



**Auditor of State
Betty Montgomery**

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the balance sheets of the Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of November 30, 2002 and November 30, 2001 and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

The Society has not capitalized buildings and equipment acquired prior to 1985. In our opinion, generally accepted accounting principles requires 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 effects of not capitalizing buildings and equipment acquired prior to 1985, the financial statements referred to above present fairly, in all material respects, the financial position of the Society, as of November 30, 2002 and November 30, 2001, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

September 17, 2003

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**BALANCE SHEETS
AS OF NOVEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Current Assets:		
Cash, \$50,945 and \$122,045 in Interest Bearing Deposits, Respectively	\$108,637	\$316,550
Investments, At Fair Value	68,760	44,928
Accounts Receivable	169,509	194,717
Prepaid Expenses	11,886	5,400
Inventory, At Cost	31,509	29,256
Total Current Assets	390,301	590,851
Property and Equipment, at Cost:		
Land Improvements	619,935	607,013
Buildings	1,559,650	1,518,907
Machinery and Equipment	293,188	282,164
Computer and Office Equipment	73,082	105,791
Vehicles	103,474	110,272
Total Property and Equipment	2,649,329	2,624,147
Less: Accumulated Depreciation	(923,622)	(869,239)
Net Property and Equipment	1,725,707	1,754,908
Other Assets:		
Restricted Race Qualification Fees - Cash, in Interest Bearing Deposits	721,734	703,124
Restricted Cash for Harness Racing, in Interest Bearing Deposits	4,793	4,742
Industrial Insurance Deposit	1,000	1,000
Total Other Assets	727,527	708,866
Total Assets	\$2,843,535	\$3,054,625

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

(Continued)

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**BALANCE SHEETS
AS OF NOVEMBER 30, 2002 AND 2001
(Continued)**

	<u>2002</u>	<u>2001</u>
Current Liabilities:		
Current Installments of Long-Term Debt	\$92,400	\$93,800
Note Payable to Banks (Line of Credit)	100,000	50,000
Accounts Payable	321,484	421,521
Payroll and Payroll Taxes	26,644	27,427
Interest Payable	5,620	-
Sales Tax	49	21
Total Current Liabilities	<u>546,197</u>	<u>592,769</u>
Deferred Race Qualification Fees	702,863	698,570
Deferred Box Seat Fees	-	1,400
Deferred Sponsorship Fees	20,000	27,500
Deferred Rent Income	12,400	-
Long-Term Debt:		
Note Payable to Bank, Due in Annual Installments of \$60,000 With the Balance Due September 1, 2004	360,000	420,000
Non-Interest Bearing Note, Payable in Annual Installments of \$10,000	60,000	70,000
Note Payable to Bank, Due in Annual Installments of \$7,800 Plus Interest, Due in 2003	7,925	15,725
Note Payable to Bank, Due in 2002	-	8,024
Note Payable, Due in 2005	7,087	-
Note Payable, Due in 2005	3,251	-
Note Payable, Due in 2005	6,742	-
Note Payable to Vendor, Due in 3 Annual Installments of \$8,000, Due in 2004	24,000	24,000
Total Long-Term Debt	<u>469,005</u>	<u>537,749</u>
Less Current Installments	<u>(92,400)</u>	<u>(93,800)</u>
Net Long-Term Debt	<u>376,605</u>	<u>443,949</u>
Total Liabilities	<u>1,658,065</u>	<u>1,764,188</u>
Equity:		
Retained Earnings	<u>1,185,470</u>	<u>1,290,437</u>
Total Equity	<u>1,185,470</u>	<u>1,290,437</u>
Total Liabilities and Equity	<u>\$2,843,535</u>	<u>\$3,054,625</u>

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

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED NOVEMBER 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Operating Revenues:		
Admissions	\$915,260	\$879,218
Privilege Fees	215,857	220,900
Sales, License and Other	181,941	167,854
Racing Fees and Charges	2,773,453	2,802,130
Other Racing Income	81,934	80,007
Fees	19,180	72,348
Rentals	228,613	247,162
Sponsorships	632,503	612,759
Total Operating Revenues	<u>5,048,741</u>	<u>5,082,378</u>
Operating Expenses:		
Salaries and Wages	774,339	774,234
Benefits	79,380	81,555
Administrative Expense	136,390	108,817
Race Supplies and Materials	149,136	149,442
Supplies and Materials	35,981	46,798
Utilities	141,488	174,925
Purse Payments and Miscellaneous Expenses	2,700,359	2,640,737
Professional Services	97,211	172,517
Property Services	209,066	193,442
Advertising and Communication	309,665	313,640
Repairs	26,628	36,249
Insurance	53,419	35,785
Rent and Lease	104,172	81,440
Interest Expense	32,249	62,348
Depreciation	116,243	115,215
Fair Expenses	258,056	295,171
Total Operating Expenses	<u>5,223,782</u>	<u>5,282,315</u>
 Net Operating Loss	 <u>(175,041)</u>	 <u>(199,937)</u>
Non-Operating Revenues:		
State and Local Grants	28,639	17,683
Investment Income	17,603	55,123
Gain on Disposal of Equipment	0	100
Net Increase in Fair Value of Investments	23,832	2,628
Total Non-Operating Revenues	<u>70,074</u>	<u>75,534</u>
 Net Loss	 (104,967)	 (124,403)
Retained Earnings at Beginning of Fiscal Year	1,290,437	1,414,840
Retained Earnings at End of Fiscal Year	<u>\$1,185,470</u>	<u>\$1,290,437</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, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
Cash Flows Used For Operating Activities:		
Operating Loss	(\$175,041)	(\$199,937)
Adjustments to Reconcile Operating Income to Net Cash Provided		
By (Used For) Operating Activities:		
Depreciation	116,243	115,215
Change In:		
Accounts Receivable	25,208	(21,858)
Prepaid Expenses	(6,486)	(907)
Souvenir Inventory	(2,253)	5,733
Accounts Payable	(100,037)	133,960
Accrued Expenses	4,866	3,687
	<u>(137,500)</u>	<u>35,893</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Fixed Assets	(87,042)	(69,724)
Proceeds From Loans	20,107	24,000
Gain on Disposal of Assets	0	100
Payments on Notes Payable	(88,850)	(85,230)
	<u>(155,785)</u>	<u>(130,854)</u>
Cash Flows From Non-Capital Financing Activities:		
State and Local Grants	28,639	17,683
Proceeds from loans (lines of credit)	50,000	50,000
Net Change In Unearned Revenues	7,791	30,233
	<u>86,430</u>	<u>97,916</u>
Cash Flows From Investing Activities:		
Interest income	17,603	55,123
	<u>17,603</u>	<u>55,123</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(189,252)	58,078
Beginning of Year Cash and Cash Equivalents	1,024,416	966,338
End of Year Cash and Cash Equivalents	<u>\$835,164</u>	<u>\$1,024,416</u>

During Fiscal Year 2002, The Society acquired \$ 11,982 in equipment through capital leases

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

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2002 AND 2001**

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 11 and 12, 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. Measurement Focus/Basis of Accounting

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

B. 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2002 AND 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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.

D. 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.

E. 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.

F. 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 2002 or 2001.

G. 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.

H. 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).

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2002 AND 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 Juggette, the Old Oaken Bucket and Buckette, the Standardbred Series and the Ohio Breeders 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.

The Ohio Fair fund received grants to supplement purse payments to horsemen during the fiscal years ending November 30, 2002 and November 30, 2001 were \$29,488 and \$30,800, respectively, and are included in Other Racing Income in the accompanying financial statement

J. 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.

K. 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.

3. CASH AND INVESTMENTS

Deposits: At November 30, 2002 and November 30, 2001 the carrying amount of the Society's deposits was \$835,164 and \$1,024,416, respectively, and the bank balance was \$1,011,990 and \$1,085,436, respectively. \$100,724 and \$ 119,929 of the bank balances at November 30, 2002 and November 30, 2001 year were covered by Federal Depository Insurance Corporation (FDIC). The remainder was uninsured and uncollateralized.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2002 AND 2001
(Continued)**

3. CASH AND INVESTMENTS (Continued)

At November 30, 2002 and November 30, 2001, \$672,717 and \$653,909, respectively, of the Society's cash balances were on deposit with the Fifth Third Government Money Market Fund. The Fund invests at least 95% of total assets in "first tier" securities which generally will be securities issued or guaranteed as to principal or interest by the U.S. Treasury or another U.S. government agency or instrumentality, that at the time of purchase are rated by such firms as Standard & Poor's and Moody's in their highest short-term major rating categories.

Investments: The Society's investments are required to be categorized to give an indication of the level of risk assumed by the Society at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Society or its agent in the Society's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Society's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Society's name.

November 30, 2002	Category			Fair
	1	2	3	Value
Common Stock	\$68,760			\$ <u>68,760</u>

November 30, 2001	Category			Fair
	1	2	3	Value
Common Stock	\$44,928			\$ <u>44,928</u>

The common stock held by the Society was donated to the Board. The Society invests other funds solely in money market accounts with local banking institutions.

4. RECEIVABLES

Receivables at November 30, 2002 and November 30, 2001 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, 2002 AND 2001
(Continued)**

5. LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended November 30, 2002 and November 30, 2001 are as follows:

	Balance Dec 1, 2001	Additions	Deletions	Balance Nov 30, 2002
Note payable to bank- Grandstand	\$420,000	\$0	\$60,000	\$360,000
Non-interest bearing note-Log Cabin	70,000	0	10,000	60,000
Note payable to bank-water truck	15,725	0	7,800	7,925
Note payable to bank-tractor	8,024	0	8,024	0
Note payable Case tractor	0	8,125	1,038	7,087
Capital lease obligation Edco Financial- Batwing Mower	0	4,052	801	3,251
Capital lease obligation SFC Leasing-Toro Mower	0	7,930	1,188	6,742
Note payable Shelly & Sands	24,000	0	0	24,000
	<u>\$537,749</u>	<u>\$20,107</u>	<u>\$88,851</u>	<u>\$469,005</u>

	Balance Dec 1, 2000	Additions	Deletions	Balance Nov 30, 2001
Note payable to bank- Grandstand	\$480,000	\$0	\$60,000	\$420,000
Non-interest bearing note-Log Cabin	80,000	0	10,000	70,000
Note payable to bank-water truck	23,525	0	7,800	15,725
Note payable to bank-tractor	15,454	0	7,430	8,024
Note payable Shelly & Sands	0	24,000	0	24,000
Total	<u>\$598,979</u>	<u>\$24,000</u>	<u>\$85,230</u>	<u>\$537,749</u>

Line of Credit

As of November 30, 2002 the Society had a \$100,000 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 (5.75% and 6.50% at November 30, 2002 and 2001, respectively). The outstanding balance on the line of credit was \$100,000 and \$50,000 at November 30, 2002 and November 30, 2001, respectively.

The Grandstand Note is due to the National City Bank and the Delaware County Bank in equal shares. The note bears interest of 1% over prime (5.25% at November 30, 2002). The note was entered into on July 1, 1991 and matures September 1, 2004. The note bears interest at 5.75%. Interest is payable quarterly on the unpaid balance. An annual principal payment of \$60,000 is due each September. The Note is secured by future revenues of the Grandstand addition.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2002 AND 2001
(Continued)**

5. LONG-TERM DEBT (Continued)

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 Water Truck Note, entered into on July 29, 1999 at an interest rate of 8%, is due to the Delaware County Bank and is secured by the truck purchased.

The Tractor Note, entered into on August 16, 1999 at an interest rate of 7.99%, is due to the Kubota Credit Corporation and is secured by the tractor purchased.

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 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 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 Shelly & Sands Note payable is a non-interest bearing note due to the Shelly & Sands Company for paving work done at the fairgrounds during 2001. The note is due in three \$8,000 annual installments. The scheduled principal payment of \$8,000 was not made in fiscal year 2002. The payment was delinquent and was paid in March 2003.

Amortization of the above debt, including interest at the current rates, through 2008 is as follows:

	Principal	Interest	Total
2003	\$92,363	\$38,290	\$130,653
2004	324,963	30,770	355,733
2005	21,679	83	21,762
2006	10,000	0	10,000
2007	10,000	0	10,000
Subsequent	10,000	0	10,000
Total	\$469,005	\$69,143	\$538,148

6. RISK MANAGEMENT

The Society provides health coverage for full time, supervisory employees through Fortis Health Insurance. 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 Entity Risk Services 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 August 2003.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2002 AND 2001
(Continued)**

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, 2002 and 2001.

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 2002 and 2001, are by agreement, added to the purse for each race.

10. SUBSEQUENT EVENT

On February 21, 2003 the Society renegotiated the Grandstand Note due to National City Bank and Delaware County Bank. The Society increased the principal of the loan (\$360,000) to the original principal amount (\$600,000) and used the proceeds (\$240,000) for working capital. The Note is set to mature March 1, 2004. The Society plans to restructure the note prior to March 1, 2004 due to the inability to pay off the outstanding balance of \$540,000.

In September 2003, the Society completed construction of a permanent Junior Fair show building financed by a grant from Delaware County. The Society has agreed to repay \$50,000 of the grant monies to the County over a five year period.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2002 AND 2001
(Continued)**

11. 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 \$33,273 and \$30,432 during the fiscal years ended November 30, 2002 and November 30, 2001, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected under operating expenses in the accompanying financial statements. The Society received from the State of Ohio and Delaware County \$5,700 and \$5,540 during the fiscal years ended November 30, 2002 and November 30, 2001, 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.

12. 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	
	2001	2002	2001	2002
Beginning Cash Balance	\$ 8,500	\$ 10,030	\$ 5,403	\$ 6,018
Receipts	113,482	93,770	104,279	88,900
Disbursements	(111,952)	(93,412)	(103,664)	(88,349)
Ending Cash Balance	<u>\$ 10,030</u>	<u>\$ 10,388</u>	<u>\$ 6,018</u>	<u>\$ 6,569</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Delaware County Agricultural Society
Delaware County
236 Pennsylvania Avenue
P.O. Box 1278
Delaware, Ohio 43015

We have audited the balance sheets of Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of November 30, 2002 and November 30, 2001 and the related statements of revenues, expenses and changes in retained earnings and cash flows of the years then ended, and have issued our report thereon dated September 17, 2003. Our report included a qualification because the Society has not capitalized buildings and equipment acquired prior to 1985 in its 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Society in a separate letter dated September 17, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-003.

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A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated September 17, 2003.

This report is intended for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

September 17, 2003

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Centralized Operations and Accounting Records

The Society is organized into a "fair operation" and a "racing operation" with the Fair Secretary maintaining fair records and the Speed Secretary maintaining racing records. Cash activity, receipts and expenditures, supporting documentation, and the accounting for these activities are not centralized. This manner of operation allows for a lack of control over the operations of the Society and could allow errors and irregularities to occur without timely detection by the Board.

We recommend the Society centralize its accounting operations and all transactions should flow through the fair office. The Society should utilize one accounting system to record all activity. The accounting software package should be able to generate reports for presentation to the Board which allows timely monitoring of activity to occur.

FINDING NUMBER 2002-002

Hospitality Tent Activity

The Marketing Director collects, receipts, and deposits revenue derived from the hospitality tent. This lack of segregation of duties could lead to errors or irregularities occurring and going undetected by management. Also, the level of detail and accuracy of the accountability for the tickets issued for the hospitality tent which is maintained by the Marketing Director needs to be improved. The record maintained of tickets issued should contain detail of the type of ticket issued (1 day or 2 day), the amount charged and/or received, and the date of the transactions. A listing of gratis tickets should be provided to the Board for its approval prior to the fair.

The Board of Directors should segregate the duties over the hospitality tent activity to strengthen controls over this revenue. The Board of Directors should segregate the duties between ticket selling and the collecting and depositing of ticket revenue.

FINDING NUMBER 2002-003

Society Budget

Expenditures Exceed Budgeted Expenditures

The Board establishes annual operating budgets to assist in managing financial activities of the Society. However, our review of 2002 and 2001 financial activity indicated expenditures exceeded budgeted amounts in several accounts in amounts significant to the original budget. Failure to establish realistic budget estimates or reasonably adhere to the approved budget inhibits the Board's ability to effectively manage financial activities and could contribute to unanticipated operating losses.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-003 (Continued)

Society Budget (Continued)

We recommend that the Board closely monitor expenditures to ensure that they are within the approved budget. Further the Board should carefully consider whether budgets are based on amounts it reasonably expects to incur. If the Board determines that expenditures are required beyond amounts originally budgeted, it should amend the budget accordingly.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60621-001	Centralized Operations and Accounting Records	Not Corrected	Reissued
2000-60621-002	Board Monitoring of Budget	Not Corrected	Reissued
2000-60621-003	Board Monitoring of Monthly Expenses	Yes	Fully Corrected
2000-60621-004	Hospitality Tent Activity	Not Corrected	Reissued
2000-60621-005	Travel and Reimbursement Expense Policy	Yes	Fully Corrected
2000-60621-006	Service Organization Report on Controls	Partially corrected	This recommendation is now included in the management letter.

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**Auditor of State
Betty Montgomery**

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DELAWARE COUNTY 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
NOVEMBER 13, 2003**