



Mary Taylor, CPA
Auditor of State

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Net Assets As of November 30, 2008 and 2007	3
Statement of Revenues, Expenses and Changes in Net Assets For the Years Ended November 30, 2008 and 2007	5
Statement of Cash Flows For the Years Ended November 30, 2008 and 2007	6
Notes to the Financial Statement	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23

This page intentionally left blank.



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 basic financial statements of the Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of and for the years ended November 30, 2008 and 2007 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.

In our opinion, 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, 2008 and 2007, 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 September 22, 2009, 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 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 script is cursive and fluid.

Mary Taylor, CPA
Auditor of State

September 22, 2009

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF NET ASSETS
AS OF NOVEMBER 30, 2008 AND 2007**

	2,008	2,007
Current Assets:		
Cash, \$146,307 and \$237,521 in Interest Bearing		
Deposits, respectively	\$ 202,451	\$ 243,084
Investments, At Fair Value	34,848	63,900
Accounts Receivable	144,687	143,254
Prepaid Expenses	10,645	9,111
Inventory, At Cost	6,857	7,494
Total Current Assets	399,488	466,843
Property and Equipment, at Cost:		
Land Improvements	659,775	659,775
Buildings	2,564,032	2,541,681
Machinery and Equipment	402,311	394,925
Computer and Office Equipment	66,099	69,473
Vehicles	102,886	110,286
Total Property and Equipment	3,795,103	3,776,140
Less: Accumulated Depreciation	(1,601,502)	(1,500,862)
Net Property and Equipment	2,193,601	2,275,278
Other Assets:		
Long-term unconditional promise to give	210,905	246,253
Restricted Race Qualification Fees - Cash, in Interest Bearing		
Deposits	975,733	796,833
Industrial Insurance Deposit	1,000	1,000
Total Other Assets	1,187,638	1,044,086
Total Assets	\$ 3,780,727	\$ 3,786,207

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

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF NET ASSETS
AS OF NOVEMBER 30, 2008 AND 2007
(Continued)**

	2,008	2,007
Current Liabilities:		
Current Installments of Long-Term Debt	\$ 137,000	\$ 146,000
Note Payable to Banks (Line of Credit)	50,000	-
Accounts Payable	406,283	76,925
Payroll and Payroll Taxes	50,938	100,240
Interest Payable	5,211	6,182
Total Current Liabilities	649,432	329,347
 Deferred Race Qualification Fees	 972,530	 771,353
Deferred Gift Income	12,870	13,645
Exhibiter deposit	8,268	7,968
 Long-Term Debt:		
Note Payable to Bank, Due in Annual Installments of \$60,000 With the Balance Due March 1, 2010	240,000	300,000
Note Payable to Bank, Due in Annual Installments of \$58,488.60 for principal and interest with balance due August 1, 2013	246,143	287,255
Non-Interest Bearing Note, Payable in Annual Installments of \$10,000	-	10,000
Note Payable to Bank, Due in Annual Installments of \$29,087.87 for principal and interest with balance due October 15, 2009.	23,962	49,156
Non-Interest Bearing Note, Payable in Annual Installments of \$10,000	45,000	10,000
Total Long-Term Debt	555,105	656,411
Less Current Installments	(137,000)	(146,000)
Net Long-Term Debt	418,105	510,411
Total Liabilities	2,061,205	1,632,724
 Net Assets:		
Invested in capital assets, net of related debt	1,638,496	1,618,867
Restricted	30,485	26,061
Unrestricted	50,541	508,555
Total Net Assets	1,719,522	2,153,483
Total Liabilities and Net Assets	\$ 3,780,727	\$ 3,786,207

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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Admissions	\$ 774,776	\$ 851,102
Privilege Fees	266,435	300,643
Sales, License and Other	109,357	128,306
Racing Fees and Charges	2,590,595	2,674,705
Other Racing Income	62,227	58,312
Fees	14,641	15,112
Rentals	305,748	291,745
Sponsorships	711,425	799,048
Total Operating Revenues	<u>4,835,204</u>	<u>5,118,973</u>
Operating Expenses:		
Salaries and Wages	846,017	819,996
Benefits	118,268	113,910
Administrative Expense	94,858	84,441
Race Supplies and Materials	134,716	113,802
Supplies and Materials	71,770	42,294
Utilities	224,270	206,001
Purse Payments and Miscellaneous Expenses	2,561,726	2,512,501
Professional Services	72,686	107,963
Property Services	181,059	168,853
Advertising and Communication	362,747	330,651
Repairs	98,881	49,334
Insurance	30,883	29,127
Rent and Lease	159,271	117,616
Interest Expense	41,263	56,038
Depreciation	134,837	130,052
Fair Expenses	165,391	161,765
Total Operating Expenses	<u>5,298,643</u>	<u>5,044,344</u>
Net Operating Income (Loss)	<u>(463,439)</u>	<u>74,629</u>
Non-Operating Revenues:		
State and Local Grants	18,500	27,148
Investment Income	40,030	82,755
Net Increase in Fair Value of Investments	(29,052)	(41,940)
Total Non-Operating Revenues	<u>29,478</u>	<u>67,963</u>
Net Income (Loss)	(433,961)	142,592
Net Assets at Beginning of Fiscal Year	<u>2,153,483</u>	<u>2,010,891</u>
Net Assets at End of Fiscal Year	<u>\$ 1,719,522</u>	<u>\$ 2,153,483</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, 2008 AND 2007**

	2,008	2,007
Cash Flows From Operating Activities:		
Receipts:		
Admissions	770,739	850,829
Privilege Fees	260,772	297,942
Sales, License, and Other	109,123	128,387
Racing Fees and Charges	2,753,871	2,653,826
Other Racing Income	57,216	62,612
Fees	14,641	15,112
Rentals	301,908	289,553
Sponsorships	761,097	785,910
	5,029,367	5,084,171
Disbursements:		
Salaries and Wages	(896,827)	(823,193)
Benefits	(117,722)	(113,027)
Administrative Expense	(98,557)	(80,860)
Race Supplies and Materials	(184,285)	(144,516)
Utilities	(230,715)	(194,897)
Purse Payments and Miscellaneous Expenses	(2,530,915)	(2,510,354)
Professional Services	(83,258)	(97,956)
Property Services	(141,466)	(168,708)
Advertising and Communication	(297,415)	(315,854)
Repairs	(96,579)	(45,064)
Insurance	(31,083)	(29,346)
Rent and Lease	(125,025)	(153,325)
Interest Expense	(42,234)	(55,464)
Fair Expenses	(169,785)	(156,321)
	(5,045,866)	(4,888,885)
Net Cash Provided by (Used for) Operating Activities	(16,499)	195,286
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(53,157)	(62,191)
Proceeds From Loans	45,000	-
Payments on Notes Payable	(146,307)	(142,220)
	(154,464)	(204,411)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(154,464)	(204,411)
Cash Flows From Non-Capital Financing Activities:		
State and Local Grants	18,500	27,148
Proceeds from loans (lines of credit)	100,000	50,000
Repayment of loans (lines of credit)	(50,000)	(150,000)
Net Change In Unearned Revenues	200,700	111,058
	269,200	38,206
Net Cash Provided by (Used for) Non-Capital Financing Activities	269,200	38,206

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007
(Continued)**

	<u>2,008</u>	<u>2,007</u>
Cash Flows From Investing Activities:		
Investment Income	40,030	82,755
 Net Cash Provided by (Used for) Investing Activities	 <u>40,030</u>	 <u>82,755</u>
Net Increase (Decrease) in Cash and Cash Equivalents	138,267	111,836
Cash and Cash Equivalents at Beginning of Year	<u>1,039,917</u>	<u>928,081</u>
End of Year Cash and Cash Equivalents	<u><u>1,178,184</u></u>	<u><u>1,039,917</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating Income (Loss)	(463,439)	74,629
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:		
Depreciation Expense	134,837	130,052
 Changes in Assets and Liabilities:		
Accounts Receivable	33,915	(1,170)
Prepaid Expenses	(1,534)	(1,424)
Souvenir Inventory	636	3,406
Accounts Payable	329,983	(8,670)
Accrued Expenses	<u>(50,897)</u>	<u>(1,537)</u>
Total Adjustments:	<u>446,940</u>	<u>120,657</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (16,499)</u></u>	<u><u>\$ 195,286</u></u>

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

This page intentionally left blank.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007**

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, 2008 AND 2007
(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, 2008 AND 2007
(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 2008 or 2007.

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). Management is unaware of any actions that would jeopardize the Society's tax status.

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. One Hundred Percent 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, 2008 AND 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Race Qualification Fees (Continued)

The Society received Ohio Fair fund grants to supplement purse payments to horsemen during the fiscal years ending November 30, 2008 and November 30, 2007 totaling \$17,848 and \$21,696, respectively, which 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 acquisition or 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007
(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.
4. Bonds and other obligation of the State of Ohio.
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bank acceptances if training requirements have been met.

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. 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, 2008 AND 2007
(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 2008, \$519,994 of the Society's bank balance of \$702,669 and year end 2007, \$497,402 of the Society's bank balance of \$597,402 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, 2008, and November 30, 2007 the Society had investments with the Allegiant Government Money Market Fund for \$674,015 and \$575,461, respectively.

In addition the Society had investments in Delaware County Bank common stock at November 30, 2008 and November 30, 2007 for \$34,848 and \$63,900, 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, 2008 and November 30, 2007 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, 2008 AND 2007
(Continued)**

5. LONG-TERM DEBT

A summary of changes in long-term obligations for the years ended November 30, 2008 and November 30, 2007 are as follows:

	Balance Dec. 1, 2007	Additions	Deletions	Balance Nov. 30, 2008
Note payable to bank- Grandstand	\$ 300,000	\$ -	\$ 60,000	\$ 240,000
Non-interest bearing note - Log Cabin	10,000	0	10,000	0
Note payable to bank- Grandstand Repair	49,156	0	25,194	23,962
Note payable- Jugette Barn	287,255	0	41,112	246,143
Note payable Delaware County Commissioners	10,000	45,000	10,000	45,000
Total	\$ 656,411	\$ 45,000	\$ 146,306	\$ 555,105

	Balance Dec. 1, 2006	Additions	Deletions	Balance Nov. 30, 2007
Note payable to bank- Grandstand	\$ 360,000	\$ -	\$ 60,000	\$ 300,000
Non-interest bearing note - Log Cabin	20,000	0	10,000	10,000
Note payable to bank- Grandstand Repair	72,558	0	23,402	49,156
Note payable- Jugette Barn	326,072	0	38,818	287,254
Note payable Delaware County Commissioners	20,000	0	10,000	10,000
Total	\$ 798,630	\$ -	\$ 142,220	\$ 656,410

As of November 30, 2008 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 (5.50% and 9.00% at November 30, 2008 and 2007, respectively). The outstanding balance on the line of credit was \$50,000 and \$0.00 at November 30, 2008 and November 30, 2007, respectively.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007
(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 loan was paid in full in June 2008.

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 for principal and interest 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 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 note in the amount of \$364,500 at an interest rate of 5.95%. The Society agreed to eight annual payments of \$58,489 for principal and interest. The first payment was 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. An additional non-interest bearing note was entered into September 2008. The note was for the repair and improvements to the fairgrounds. Annual principal installments of \$10,000 are due on the note until the balance is paid in full.

Amortization of the above debt, including interest at the current rates, through 2013 is as follows:

	Principal	Interest	Total
2009	137,387	32,288	169,675
2010	236,080	17,570	253,650
2011	58,898	8,621	67,519
2012	61,888	5,572	67,460
2013	60,852	2,377	63,229
Total	<u>\$555,105</u>	<u>\$66,428</u>	<u>\$621,533</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007
(Continued)**

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 Workers' 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 member's deductibles. APEEP provides supplemental risk coverage for claims exceeding PEP claims coverage.

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 PEP Pool retains casualty risk up to \$350,000 per occurrence. 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Beginning in 2005, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earning at December 31, 2007 and 2006, the latest information available.

	2007	2006
<u>Casualty Coverage</u>		
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net assets	20,219,246	19,384,290

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, 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 \$33,945. This payable includes the subsequent year's contribution due if the Society terminated 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.

Contributions to PEP

2006	\$ 27,839
2007	\$ 27,994
2008	\$ 29,517

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

Financial Position, continued

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 2009.

7. RETIREMENT PLAN

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, 2008 and 2007.

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 2008 and 2007, 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, 2008 AND 2007
(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 \$39,229 and \$39,812 during the fiscal years ended November 30, 2008 and November 30, 2007, respectively, directly to vendors to support Junior Fair activities. The Society also disbursed \$3,000 and \$2,000 in scholarship money in the fiscal years ended November 30, 2008 and November 30, 2007, respectively. These expenses are reflected under operating expenses in the accompanying financial statements. The Society received from the State of Ohio and Delaware County \$5,141 and \$3,811 during the fiscal years ended November 30, 2008 and November 30, 2007, 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	
	2007	2008	2007	2008
Beginning Cash Balance	\$ 8,262	\$ 9,411	\$ 5,852	\$ 4,554
Receipts	120,327	129,568	122,407	102,652
Disbursements	(119,178)	(130,718)	(123,705)	(102,973)
Ending Cash Balance	<u>\$ 9,411</u>	<u>\$ 8,261</u>	<u>\$ 4,554</u>	<u>\$ 4,233</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007
(Continued)**

12. CAPITAL ASSETS

Summary by category of changes in capital assets at November 30, 2008 and November 30, 2007, respectively:

Historical Cost

Class	November 30, 2007	Additions	Deletions	November 30, 2008
<i>Capital Assets being depreciated:</i>				
Land improvements	\$ 659,775	\$ 0	\$ 0	\$ 659,775
Buildings	2,541,681	28,651	(6,300)	2,564,032
Machinery & equipment	394,925	22,156	(14,770)	402,311
Computer & office equipment	69,473	2,353	(5,727)	66,099
Vehicles	110,286	0	(7,400)	102,886
Total Cost	<u>\$ 3,776,140</u>	<u>\$ 53,160</u>	<u>\$ (34,197)</u>	<u>\$ 3,795,103</u>

Class	November 30, 2006	Additions	Deletions	November 30, 2007
Land improvements	\$ 651,186	\$ 8,589	0	\$ 659,775
Buildings	2,504,827	36,854	0	2,541,681
Machinery & equipment	381,796	13,129	0	394,925
Computer & office equipment	68,567	2,420	(1,514)	69,473
Vehicles	109,086	1,200	0	110,286
Total Cost	<u>\$ 3,715,462</u>	<u>\$ 62,192</u>	<u>\$ (1,514)</u>	<u>\$ 3,776,140</u>

Accumulated Depreciation:

Class	November 30, 2007	Additions	Deletions	November 30, 2008
Land improvements	\$ (403,874)	\$ (33,457)	\$ 0	\$ (437,331)
Buildings	(631,786)	(79,896)	6,300	(705,382)
Machinery & equipment	(300,372)	(17,800)	14,770	(303,402)
Computer & office equipment	(61,454)	(2,637)	5,727	(58,364)
Vehicles	(103,376)	(1,047)	7,400	(97,023)
Total Cost	<u>\$ (1,500,862)</u>	<u>\$ (134,837)</u>	<u>\$ 34,197</u>	<u>\$ (1,601,502)</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2008 AND 2007
(Continued)**

12. CAPITAL ASSETS (Continued)

Class	November 30, 2006	Additions	Deletions	November 30, 2007
Land improvements	\$ (370,145)	\$ (33,729)	\$	\$ (403,874)
Buildings	(556,119)	(75,667)		(631,786)
Machinery & equipment	(283,086)	(17,286)		(300,372)
Computer & office equipment	(60,857)	(2,111)	1,514	(61,454)
Vehicles	(102,117)	(1,259)		(103,376)
 Total Cost	 \$ (1,372,324)	 \$(130,052)	 \$ 1,514	 \$ (1,500,862)

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.

14. SUBSEQUENT EVENTS

On June 23, 2009 the Society entered into a promissory note with National City Bank and Delaware County Bank and Trust Company for \$550,000 with an interest rate of 6.75% to consolidate the outstanding balances of the Grandstand Note and the Grandstand Repair Note and to provide funds for the Society's operations.



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
Delaware, OH 43015

To the Board of Directors:

We have audited the basic financial statements of the Delaware County Agricultural Society, Delaware County, (the Society) as of and for the years ended November 30, 2008 and 2007, which collectively comprise the Society's basic financial statements and have issued our report thereon dated September 22, 2009. The Society did not present Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basis 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the Society's management in a separate letter dated September 22, 2009.

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*.

We did note a certain noncompliance or other matter that we reported to the Society's management in a separate letter dated September 22, 2009.

We intend this report solely for the information and use of the audit committee, management, Board of Directors. We intend it for no one 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

September 22, 2009



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
OCTOBER 15, 2009**