



**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2006-2005



Mary Taylor, CPA
Auditor of State

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Delaware County Agricultural Society
Delaware County
236 Pennsylvania Avenue
Delaware, Ohio 43015

To the Board of Directors:

We have audited the accompanying basic financial statements of Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of and for the years ended November 30, 2006 and 2005 as listed in the table of contents. 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.

The Society has not capitalized buildings and equipment acquired prior to 1985. Generally accepted accounting principles require recording an asset and accumulated depreciation, when applicable, for these amounts. It is not practical to estimate the amounts of excluded assets.

In our opinion, except for the effect of not capitalizing buildings and equipment acquired prior to 1985, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware County Agricultural Society, Delaware County, Ohio, as of November 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007, 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.

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The Society has not presented a 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 basic financial statements.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 8, 2007

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS
AS OF NOVEMBER 30, 2006 AND 2005**

	2,006	2,005
Current Assets:		
Cash, \$238,025 and \$163,454 in Interest Bearing Deposits, respectively	\$ 251,715	\$ 187,066
Investments, At Fair Value	105,840	99,900
Accounts Receivable	108,721	133,996
Prepaid Expenses	7,685	8,213
Inventory, At Cost	10,900	16,746
Total Current Assets	484,861	445,921
Property and Equipment, at Cost:		
Land Improvements	651,186	645,147
Buildings	2,504,827	2,345,571
Machinery and Equipment	381,796	374,747
Computer and Office Equipment	68,567	72,435
Vehicles	109,086	108,085
Total Property and Equipment	3,715,462	3,545,985
Less: Accumulated Depreciation	(1,372,324)	(1,257,954)
Net Property and Equipment	2,343,138	2,288,031
Other Assets:		
Long-term unconditional promise to give	279,616	311,105
Restricted Race Qualification Fees - Cash, in Interest Bearing Deposits	676,366	676,597
Restricted Cash for Harness Racing, in Interest Bearing Deposits	-	4,788
Industrial Insurance Deposit	1,000	1,000
Total Other Assets	956,982	993,490
Total Assets	\$ 3,784,981	\$ 3,727,442

The notes to the financial statements are an integral part of these financial statements

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS
AS OF NOVEMBER 30, 2006 AND 2005
(Continued)**

	2,006	2,005
Current Liabilities:		
Current Installments of Long-Term Debt	142,000	118,700
Note Payable to Banks (Line of Credit)	100,000	100,000
Accounts Payable	84,152	54,891
Payroll and Payroll Taxes	103,794	87,798
Interest Payable	5,607	5,422
Total Current Liabilities	435,553	366,811
Deferred Race Qualification Fees	663,207	670,930
Deferred Gift Income	9,275	6,165
Exhibiter deposit	9,425	9,950
Long-Term Debt:		
Note Payable to Bank, Due in Annual Installments of \$60,000 With the Balance Due March 1, 2010	360,000	420,000
Note Payable to Bank, Due in Annual Installments of \$58,488.60 for principal and interest with balance due August 1, 2013	326,072	364,500
Non-Interest Bearing Note, Payable in Annual Installments of \$10,000	20,000	30,000
Note Payable to Bank, Due in Annual Installments of \$29,087.87 for principal and interest with balance due October 15, 2009.	72,558	-
Non-Interest Bearing Note, Payable in Annual Installments of \$10,000	20,000	30,000
Total Long-Term Debt	798,630	844,500
Less Current Installments	(142,000)	(118,700)
Net Long-Term Debt	656,630	725,800
Total Liabilities	1,774,090	1,779,656
Net Assets:		
Invested in capital assets, net of related debt	1,686,508	1,562,231
Restricted	21,719	13,009
Unrestricted	302,665	372,547
Total Net Assets	\$ 2,010,891	\$ 1,947,786

The notes to these financial statements are an integral part of these financial statements

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating Revenues:		
Admissions	\$ 775,876	\$ 799,380
Privilege Fees	310,699	321,734
Sales, License and Other	127,520	187,832
Racing Fees and Charges	2,653,180	2,750,175
Other Racing Income	57,786	58,952
Fees	18,446	8,012
Rentals	292,682	302,654
Sponsorships	704,835	1,153,590
Total Operating Revenues	<u>4,941,024</u>	<u>5,582,329</u>
Operating Expenses:		
Salaries and Wages	802,833	809,644
Benefits	109,809	114,381
Administrative Expense	93,019	125,197
Race Supplies and Materials	116,294	114,858
Supplies and Materials	48,240	44,748
Utilities	188,058	194,854
Purse Payments and Miscellaneous Expenses	2,510,896	2,567,737
Professional Services	114,004	81,577
Property Services	139,598	168,926
Advertising and Communication	353,850	393,172
Repairs	35,729	31,250
Insurance	28,921	28,128
Rent and Lease	113,239	107,584
Interest Expense	54,768	46,288
Depreciation	127,717	124,652
Fair Expenses	210,646	209,487
Total Operating Expenses	<u>5,047,621</u>	<u>5,162,483</u>
 Net Operating Income (Loss)	 <u>(106,597)</u>	 <u>419,846</u>
Non-Operating Revenues:		
State and Local Grants	92,451	97,740
Investment Income	71,261	40,930
Gain on Disposal of Equipment	50	(120)
Net Increase in Fair Value of Investments	5,940	(1,800)
Total Non-Operating Revenues	<u>169,702</u>	<u>136,750</u>
 Net Income	 63,105	 556,596
Net Assets at Beginning of Fiscal Year	<u>1,947,786</u>	<u>1,391,190</u>
Net Assets at End of Fiscal Year	<u>\$ 2,010,891</u>	<u>\$ 1,947,786</u>

The notes to the financial statements are an integral part of these financial statements

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2005**

	2,006	2,005
Cash Flows From Operating Activities:		
Receipts:		
Admissions	\$ 776,431	\$ 798,735
Privilege Fees	312,315	319,431
Sales, License, and Other	127,702	192,938
Racing Fees and Charges	2,682,617	2,727,490
Other Racing Income	55,079	63,796
Fees	19,632	8,727
Rentals	309,472	301,433
Sponsorships	739,818	853,849
	<u>5,023,066</u>	<u>5,266,399</u>
Disbursements:		
Salaries and Wages	(799,912)	(811,089)
Benefits	(106,308)	(110,812)
Administrative Expense	(90,198)	(122,002)
Race Supplies and Materials	(169,479)	(159,422)
Utilities	(198,511)	(195,290)
Purse Payments and Miscellaneous Expenses	(2,509,798)	(2,567,452)
Professional Services	(114,028)	(80,238)
Property Services	(141,305)	(167,531)
Advertising and Communication	(364,225)	(382,044)
Repairs	(36,021)	(31,748)
Insurance	(29,259)	(27,608)
Rent and Lease	(77,927)	(108,035)
Interest Expense	(54,583)	(40,866)
Fair Expenses	(201,813)	(207,680)
	<u>(4,893,367)</u>	<u>(5,011,817)</u>
Net Cash Provided by (Used for) Operating Activities	129,699	254,582
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(182,824)	(637,135)
Proceeds From Loans	100,000	364,500
Gain/(Loss) on Disposal of Assets	50	109
Payments on Notes Payable	(145,870)	(83,412)
	<u>(228,644)</u>	<u>(355,938)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	(228,644)	(355,938)

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

	<u>2,006</u>	<u>2,005</u>
Cash Flows From Non-Capital Financing Activities:		
State and Local Grants	92,451	97,740
Proceeds from loans (lines of credit)	100,000	100,000
Repayment of loans (lines of credit)	(100,000)	(100,000)
Net Change In Unearned Revenues	<u>(5,137)</u>	<u>(41,390)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>87,314</u>	<u>56,350</u>
Cash Flows From Investing Activities:		
Investment Income	71,261	40,930
Net Cash Provided by (Used for) Investing Activities	<u>71,261</u>	<u>40,930</u>
Net Increase (Decrease) in Cash and Cash Equivalents	59,630	(4,076)
Cash and Cash Equivalents at Beginning of Year	<u>868,451</u>	<u>872,527</u>
End of Year Cash and Cash Equivalents	<u><u>\$ 928,081</u></u>	<u><u>\$ 868,451</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(106,597)	419,846
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:		
Depreciation Expense	127,717	124,652
Changes in Assets and Liabilities:		
Accounts Receivable	56,764	(314,475)
Prepaid Expenses	526	2,519
Souvenir Inventory	5,846	(1,706)
Accounts Payable	30,030	26,050
Accrued Expenses	15,413	(2,304)
Total Adjustments:	<u>236,296</u>	<u>(165,264)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 129,699</u></u>	<u><u>\$ 254,582</u></u>

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

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**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005**

1. DESCRIPTION OF ENTITY

The Delaware County Agricultural Society (the "Society") was founded in 1834 to direct the operation of an annual agricultural fair. Since 1939, the Society has sponsored the week-long Delaware County Fair during September. During the fair, harness races are held, culminating in the running of the Little Brown Jug Racing Classic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. Delaware County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of eighteen directors serving staggered three-year terms, elected from the membership of the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. Included is the annual fair, harness racing during fair week, simulcast relating to harness racing; other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including the All Horse Parade and Mayor's Breakfast. This reporting entity does not include any other activities or entities of Delaware County, Ohio.

The financial activity of the Junior Fair Board and the Junior Fair Livestock Sale Committees is summarized in Note 10 and 11 respectively.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation / Fund Accounting

The Society's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and change in net assets, and a statement of cash flows. Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Society finances and meets the cash flow needs of its enterprise activities.

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The Society uses the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Society follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions, in which the Society receives value without directly giving equal value in return, include grants, entitlements, and race qualification fees. Revenue from these sources is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants, entitlements, and race qualification fees received before eligibility requirements are met are recorded as deferred revenue.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Society must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Society on a reimbursement basis.

C. Estimates

The accounting and reporting policies of the Society conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The Society's annual financial results are dependent upon the success of that year's fair and races. The financial results are uncertain and vary depending on uncertainties such as weather conditions.

D. Budgetary Process

An operating budget is prepared annually by the Board of Directors, including estimated revenues and expenses. The Board approves the budget in its final form during the first six months of each fiscal year. The budget is reviewed throughout the year and compared with actual results by the Board of Directors. Management has discretion to allocate expenses among budgetary items.

E. Investments

In accordance with GASB Statement No. 31, *Accounting and financial reporting for certain investments and for external investment pools*, the Society records all investments at fair value as defined by the Statement.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

Inventories are valued at cost using the first in, first out method. The cost of inventory items is recognized as an expense when sold. The types of inventory held are souvenirs, clothing, and beverages.

G. Property and Equipment

Property and equipment purchased after 1985 are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. The Society has not recorded in these financial statements property and equipment purchased prior to December 1, 1985 as cost information on these assets was not available. Since December 1, 1985, the Society capitalizes equipment purchases and major real estate improvements and records routine replacements as repairs and maintenance expenses. Depreciation is computed by the straight-line method based on various estimated useful lives ranging from 5 years to 40 years. The capitalization threshold is \$ 300. There were no capitalized interest costs incurred during 2006 or 2005.

H. Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for specific uses.

I. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1).

J. Race Qualification Fees

Fees paid to the Society by horse owners to qualify their horses as eligible for entry into certain stake races conducted during the Delaware County Fair are segregated into interest-bearing cash accounts. The payments may be required in one, two or three years pending the running of the race. Failure to make all required payments for the horse will result in that horse being ineligible for the running of the stake race. Payments made on behalf of horses no longer eligible for the race are retained and included in the total purse for the event. Race qualification fees are reported as deferred revenue in the financial statements except for the year in which the horse runs the race at which time they are reported as revenue in the financial statements.

Specific races for which the Society maintains qualification fees include the Little Brown Jug Racing Classic, the Jugette, the Old Oaken Bucket and Bucketette, the Standardbred Series, the Ohio Breeders Championship Series and the New Century Championship Series. 100% of race qualification fees collected become part of the purse for the race involved in the year that race is run. The Society retains any investment income earned on these invested race qualification fees to assist in defraying costs of advertising for entrants to the races and record keeping for the qualification process.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Race Qualification Fees (Continued)

The Ohio Fair fund received grants to supplement purse payments to horsemen during the fiscal years ending November 30, 2006 and November 30, 2005 were \$21,704 and \$24,304, respectively, and are included in Other Racing Income in the accompanying financial statements.

K. Parimutuel 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, determined by the pari-mutuel wagering system. The Society contracts with a totalizer service to record bets and provide the pari-mutuel wagering system.

Parimutuel wagering commission (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 statements as Racing Fees and Charges.

L. Statement of Cash Flows

For the purpose of the statement of cash flows, the Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

M. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the Society, these revenues consist of Admissions, Privilege Fees, Sales, Racing fees, Rentals, and Sponsorships. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Society or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Society policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

3. DEPOSITS AND INVESTMENTS

Monies held by the Society are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Society treasury. Active monies must be maintained either as cash in the Society treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Directors have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Society can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Society, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Society will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2006, \$490,283 of the Society's bank balance of \$690,283 and year end 2005, \$244,258 of the Society's bank balance of \$444,258 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Society's name.

The Society has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Society or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of November 30, 2006, and November 30, 2005 the Society had investments with the Allegiant Government Money Market Fund for \$487,179 and \$475,484, respectively.

In addition the Society had investments in Delaware County Bank common stock at November 30, 2006 and November 30, 2005 for \$105,840 and \$99,900, respectively. The common stock held by the Society was donated to the Board.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Society's addresses interest rate risk by investing operating funds primarily in short-term investments. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

The Money Market Fund carries a credit risk rating of AAA by Standards & Poor's, Moody's, and Fitch. The AAA-rating is the highest assignable rating. The Society does not have a policy for credit risk.

4. RECEIVABLES

Receivables at November 30, 2006 and November 30, 2005 consisted of trade and simulcast settlements due. All receivables are considered collectable in full.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

5. LONG-TERM DEBT

A summary of changes in long-term obligations for the years ended November 30, 2006 and November 30, 2005 are as follows:

	Balance			Balance
	Dec 1, 2005	Additions	Deletions	Nov 30, 2006
Note payable to bank- Grandstand	\$420,000	\$0	\$60,000	\$360,000
Non-interest bearing note-Log Cabin	30,000	0	10,000	20,000
Note payable to bank – Grandstand Repair		100,000	27,442	72,558
Note payable-Jugette Barn	364,500	0	38,427	326,072
Note payable Delaware County Commissioners	30,000	0	10,000	20,000
	<u>\$844,500</u>	<u>\$100,000</u>	<u>\$145,869</u>	<u>\$798,630</u>

	Balance			Balance
	Dec 1, 2004	Additions	Deletions	Nov 30, 2005
Note payable to bank- Grandstand	\$480,000	\$0	\$60,000	\$420,000
Non-interest bearing note-Log Cabin	40,000	0	10,000	30,000
Note payable Case tractor	1,642	0	1,642	0
Capital lease obligation Edco Financial-Batwing Mower	523	0	523	0
Capital lease obligation SFC Leasing- Toro Mower	1,247	0	1,247	0
Note payable-Jugette Barn		364,500		364,500
Note payable Delaware County Commissioners	40,000	0	10,000	30,000
Total	<u>\$563,412</u>	<u>\$364,500</u>	<u>\$83,412</u>	<u>\$844,500</u>

As of November 30, 2006 the Society had a \$150,000 line of credit with National City Bank. This line of credit permits the Society to obtain advances from the bank based on the Society's cash flow needs. The line bears interest at prime plus one and one-half percent (9.75% and 8.5% at November 30, 2006 and 2005, respectively). The outstanding balance on the line of credit was \$100,000 and \$100,000 at November 30, 2006 and November 30, 2005, respectively.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

5. LONG-TERM DEBT (Continued)

The Grandstand Note is due to the National City Bank and The Delaware County Bank in equal shares. The note was originally entered into on July 1, 1991. It was renegotiated on February 21, 2003 to provide for an increase in the principal outstanding by \$240,000 making the balance due of \$600,000 and bearing interest at 5.75% payable quarterly. The note was to be due and payable in full on March 1, 2004. On March 1, 2004 the note was extended to March 1, 2005 on the same terms as existed at February 21, 2003. A second modification of the note agreement was agreed to effective March 1, 2005 whereby the note was extended to March 1, 2010. The note requires annual principal payments of \$60,000 on September 1 of each year, interest at 6.75% on the unpaid balance paid quarterly, and payment in full on March 1, 2010. The note continues to be secured by future revenues of the Grandstand addition.

The non-interest bearing note is due to the American Legion Raymond B. Austin Post 115. The note was entered into on June 25, 1993 and is a 15 year note. The racing administration building known as the Log Cabin was partially constructed with the proceeds of this note. Post 115 retains a right to lease this building for its events during the term of the loan for an annual rental of \$6,000.

The Case Tractor Note, entered into on July 19, 2002 at an interest rate of 6.4%, is due to Case Credit Corporation and is secured by the tractor purchased. The lease was paid in full in April 2005.

The Batwing Mower Lease, is a capital lease entered into on April 24, 2002 at an interest rate of 9.9%, is due to Edco Financial Services and is secured by the mower purchased. The lease was paid in full in April 2005.

The Toro Mower Lease, is a capital lease entered into on May 13, 2002 at an interest rate of 8.3%, is due to SFC Leasing and is secured by the mower purchased. The loan was paid in full in April 2005.

The Grandstand Repair Note entered into on April 14, 2006, at an interest rate of 7.75%, is due to The Delaware County Bank and Trust and is secured by all inventory, chattel paper, accounts, equipment, and general intangibles. Payments are due in four annual installments of \$29,087.87 due on October 15 of each year with final payment being due October 15, 2009.

In January 2005, The Society issued a promissory note with The Delaware County Bank and Trust Company in the amount of \$425,000 at an interest rate of 5.95% to complete construction of the Lavern A. Hill Juliette Barn. The Society agreed to repay the loan in one payment of all outstanding principal plus all accrued unpaid interest on September 1, 2005. On September 2, 2005 The Society renewed this promissory noted in the amount of \$364,500 at an interest rate of 5.95%. The Society agreed to eight annual payments of \$58,489. The first payment is due August 1, 2006, and all subsequent payments are due on the same day of each year after that. The Society receives annual payments of \$50,000 from the LaVerne A. Hill Charitable Lead Trust which are to be used to fund portions of the annual debt payments.

The note payable due to the Delaware County Commissioners is a non-interest bearing note entered into September 2003. The note was for the construction of a permanent Junior Fair show building. Annual principal installments of \$10,000 are due on the note with the balance due September 2008.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

5. LONG-TERM DEBT (Continued)

Amortization of the above debt, including interest at the current rates, through 2012 is as follows:

	Principal	Interest	Total
2007	141,919	49,149	191,068
2008	146,133	39,140	185,273
2009	127,416	31,034	158,450
2010	226,080	14,533	240,613
2011	48,898	8,621	57,519
Subsequent	108,184	7,949	116,133
Total	<u>\$798,630</u>	<u>\$150,426</u>	<u>\$949,056</u>

6. 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 Worker's Compensation.

Delaware County insures the Society's buildings under CORSA.

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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

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

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	\$15,122,127	\$13,725,507

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	\$4,262,163	\$3,375,087

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society share of these unpaid claims collectible in future years is approximately \$55,678. This payable includes the subsequent year's contribution due if the Society terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
2004	\$28,571
2005	\$26,488
2006	\$27,839

The Society provides health coverage for full time, supervisory employees through Anthem Blue-Cross Blue-Shield. The Delaware County Commissioners provide general insurance coverage for all the buildings on the Delaware County Fairgrounds pursuant to Ohio Revised Code.

General liability and vehicle coverage is provided by Public Entities Pool of Ohio with limits of \$1,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$100,000. The Society's fair secretary and treasurer are bonded with coverage of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through July 2007.

7. RETIREMENT PLAN

In 1992 the Society established a 403(b) plan in which all qualified employees may participate. This plan is entirely funded by employee contributions.

All employees contribute to Social Security. The plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries and the Society contributed an amount equal to 6.2 % of participants gross salaries during the years ended November 30, 2006 and 2005.

8. LEASES

The facilities operated by the Society have been constructed on real estate approximately two-thirds of which is owned by Delaware County, Ohio and the balance is owned by the Society. The real estate is made available by the County at no cost to the Society.

9. RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors are employees of and/or provide services to the Society for which they are compensated.

The Little Brown Jug Society owns rights to the Little Brown Jug and Juliette Pacing races. The Little Brown Jug Society is operated by a Board of Directors many of whom are also members of the Delaware Agricultural Society Board of Directors. Each year since 1946 the Delaware Agricultural Society has purchased from the Little Brown Jug Society the right to hold these pacing races at its Delaware facilities during the Delaware County Fair. The cost of such rights which amounted to \$45,000 for the Little Brown Jug and \$22,500 for the Juliette in 2006 and 2005, are by agreement, added to the purse for each race.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

10. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of representatives of 4-H, FFA, FCCLA, Boy Scout, Girl Scout, Industrial Technology Clubs, and Farm Bureau Youth organizations, is responsible for the Junior Fair Division activities of the Delaware County Fair. The Society disbursed \$37,952 and \$41,151 during the fiscal years ended November 30, 2006 and November 30, 2005, respectively, directly to vendors to support Junior Fair activities. The Society also disbursed \$2,000 in scholarship money in the fiscal year ended November 30, 2006. These expenses are reflected under fair expenses in the accompanying financial statements. The Society received from the State of Ohio and Delaware County \$3,845 and \$3,852 during the fiscal years ended November 30, 2006 and November 30, 2005, respectively, for support of the Junior Fair Division activities. These amounts have been reported in the accompanying financial statements as State and local grants under non-operating revenues.

11. JUNIOR FAIR LIVESTOCK SALE COMMITTEES

The Junior Fair Pig and Lamb Sale Committee and the Junior Fair Steer Sale Committee are separate committees charged with conducting the annual pig, lamb and steer auctions held during fair week. Junior Fair participants may sell their animals, which were shown at the fair, through the auction. The participants are charged a sales commission from 2% to 4% of the sale price to cover the costs of the auctions. Any excess of income over expenses is retained by the Committees to fund future sales. The accompanying financial statements do not include the activities of these Committees. The financial activity for the Committees follows:

	Junior Fair Pig & Lamb Sale		Junior Fair Steer Sale	
	Year Ended November 30		Year Ended November 30	
	2005	2006	2005	2006
Beginning Cash Balance	\$ 5,398	\$ 7,781	\$ 9,103	\$ 7,482
Receipts	116,296	126,176	106,568	135,917
Disbursements	(113,913)	(125,695)	(108,189)	(137,547)
Ending Cash Balance	\$ 7,781	\$ 8,262	\$ 7,482	\$ 5,852

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

12. CAPITAL ASSETS

Summary by category of changes in capital assets at November 30, 2006 and November 30, 2005, respectively:

Historical Cost

Class	November 30, 2005	Additions	Deletions	November 30, 2006
<i>Capital Assets Being Depreciated:</i>				
Land improvements	\$ 645,146	\$ 6,040	\$	\$ 651,186
Buildings	2,345,571	159,256		2,504,827
Machinery & equipment	374,747	14,583	(7,534)	381,796
Computer & office equipment	72,435	1,945	(5,813)	68,567
Vehicles	108,086	1,000		109,086
Total Cost	\$ 3,545,985	\$182,823	\$(13,347)	\$ 3,715,462

Class	November 30, 2004	Additions	Deletions	November 30, 2005
Land improvements	\$ 645,146	\$ -		\$ 645,146
Buildings	1,744,415	601,156		2,345,571
Machinery & equipment	339,690	53,131	(18,074)	374,747
Computer & office equipment	74,516	2,287	(4,368)	72,435
Vehicles	107,974	312	(200)	108,086
Construction in Progress	19,751		(19,751)	0
Total Cost	\$ 2,931,492	\$ 656,886	\$(42,393)	\$ 3,545,985

Accumulated Depreciation:

Class	November 30, 2005	Additions	Deletions	November 30, 2006
Land improvements	\$ (336,523)	\$ (33,622)	\$	\$ (370,145)
Buildings	(485,162)	(70,957)		(556,119)
Machinery & equipment	(271,057)	(19,563)	7,534	(283,086)
Computer & office equipment	(64,137)	(2,533)	5,813	(60,857)
Vehicles	(101,075)	(1,042)		(102,117)
Total Cost	\$ (1,257,954)	\$ (127,717)	\$13,347	\$ (1,372,324)

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2006 AND 2005
(Continued)**

12. CAPITAL ASSETS (Continued)

Class	November 30, 2004	Additions	Deletions	November 30, 2005
Land improvements	\$ (301,209)	\$ (35,314)	\$	\$ (336,523)
Buildings	(429,767)	(55,395)		(485,162)
Machinery & equipment	(265,148)	(23,924)	18,015	(271,057)
Computer & office equipment	(64,549)	(3,956)	4,368	(64,137)
Vehicles	(95,042)	(6,063)	30	(101,075)
Construction in Progress	-			
Total Cost	<u>\$ (1,155,715)</u>	<u>\$(124,652)</u>	<u>\$22,413</u>	<u>\$ (1,257,954)</u>

13. CONTINGENCIES

The Society has received notice from the US Army Corps Engineers and the Ohio EPA regarding potential violation with the Clean Water Act and the Ohio Pollution Control Act. There has not been an administrative enforcement action filed as of the date of this report.



Mary Taylor, CPA

Auditor of State

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

Delaware County Agricultural Society
Delaware County
236 Pennsylvania Avenue
P.O. Box 1278
Delaware, OH 43015

To the Board of Directors:

We have audited the basic financial statements of the Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated October 8, 2007. Our report included a qualification because the Society has not capitalized buildings and equipment acquired prior to 1985 in its financial statements. The Society did not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. 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 October 8, 2007, 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 October 8, 2007, we reported other matters related to noncompliance we deemed immaterial.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
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www.auditor.state.oh.us

Delaware County Agricultural Society
Delaware 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 finance committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 8, 2007

**DELAWARE COIUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Centralized Operations and Accounting Records	Yes	Corrected.
2004-002	Finding for Recovery-Alcohol Purchases	Yes	Corrected.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

DELAWARE 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
DECEMBER 4, 2007**