<i>Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements</i>	<u>53,311</u>	<u>(123,650)</u>
Non-Operating Receipts (Disbursements)		
State Support	80,901	78,757
Local Support	3,300	3,300
Donations/Contributions	94,558	44,612
Investment Income	2,543	1,157
Debt Service	(19,025)	(15,624)
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>162,277</u>	<u>112,202</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	215,588	(11,448)
Cash Balance, Beginning of Year	<u>573,792</u>	<u>585,240</u>
<i>Cash Balance, End of Year</i>	<u><u>\$789,380</u></u>	<u><u>\$573,792</u></u>

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

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2019 and 2018

Note 1 – Reporting Entity

The Lorain County Agricultural Society, Lorain County, (the Society) 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Lorain County Fair during the month of August. During the fair, harness races are held, culminating in the running of the Home Talent Colt Stakes. 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.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week, camping during fair week, and other year round activities at the fairgrounds. Other year-round activities at the fairgrounds include facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Lorain County, Ohio.

Notes 7 and 8, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

This financial statement follows 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).

This statement includes 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.

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.

The Society values certificates of deposit at cost.

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does 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

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 the Home Talent Colt 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 reports 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 4 for additional information.

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 4 for additional information.

Note 3 – Deposits and Investments

The Society maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30, 2019 and 2018 was as follows:

	2019	2018
Demand deposits	\$272,497	\$56,589
Other time deposits (savings and NOW accounts)	516,883	517,203
Total deposits	789,380	573,792

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2019 and 2018

Note 3 – Deposits and Investments (Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by specific securities pledged by the financial institution to the Society; or collateralized by the financial institution's public entity deposit pool.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund and Ohio Harness Horseman's Association money, received to supplement purse for the fiscal year ended November 30, 2019 and 2018 in the amounts of \$75,572 and \$73,916 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 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 the Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2019	2018
Total Amount Bet (Handle)	\$13,058	\$12,447
Less: Payoff to Bettors	(10,268)	(9,762)
Parimutuel Wagering Commission	2,790	2,555
Tote Service Set Up Fee	(1,200)	(1,200)
Tote Service Commission	(545)	(493)
State Tax	(374)	(370)
Society Portion	\$671	\$492

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.

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2019 and 2018

Note 5 – Risk Management (Continued)

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, 2019, PEP retained \$500,000 for casualty claims and \$250,000 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, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Assets	\$54,973,597	\$49,921,998
Liabilities	(16,440,940)	(14,676,199)
Net Position	38,532,657	35,245,799

At December 31, 2019 and 2018 the liabilities above include approximately \$14.7 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$11.7 million of unpaid claims to be billed. The Pool's membership increased to 553 members in 2019. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, the Society's share of these unpaid claims collectible in future years is approximately \$15,828.

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>2019 Contributions to PEP</u>	<u>2018 Contributions to PEP</u>
\$25,125	\$49,755

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.

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2019 and 2018

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, 2019.

Note 7 – Junior Fair Board

The Junior Fair Board, which is composed 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. The Society disbursed \$33,961 and \$45,517 directly to vendors to support Junior Fair activities, during 2019 and 2018, respectively. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the fiscal year ended November 30, 2019 and 2018 follows:

	2019	2018
Beginning Cash Balance	\$8,737	\$6,375
Receipts	24,365	23,078
Disbursements	(26,050)	(20,716)
Ending Cash Balance	\$7,052	\$8,737

Note 8 – 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 2 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities.

The Junior Livestock Committee's financial activity for the fiscal years ended November 30, 2019 and 2018, follows:

	2019	2018
Beginning Cash Balance	\$21,429	\$16,784
Receipts	469,879	467,372
Disbursements	(481,960)	(462,727)
Ending Cash Balance	\$9,348	\$21,429

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2019 and 2018

Note 9 – Subsequent Events

COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Society. The impact on the Society's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note Payable

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed on March 27, 2020 in response to COVID-19. The Paycheck Protection Program (PPP) was formed as part of the CARES Act. The PPP allows certain entities to apply for aid through forgivable loans. The Society entered into a note payable agreement with a bank under PPP. The unsecured note has a principal amount of \$63,300 with an interest rate of one percent.

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Lorain County Agricultural Society
Lorain County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Years Ended November 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Receipts		
Taxes	\$267	(\$45)
Admissions	708,943	799,084
Privilege Fees	325,368	321,072
Rentals	200,670	199,825
Sustaining and Entry Fees	29,933	27,855
Pari-mutuel Wagering Commission	863	639
Other Operating Receipts	<u>44,151</u>	<u>42,668</u>
<i>Total Operating Receipts</i>	<u>1,310,195</u>	<u>1,391,098</u>
Operating Disbursements		
Wages & Salaries	341,944	348,350
Utilities	100,047	92,620
Professional Services	235,847	327,397
Equipment and Grounds Maintenance	101,415	159,686
Property and Rent Services	208,879	274,442
Race Purse	102,671	95,396
Senior Fair	60,068	65,251
Junior Fair	45,517	40,756
Capital Outlay	15,447	23,703
Other Operating Disbursements	<u>222,010</u>	<u>253,767</u>
<i>Total Operating Disbursements</i>	<u>1,433,845</u>	<u>1,681,368</u>
<i>Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements</i>	<u>(123,650)</u>	<u>(290,270)</u>
Non-Operating Receipts (Disbursements)		
State Support	78,757	74,880
Local Support	3,300	3,300
Donations/Contributions	44,612	99,855
Investment Income	1,157	1,240
Debt Service	<u>(15,624)</u>	<u>(15,323)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>112,202</u>	<u>163,952</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	(11,448)	(126,318)
Cash Balance, Beginning of Year	<u>585,240</u>	<u>711,558</u>
<i>Cash Balance, End of Year</i>	<u><u>\$573,792</u></u>	<u><u>\$585,240</u></u>

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

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2018 and 2017

Note 1 – Reporting Entity

The Lorain County Agricultural Society, Lorain County, (the Society) 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Lorain County Fair during the month of August. During the fair, harness races are held, culminating in the running of the Home Talent Colt Stakes. 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.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week, camping during fair week, and other year round activities at the fairgrounds. Other year-round activities at the fairgrounds include facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Lorain County, Ohio.

Notes 7 and 8, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

This financial statement follows 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).

This statement includes 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.

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.

The Society values certificates of deposit at cost.

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does 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

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 the Home Talent Colt 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 reports 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 4 for additional information.

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 4 for additional information.

Note 3 – Deposits and Investments

The Society maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30, 2018 and 2017 was as follows:

	2018	2017
Demand deposits	\$56,589	\$146,657
Other time deposits (savings and NOW accounts)	517,203	438,583
Total deposits	573,792	585,240

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2018 and 2017

Note 3 – Deposits and Investments (Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by specific securities pledged by the financial institution to the Society; or collateralized by the financial institution's public entity deposit pool.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund and Ohio Harness Horseman's Association money, received to supplement purse for the fiscal year ended November 30, 2018 and 2017 in the amounts of \$73,916 and \$69,583 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 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 the Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2018	2017
Total Amount Bet (Handle)	\$12,447	\$13,328
Less: Payoff to Bettors	(9,762)	(10,608)
Parimutuel Wagering Commission	2,555	2,720
Tote Service Set Up Fee	(1,200)	(1,800)
Tote Service Commission	(493)	(281)
State Tax	(370)	(383)
Society Portion	\$492	\$256

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.

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2018 and 2017

Note 5 – Risk Management (Continued)

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, 2018, PEP retained \$500,000 for casualty claims and \$250,000 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, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Assets	\$49,921,998	\$44,452,326
Liabilities	(14,676,199)	(13,004,011)
Net Position	35,245,799	31,448,315

At December 31, 2018 and 2017 the liabilities above include approximately \$12.9 million and \$11.8 million of estimated incurred claims payable. The Pool's membership increased to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Society's share of these unpaid claims collectible in future years is approximately \$31,345.

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>2018 Contributions to PEP</u>	<u>2017 Contributions to PEP</u>
\$49,755	\$50,136

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.

Lorain County Agricultural Society
Lorain County
Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2018 and 2017

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, 2018.

Note 7 – Junior Fair Board

The Junior Fair Board, which is composed 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. The Society disbursed \$45,517 and \$40,756 directly to vendors to support Junior Fair activities, during 2018 and 2017, respectively. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the fiscal year ended November 30, 2018 and 2017 follows:

	2018	2017
Beginning Cash Balance	\$6,375	\$3,447
Receipts	23,078	32,560
Disbursements	(20,716)	(29,632)
Ending Cash Balance	\$8,737	\$6,375

Note 8 – 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 2 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities.

The Junior Livestock Committee's financial activity for the fiscal years ended November 30, 2018 and 2017, follows:

	2018	2017
Beginning Cash Balance	\$16,784	\$16,008
Receipts	467,372	428,006
Disbursements	(462,727)	(427,230)
Ending Cash Balance	\$21,429	\$16,784

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Lorain County Agricultural Society
Lorain County
23000 Fairgrounds Road
Wellington, Ohio 44090

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 by fund type of the Lorain County Agricultural Society, Lorain County, (the Society) as of and for the years ended November 30, 2019, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 10, 2021, 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. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Society.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) as a basis for designing 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 financial statements. 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 10, 2021

**LORAIN COUNTY AGRICULTURAL SOCIETY
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2019 AND 2018**

OTHER – FINDINGS FOR RECOVERY

We identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS Compliance and Controls report.

FINDING NUMBER 2019-001

Finding for Recovery Repaid Under Audit – Alcohol Purchase

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. This Bulletin further indicates, the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

The Society reimbursed a purchase of a retirement gift for a long-time vendor, which included beer totaling \$28.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended in hereby issued against Kim Meyers in the amount of \$28 and in favor of the Society’s operating fund.

On January 28, 2021, Director Brian Twining repaid the \$28 in favor of the Society’s operating fund.

Officials’ Response:

Regarding the Finding for Recovery, we feel that this was just an oversight by the Board. The Board is aware that alcohol is prohibited to purchase and will take the necessary steps to help prevent this from happening again. We are working on a new checks and balances system to catch anything like this.

As you are aware, most of our revenue is generated by the attendees and activities that the fair puts on, we get a very small amount from the State. Brian Twining was the past president and has paid back the \$28. We would like to acknowledge that this was a true mistake and slipped through the bill pay process. Again, new checks and balances are in place to prevent this in the future.



The Lorain County Agricultural Society

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

NOVEMBER 30, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Bank reconciliations and financial statement variances	Partially corrected	The Society is in the process of implementing procedures to address these issues.

OHIO AUDITOR OF STATE KEITH FABER



LORAIN COUNTY AGRICULTURAL SOCIETY

LORAIN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 3/2/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov