



**Auditor of State
Betty Montgomery**

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of and for the years ended November 30, 2004 and November 30, 2003, 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, 2004, and November 30, 2003, 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 February 24, 2006, 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.

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.

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

Betty Montgomery
Auditor of State

February 24, 2006

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS
AS OF NOVEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash, \$104,586 and \$100,866 in Interest Bearing		
Deposits, respectively	\$148,300	\$126,617
Investments, At Fair Value	101,700	70,200
Accounts Receivable	130,625	99,863
Prepaid Expenses	10,732	17,269
Inventory, At Cost	15,040	14,243
Total Current Assets	<u>406,397</u>	<u>328,192</u>
Property and Equipment, at Cost:		
Land Improvements	645,147	619,935
Buildings	1,744,415	1,720,665
Machinery and Equipment	339,689	300,147
Computer and Office Equipment	74,516	73,396
Vehicles	107,974	105,274
Construction in Progress	19,751	-
Total Property and Equipment	<u>2,931,492</u>	<u>2,819,417</u>
Less: Accumulated Depreciation	<u>(1,155,715)</u>	<u>(1,041,255)</u>
Net Property and Equipment	<u>1,775,777</u>	<u>1,778,162</u>
Other Assets:		
Restricted Race Qualification Fees - Cash, in Interest Bearing		
Deposits	719,440	686,868
Restricted Cash for Harness Racing, in Interest		
Bearing Deposits	4,787	4,787
Industrial Insurance Deposit	1,000	1,000
Total Other Assets	<u>725,227</u>	<u>692,655</u>
Total Assets	<u>\$2,907,401</u>	<u>\$2,799,009</u>

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, 2004 AND 2003
(Continued)**

	<u>2004</u>	<u>2003</u>
Current Liabilities:		
Current Installments of Long-Term Debt	\$503,400	\$625,200
Note Payable to Banks (Line of Credit)	100,000	-
Accounts Payable	28,841	110,741
Payroll and Payroll Taxes	95,327	59,634
Sales Tax	197	21
Total Current Liabilities	<u>727,765</u>	<u>795,596</u>
Deferred Race Qualification Fees	716,143	677,727
Deferred Sponsorship Fees	-	7,500
Exhibiter deposit	12,292	9,425
Long-Term Debt:		
Note Payable to Bank, Due in Annual Installments of \$60,000 With the Balance Due March 1, 2005	480,000	540,000
Non-Interest Bearing Note, Payable in Annual Installments of \$10,000	40,000	50,000
Note Payable, Due in 2005	1,642	4,429
Note Payable, Due in 2005	522	1,980
Note Payable, Due in 2005	1,247	4,289
Note Payable, Due in 2008	40,000	50,000
Note Payable to Vendor, Due in 2 Annual Installments of \$8,000, Due in 2005	-	16,000
Total Long-Term Debt	<u>563,411</u>	<u>666,698</u>
Less Current Installments	<u>(503,400)</u>	<u>(625,200)</u>
Net Long-Term Debt	<u>60,011</u>	<u>41,498</u>
Total Liabilities	<u>1,516,211</u>	<u>1,531,746</u>
Net Assets:		
Invested in capital assets, net of related debt	1,212,366	1,111,464
Restricted	7,400	7,400
Unrestricted	171,424	148,399
Total Net Assets	<u>\$1,391,190</u>	<u>\$1,267,263</u>

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, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Operating Revenues:		
Admissions	\$ 826,947	\$ 889,811
Privilege Fees	322,244	198,500
Sales, License and Other	191,861	172,803
Racing Fees and Charges	2,798,545	2,793,941
Other Racing Income	57,417	64,437
Fees	17,905	9,431
Rentals	267,799	264,484
Sponsorships	690,197	510,828
Total Operating Revenues	<u>5,172,915</u>	<u>4,904,235</u>
Operating Expenses:		
Salaries and Wages	817,246	730,103
Benefits	106,589	90,495
Administrative Expense	122,075	119,348
Race Supplies and Materials	91,507	98,804
Supplies and Materials	34,817	40,235
Utilities	192,375	169,738
Purse Payments and Miscellaneous Expenses	2,615,220	2,651,885
Professional Services	63,938	123,815
Property Services	139,820	152,989
Advertising and Communication	340,420	231,908
Repairs	33,503	31,081
Insurance	29,589	41,990
Rent and Lease	103,791	86,808
Interest Expense	33,234	37,416
Depreciation	114,260	117,633
Fair Expenses	273,212	233,229
Total Operating Expenses	<u>5,111,596</u>	<u>4,957,477</u>
 Net Operating Income (Loss)	 <u>61,319</u>	 <u>(53,242)</u>
Non-Operating Revenues:		
State and Local Grants	18,135	121,876
Investment Income	12,973	10,239
Gain on Sale of Equipment	-	1,480
Net Increase in Fair Value of Investments	31,500	1,440
Total Non-Operating Revenues	<u>62,608</u>	<u>135,035</u>
 Net Income	 123,927	 81,793
Net Assets at Beginning of Fiscal Year	<u>1,267,263</u>	<u>1,185,470</u>
Net Assets at End of Fiscal Year	<u>\$ 1,391,190</u>	<u>\$ 1,267,263</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, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities:		
Receipts:		
Admissions	\$825,097	\$888,831
Privilege Fees	326,820	242,845
Sales, License, and Other	187,000	168,098
Racing Fees and Charges	2,763,672	2,758,138
Other Racing Income	50,042	71,236
Fees	18,373	14,743
Rentals	259,321	270,246
Sponsorships	654,903	522,428
	<u>5,085,228</u>	<u>4,936,565</u>
Disbursements:		
Salaries and Wages	(780,999)	(702,671)
Benefits	(107,580)	(84,691)
Administrative Expense	(119,531)	(103,067)
Race Supplies and Materials	(87,130)	(123,134)
Supplies and Materials	(34,817)	(56,126)
Utilities	(186,616)	(182,393)
Purse Payments and Miscellaneous Expenses	(2,616,268)	(2,659,996)
Professional Services	(78,540)	(137,817)
Property Services	(139,925)	(181,490)
Advertising and Communication	(360,699)	(277,760)
Repairs	(33,205)	(31,288)
Insurance	(29,884)	(44,781)
Rent and Lease	(101,605)	(137,376)
Interest Expense	(33,234)	(43,254)
Fair Expenses	(270,669)	(208,202)
	<u>(4,980,702)</u>	<u>(4,974,046)</u>
Net Cash Provided by (Used for) Operating Activities	104,526	(37,481)
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Fixed Assets	(121,512)	(160,450)
Proceeds From Loans	0	290,000
Gain/(Loss) on Disposal of Assets	0	1,480
Payments on Notes Payable	(103,287)	(92,307)
	<u>(224,799)</u>	<u>38,723</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	(224,799)	38,723

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

	<u>2004</u>	<u>2003</u>
Cash Flows From Non-Capital Financing Activities:		
State and Local Grants	27,773	112,238
Proceeds from loans (lines of credit)	150,000	40,150
Repayment of loans (lines of credit)	(50,000)	(140,150)
Net Change In Unearned Revenues	33,782	(40,611)
Net Cash Provided by (Used for) Non-Capital Financing Activities	161,555	(28,373)
Cash Flows From Investing Activities:		
Investment Income	12,973	10,239
Net Cash Provided by (Used for) Investing Activities	12,973	10,239
Net Increase (Decrease) in Cash and Cash Equivalents	54,255	(16,892)
Cash and Cash Equivalents at Beginning of Year	818,272	835,164
End of Year Cash and Cash Equivalents	872,527	818,272
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities		
Operating Income (Loss)	61,319	(53,242)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:		
Depreciation Expense	114,260	117,633
Changes in Assets and Liabilities:		
Accounts Receivable	(30,762)	69,646
Prepaid Expenses	6,537	(5,383)
Souvenir Inventory	(797)	17,266
Accounts Payable	(81,900)	(210,743)
Accrued Expenses	35,869	27,342
Total Adjustments:	43,207	15,761
Net Cash Provided by (Used for) Operating Activities	\$104,526	(\$37,481)

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, 2004 AND 2003**

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. 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, 2004 AND 2003
(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, 2004 AND 2003
(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 2004 or 2003.

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 Juggette, the Old Oaken Bucket and Bucketette, 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2004 AND 2003
(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, 2004 and November 30, 2003 were \$25,848 and \$28,384, 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 of 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.

3. CASH AND INVESTMENTS

Deposits: At November 30, 2004 and November 30, 2003 the carrying amount of the Society's deposits were \$872,527 and \$818,272, respectively, and the bank balances were \$1,125,923 and \$971,266, respectively. \$123,760 and \$ 122,117 of the bank balances at November 30, 2004 and November 30, 2003 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, 2004 AND 2003
(Continued)**

3. CASH AND INVESTMENTS (Continued)

At November 30, 2004 and November 30, 2003, \$249,719 and \$385,297, respectively, of the Society's cash balances were on deposit with the Delaware County Bank and Trust and invested in the Federated Government Obligations Fund. In addition, at November 30, 2004 and November 30, 2003 \$442,228 and \$396,812, respectively were invested with the Allegiant Government Money Market Fund (previously Armada Government Money Market Fund). The funds invest in U.S. Treasury, government agency securities, and repurchase agreements backed by government securities. The Fund has a AAA-rating by firm's such as Standard & Poor's, Moody's, and Fitch. The AAA-rating is the highest assignable rating.

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, 2004	Category			Fair
	1	2	3	Value
Common Stock	\$ 101,700			\$ <u>101,700</u>

November 30, 2003	Category			Fair
	1	2	3	Value
Common Stock	\$ 70,200			\$ <u>70,200</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, 2004 and November 30, 2003 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, 2004 AND 2003
(Continued)**

5. LONG-TERM DEBT

A summary of changes in long-term obligations for the years ended November 30, 2004 and November 30, 2003 are as follows:

	Balance			Balance
	Dec 1, 2003	Additions	Deletions	Nov 30, 2004
Note payable to bank- Grandstand	\$540,000	\$0	\$60,000	\$480,000
Non-interest bearing note-Log Cabin	50,000	0	10,000	40,000
Note payable Case tractor	4,429	0	2,787	1,642
Capital lease obligation Edco Financial- Batwing Mower	1,980	0	1,457	523
Capital lease obligation SFC Leasing- Toro Mower	4,289	0	3,042	1,247
Note payable Shelly & Sands	16,000	0	16,000	0
Note payable Delaware County Commissioners	50,000	0	10,000	40,000
	<u>\$666,698</u>	<u>\$0</u>	<u>\$103,286</u>	<u>\$563,412</u>

	Balance			Balance
	Dec 1, 2002	Additions	Deletions	Nov 30, 2003
Note payable to bank- Grandstand	\$360,000	\$240,000	\$60,000	\$540,000
Non-interest bearing note-Log Cabin	60,000	0	10,000	50,000
Note payable to bank-water truck	7,925	0	7,925	0
Note payable Case tractor	7,087	0	2,658	4,429
Capital lease obligation Edco Financial-Batwing Mower	3,251	0	1,271	1,980
Capital lease obligation SFC Leasing- Toro Mower	6,742	0	2,453	4,289
Note payable Shelly & Sands	24,000	0	8,000	16,000
Note payable Delaware County Commissioners	0	50,000	0	50,000
Total	<u>\$469,005</u>	<u>\$290,000</u>	<u>\$92,307</u>	<u>\$666,698</u>

As of November 30, 2004 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 (6.5% and 5.5% at November 30, 2004 and 2003, respectively). The outstanding balance on the line of credit was \$100,000 and \$0 at November 30, 2004 and November 30, 2003, respectively.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2004 AND 2003
(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 amortization schedule is presented taking into account the new agreement for the grandstand note made in March 2005.

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 loan was paid in full in January 2003.

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 note was paid in full in November 2004.

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.

Amortization of the above debt, including interest at the current rates, through 2010 is as follows:

	Principal	Interest	Total
2005	\$83,412	\$31,120	\$114,532
2006	80,000	27,338	107,338
2007	80,000	23,288	103,288
2008	80,000	19,238	99,238
2009	60,000	15,188	75,188
Subsequent	180,000	3,038	183,038
Total	\$563,412	\$119,210	\$682,622

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

6. RISK MANAGEMENT

The Society provides health coverage for full time, supervisory employees through Medical Mutual of Ohio. 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 February 2006.

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, 2004 and 2003.

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 Jugette 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 Jugette in 2004 and 2003, are by agreement, added to the purse for each race.

10. SUBSEQUENT EVENT

In January 2005, The Society issued a promissory noted 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 Jugette 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 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

10. SUBSEQUENT EVENT (Continued)

In November 2005, The Society increased the line of credit with National City Bank by \$50,000. The original line of credit was opened in 1996 in the amount of \$100,000.

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 \$32,479 and \$35,823 during the fiscal years ended November 30, 2004 and November 30, 2003, 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 \$4,078 and \$4,209 during the fiscal years ended November 30, 2004 and November 30, 2003, 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	
	2003	2004	2003	2004
Beginning Cash Balance	\$ 10,388	\$ 8,793	\$ 6,569	\$ 6,359
Receipts	90,540	121,839	121,408	121,177
Disbursements	(92,135)	(125,234)	(121,618)	(121,220)
Ending Cash Balance	<u>\$ 8,793</u>	<u>\$ 5,398</u>	<u>\$ 6,359</u>	<u>\$ 6,316</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

13. CAPITAL ASSETS

Summary by category of changes in capital assets at November 30, 2004 and November 30, 2003, respectively:

Historical Cost

Class	November 30, 2003	Additions	Deletions	November 30, 2004
<i>Capital Assets being depreciated:</i>				
Land improvements	\$ 619,935	\$ 25,211		\$ 645,146
Buildings	1,720,665	23,750		1,744,415
Machinery & equipment	300,147	39,543		339,690
Computer & office equipment	73,396	1,120		74,516
Vehicles	105,274	2,700		107,974
Construction in Progress	-	19,751		19,751
			\$	
Total Cost	\$ 2,819,417	112,075	-	\$ 2,931,492

Class	November 30, 2002	Additions	Deletions	November 30, 2003
Land improvements	\$ 619,935	\$ -		\$ 619,935
Buildings	1,559,650	161,015		1,720,665
Machinery & equipment	293,188	6,958		300,146
Computer & office equipment	73,082	315		73,397
Vehicles	103,474	1,800		105,274
			\$	
Total Cost	\$ 2,649,329	\$ 170,088	-	\$ 2,819,417

Accumulated Depreciation:

Class	November 30, 2003	Additions	Deletions	November 30, 2004
Land improvements	\$ (266,190)	\$ (35,019)		\$ (301,209)
Buildings	(380,044)	(49,723)		(429,767)
Machinery & equipment	(246,842)	(18,306)		(265,148)
Computer & office equipment	(59,465)	(5,084)		(64,549)
Vehicles	(88,714)	(6,328)		(95,042)
Construction in Progress	-			-
			\$	
Total Cost	\$ (1,041,255)	\$ (114,460)	-	\$ (1,155,715)

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

13. CAPITAL ASSETS (Continued)

Class	November 30, 2002	Additions	Deletions	November 30, 2003
Land improvements	\$ (230,678)	\$ (35,512)		\$ (266,190)
Buildings	(335,694)	(44,350)		(380,044)
Machinery & equipment	(228,123)	(18,719)		(246,842)
Computer & office equipment	(51,545)	(7,920)		(59,465)
Vehicles	(77,582)	(11,132)		(88,714)
Construction in Progress	-			-
Total Cost	<u>\$ (923,622)</u>	<u>\$ (117,633)</u>	<u>\$ -</u>	<u>\$ (1,041,255)</u>

14. CONSTRUCTION IN PROGRESS

The Society incurred preliminary architectural fees for the possible design and construction of a new horse barn located on the fairgrounds. Construction of the barn commenced in the Spring of 2005.

15. LITIGATION

The Society is currently involved in one lawsuit. However, management believes the outcome of the lawsuit will not have a material adverse effect on the Society.

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Auditor of State Betty Montgomery

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, Ohio 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, 2004, and November 30, 2003, and have issued our report thereon dated February 24, 2006. 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 had 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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. 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Society's management dated February 24, 2006, we reported other matters involving the internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-002. In a separate letter to the Society's management dated February 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

February 24, 2006

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND NOVEMBER 30, 2003**

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

FINDING NUMBER 2004-001

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 Race 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 2004-002

Finding for Recovery - Repaid Under Audit

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. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **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. The Bulletin further states that 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 table below designates reimbursements for entertainment expenses incurred by the Marketing Director for which alcohol was reimbursed.

Check		Total Reimbursement	Alcohol
Number	Date		
10968	5/23/2003	\$1,123.47	\$ 5.00
11288	1/2/2004	2,018.49	11.25
11454	7/24/2004	1,733.34	40.20
11509	9/17/2004	1,913.59	16.00
11602	10/25/2004	3,641.83	295.15
11646	11/24/2004	3,621.15	4.50
Total :		\$14,051.87	\$372.10

The \$372.10 reimbursement was for receipts which included alcoholic purchases. Purchases of alcohol have been determined not to be a “proper public purpose” as described in Auditor of State Bulletin 2003-005.

DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY

SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND NOVEMBER 30, 2003
(Continued)

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

FINDING NUMBER 2004-002
(Continued)

Finding for Recovery - Repaid Under Audit (Continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074: Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Phil Terry, Marketing Director, in the amount of three hundred seventy-two dollars and ten cents (\$372.10), and in favor of the Delaware County Agricultural Society.

On February 24, 2006, the Delaware County Agricultural Society accepted check number 8097 in the amount of \$372.10 from Phil Terry, and the payment was credited to the Society's operating fund.

Client Response

The Board of Directors of the Delaware County Agricultural Society has previously authorized expenditures for alcohol by the Marketing Director in the performance of his duties. The finding by the Auditor of State against the Marketing Director for \$372.10 resulted from a procedural problem. The Board of Directors approved the expenditures in question for alcohol and reimbursement made to the Marketing Director in a manner considered not acceptable to the Auditor of State.

The Marketing Director has repaid the amount in question and the Delaware County Agricultural Society is reviewing its procedures so it may avoid findings of this type in future.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2004 And 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Centralized Operations and Accounting Records	No	Partially Corrected. See Current year Schedule of Findings – 2004-001
2002-002	Hospitality Tent Activity	Yes	Corrected
2002-003	Society Budget	Yes	Corrected



**Auditor of State
Betty Montgomery**

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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
MARCH 21, 2006**