



Dave Yost • Auditor of State

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying basic financial statements of the Delaware County Agricultural Society, Delaware County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009, 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 Delaware County Agricultural Society, Delaware County, Ohio, as of November 30, 2010 and 2009, 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.

As discussed in Note 14 to the financial statements, the Society has suffered recurring losses from operations and has negative unrestricted net assets as of November 30, 2010 and 2009. Note 14 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011, 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 "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 31, 2011

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF NET ASSETS
AS OF NOVEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash, \$113,264 and \$178,725 in Interest Bearing		
Deposits, respectively	\$ 116,433	\$ 183,401
Investments, At Fair Value	12,600	25,200
Accounts Receivable	131,030	171,098
Prepaid Expenses	8,858	7,038
Inventory, At Cost	6,105	6,044
Total Current Assets	275,026	392,781
Property and Equipment, at Cost:		
Land Improvements	696,034	676,286
Buildings	2,632,625	2,564,365
Machinery and Equipment	406,012	403,590
Computer and Office Equipment	66,778	66,099
Vehicles	102,886	102,886
Total Property and Equipment	3,904,335	3,813,226
Less: Accumulated Depreciation	(1,867,653)	(1,734,316)
Net Property and Equipment	2,036,682	2,078,910
Other Assets:		
Long-term unconditional promise to give	133,774	173,454
Restricted Race Qualification Fees - Cash, in Interest Bearing		
Deposits	843,951	908,870
Prepaid Financing	5,762	7,408
Industrial Insurance Deposit	1,000	1,000
Total Other Assets	984,487	1,090,732
Total Assets	\$ 3,296,195	\$ 3,562,423

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, 2010 AND 2009
(Continued)**

	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Current Installments of Long-Term Debt	\$ 114,000	\$ 111,000
Accounts Payable	353,505	271,984
Payroll and Payroll Taxes	44,053	49,518
Interest Payable	7,002	8,478
Total Current Liabilities	<u>518,560</u>	<u>440,980</u>
Deferred Race Qualification Fees	845,688	901,270
Deferred Gift Income	11,655	9,045
Exhibiter deposit	9,022	8,983
Long-Term Debt:		
Note Payable to Bank, Due in Annual Installments of \$55,000 With the Balance Due July 15, 2014	440,000	495,000
Note Payable to Bank, Due in Annual Installments of \$58,488.60 for principal and interest with balance due August 1, 2013	156,254	202,462
Non-Interest Bearing Note, Payable in Annual Installments of \$10,000	35,000	45,000
Total Long-Term Debt	<u>631,254</u>	<u>742,462</u>
Less Current Installments	<u>(114,000)</u>	<u>(111,000)</u>
Net Long-Term Debt	<u>517,254</u>	<u>631,462</u>
Total Liabilities	<u>1,902,179</u>	<u>1,991,740</u>
Net Assets:		
Invested in capital assets, net of related debt	1,542,428	1,602,448
Restricted	31,811	33,547
Unrestricted	<u>(180,223)</u>	<u>(65,312)</u>
Total Net Assets	<u>1,394,016</u>	<u>1,570,683</u>
Total Liabilities and Net Assets	<u>\$ 3,296,195</u>	<u>\$ 3,562,423</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, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Admissions	\$ 789,617	\$ 783,312
Privilege Fees	270,728	263,561
Sales, License and Other	123,522	142,712
Racing Fees and Charges	2,447,622	2,597,052
Other Racing Income	68,363	58,028
Fees	20,204	26,202
Rentals	333,494	346,690
Sponsorships	599,593	645,500
Total Operating Revenues	<u>4,653,143</u>	<u>4,863,057</u>
Operating Expenses:		
Salaries and Wages	804,012	796,782
Benefits	99,720	97,218
Administrative Expense	73,278	68,080
Race Supplies and Materials	114,523	126,343
Supplies and Materials	67,619	53,297
Utilities	232,634	217,178
Purse Payments and Miscellaneous Expenses	2,358,426	2,542,639
Professional Services	59,872	66,241
Property Services	160,374	165,277
Advertising and Communication	342,230	348,112
Repairs	27,128	38,313
Insurance	28,556	28,640
Rent and Lease	132,141	146,768
Interest Expense	51,469	44,309
Depreciation	133,337	132,814
Fair Expenses	158,217	144,407
Total Operating Expenses	<u>4,843,536</u>	<u>5,016,417</u>
 Net Operating (Loss)	 <u>(190,393)</u>	 <u>(153,360)</u>
Non-Operating Revenues:		
State and Local Grants	17,155	7,560
Investment Income	1,571	6,609
Gain on Disposal of Equipment	7,600	-
Net (Decrease) in Fair Value of Investments	(12,600)	(9,648)
Total Non-Operating Revenues	<u>13,726</u>	<u>4,521</u>
 Net (Loss)	 (176,667)	 (148,839)
Net Assets at Beginning of Fiscal Year	<u>1,570,683</u>	<u>1,719,522</u>
Net Assets at End of Fiscal Year	<u>\$ 1,394,016</u>	<u>\$ 1,570,683</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, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Receipts:		
Admissions	\$ 786,471	\$ 781,172
Privilege Fees	280,454	259,341
Sales, License, and Other	122,747	143,493
Racing Fees and Charges	2,354,417	2,511,608
Other Racing Income	74,191	56,902
Fees	20,204	26,202
Rentals	344,507	343,307
Sponsorships	708,567	662,849
	<u>4,691,558</u>	<u>4,784,874</u>
Disbursements:		
Salaries and Wages	(805,327)	(795,839)
Benefits	(104,793)	(98,050)
Administrative Expense	(68,120)	(66,257)
Race Supplies and Materials	(182,417)	(192,639)
Utilities	(237,737)	(203,141)
Purse Payments and Miscellaneous Expenses	(2,347,955)	(2,564,408)
Professional Services	(44,074)	(59,325)
Property Services	(159,646)	(165,647)
Advertising and Communication	(274,249)	(403,013)
Repairs	(23,811)	(44,466)
Insurance	(28,794)	(27,836)
Rent and Lease	(113,816)	(132,772)
Interest Expense	(49,841)	(40,219)
Fair Expenses	(158,942)	(127,975)
	<u>(4,599,522)</u>	<u>(4,921,587)</u>
Net Cash Provided by (Used for) Operating Activities	92,036	(136,713)
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(86,108)	(18,123)
Prepaid Financing Fees	-	(8,233)
Proceeds From Loans	-	550,000
Gain on Disposal of Assets	7,600	-
Payments on Notes Payable	(111,208)	(362,643)
	<u>(189,716)</u>	<u>161,001</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	(189,716)	161,001
Cash Flows From Non-Capital Financing Activities:		
State and Local Grants	17,155	7,560
Proceeds from loans (lines of credit)	85,000	55,000
Repayment of loans (lines of credit)	(85,000)	(105,000)
Net Change In Unearned Revenues	(52,933)	(74,370)
	<u>(35,778)</u>	<u>(116,810)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	(35,778)	(116,810)

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

	<u>2010</u>	<u>2009</u>
Cash Flows From Investing Activities:		
Investment Income	\$ 1,571	\$ 6,609
Net Cash Provided by Investing Activities	<u>1,571</u>	<u>6,609</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(131,887)	(85,913)
Cash and Cash Equivalents at Beginning of Year	<u>1,092,271</u>	<u>1,178,184</u>
Cash and Cash Equivalents at End of Year	<u>\$ 960,384</u>	<u>\$ 1,092,271</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating (Loss)	(190,393)	(153,360)
Adjustments to Reconcile Operating (Loss) to Net Cash Used for Operating Activities:		
Depreciation Expense	133,337	132,814
Interest Expense	1,646	823
Changes in Assets and Liabilities:		
Accounts Receivable	79,747	11,040
Prepaid Expenses	(1,820)	3,608
Inventory	(61)	813
Accounts Payable	75,779	(134,846)
Accrued Expenses	(6,199)	2,395
Total Adjustments:	<u>282,429</u>	<u>16,647</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 92,036</u>	<u>\$ (136,713)</u>

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

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**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009**

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, 2010 AND 2009
(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, 2010 AND 2009
(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 type of inventory held is 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 2010 or 2009.

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), accordingly a provision for taxes is not required. Management is unaware of any actions that would jeopardize the Society's tax status. The Society has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of the FASB Accounting Standards Codification, which became effective for years beginning after December 26, 2008. The Society's tax returns for the years 2006 (November 30, 2007) through 2009 (November 30, 2010) are subject to examination by tax authorities. The Society records interest and penalties, if any, in interest expense and other expense, respectively. During the years ended November 30, 2010 and 2009, the Society did not have any interest or penalties related to taxes.

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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Race Qualification Fees (Continued)

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

The Society received Ohio Fair fund grants to supplement purse payments to horsemen during the fiscal years ending November 30, 2010 and November 30, 2009 totaling \$15,040 and \$16,144, 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

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.

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 has 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;

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Deposits

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.

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 2010, \$562,967 of the Society's bank balance of \$1,161,111 and year end 2009, \$532,711 of the Society's bank balance of \$1,188,404 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, 2010, and November 30, 2009 the Society had investments with the Allegiant Government Money Market Fund for \$0 and \$14,889.47, respectively. The Allegiant Government Money Market Fund was closed October 25, 2010, and the money transferred to an FDIC insured account with PNC Bank.

In addition the Society had investments in Delaware County Bank common stock at November 30, 2010 and November 30, 2009 for \$12,600 and \$25,200, 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 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

4. RECEIVABLES

Receivables at November 30, 2010 and November 30, 2009 consisted of trade and simulcast settlements due. All receivables are considered collectable in full.

5. LONG-TERM DEBT

A summary of changes in long-term obligations for the years ended November 30, 2010 and November 30, 2009 are as follows:

	Balance			Balance
	Dec 1, 2009	Additions	Deletions	Nov 30, 2010
Note payable to bank- Grandstand	\$495,000	\$0	\$55,000	\$440,000
Note payable-Jugette Barn	202,462	0	46,208	156,254
Note payable Delaware County Commissioners	45,000	0	10,000	35,000
	<u>\$742,462</u>	<u>\$ 0</u>	<u>\$111,208</u>	<u>\$631,254</u>

	Balance			Balance
	Dec 1, 2008	Additions	Deletions	Nov 30, 2009
Note payable to bank- Grandstand	\$240,000	\$550,000	\$295,000	\$495,000
Note payable to bank-Grandstand Repair	23,962	0	23,962	0
Note payable-Jugette Barn	246,143	0	43,681	202,462
Note payable Delaware County Commissioners	45,000	0	0	45,000
Total	<u>\$555,105</u>	<u>\$550,000</u>	<u>\$362,643</u>	<u>\$742,462</u>

As of November 30, 2010 the Society had a \$100,000 line of credit with PNC 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 (4.75% and 4.75% at November 30, 2010 and 2009, respectively). There was no outstanding balance on the line of credit at November 30, 2010 and November 30, 2009, respectively.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

5. LONG-TERM DEBT (Continued)

The Grandstand Note is due to PNC 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 required annual principal payments of \$60,000 on September 1 of each year, interest at 6.75% on the unpaid balance paid quarterly, with payment in full on March 1, 2010. The note was refinanced on June 23, 2009 to provide for an increase in the principal outstanding by \$310,000 making the balance due of \$550,000. This additional principal was intended to be used for purchases of capital assets and payment of operating expenses. The note requires annual principal payments of \$55,000 on October 15 of each year, interest at 6.75% on the unpaid balance paid quarterly and payment in full on July 15, 2014. The note is secured by certain Real Estate consisting of 17.35 acres of land and fair buildings, and inventory, accounts, equipment.

The refinance of the Grandstand Note on June 23, 2009 included \$8,233 of financing costs which have been capitalized. They will be amortized over the life of the loan. Accumulated Amortization at 11/30/10 and 11/30/09 was \$2,469 and \$823, respectively.

The Grandstand Repair Note was entered into on April 14, 2006, at an interest rate of 7.75%, with The Delaware County Bank and Trust. The loan was paid in full in October 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 Laverne 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 payments are due August 1 of each year with the balance due August 1, 2013. 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 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 2014 is as follows:

	Principal	Interest	Total
2011	113,898	38,733	152,631
2012	116,888	31,992	148,880
2013	120,468	24,961	145,429
2014	280,000	14,115	294,115
Total	<u>\$631,254</u>	<u>\$109,801</u>	<u>\$741,055</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earning at December 31, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net assets	\$20,631,198	\$21,118,036

At December 31, 2010 and 2009, respectively, casualty coverage liabilities noted above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, 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 \$63,042.

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

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

6. RISK MANAGEMENT, continued

Contributions to PEP

2009	\$ 26,298
2010	\$ 27,248

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

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

General liability and vehicle coverage is provided by Public Entities Pool of Ohio with limits of \$1,000,000.

This policy includes crime coverage for employee dishonesty with limits of liability of \$100,000. The Society's fair secretary and treasurer are bonded with coverage of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through January 2012.

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, 2010 and 2009.

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 \$50,000 for the Little Brown Jug and \$25,000 for the Jugette in 2010 and 2009, 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, 2010 AND 2009
(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 \$23,812 and \$32,542 during the fiscal years ended November 30, 2010 and November 30, 2009, respectively, directly to vendors to support Junior Fair activities. The Society also disbursed \$3,000 and \$3,000 in scholarship money in the fiscal years ended November 30, 2010 and November 30, 2009, respectively. These expenses are reflected under operating expenses in the accompanying financial statements. The Society received from the State of Ohio and Delaware County \$4,414 and \$4,635 during the fiscal years ended November 30, 2010 and November 30, 2009, 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	
	2009	2010	2009	2010
Beginning Cash Balance	\$ 8,261	\$ 10,063	\$ 4,233	\$ 4,835
Receipts	117,122	139,578	98,315	110,125
Disbursements	(115,320)	(144,652)	(97,713)	(110,134)
Ending Cash Balance	<u>\$ 10,063</u>	<u>\$ 4,989</u>	<u>\$ 4,835</u>	<u>\$ 4,826</u>

12. CAPITAL ASSETS

Summary by category of changes in capital assets at November 30, 2010 and November 30, 2009, respectively:

Historical Cost

Class	November 30, 2009	Additions	Deletions	November 30, 2010
Capital Assets being depreciated:				
Land improvements	\$ 676,286	\$ 19,749	\$ 0	\$ 696,035
Buildings	2,564,365	68,259	0	2,632,624
Machinery & equipment	403,590	2,422	0	406,012
Computer & office equipment	66,099	679	0	66,778
Vehicles	102,886	0	0	102,886
Total Cost	<u>\$ 3,813,226</u>	<u>\$ 91,109</u>	<u>\$ 0</u>	<u>\$ 3,904,335</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

Class	November 30, 2008	Additions	Deletions	November 30, 2009
Land improvements	\$ 659,775	\$ 16,511	0	\$ 676,286
Buildings	2,564,032	333	0	2,564,365
Machinery & equipment	402,311	1,279	0	403,590
Computer & office equipment	66,099	0	0	66,099
Vehicles	102,886	0	0	102,886
Total Cost	<u>\$ 3,795,103</u>	<u>\$ 18,123</u>	<u>\$ 0</u>	<u>\$ 3,813,226</u>

***Accumulated
Depreciation:***

Class	November 30, 2009	Additions	Deletions	November 30, 2010
Land improvements	\$ (470,519)	\$ (34,090)	\$ 0	\$ (504,609)
Buildings	(782,781)	(78,770)	0	(861,551)
Machinery & equipment	(322,818)	(18,234)	0	(341,052)
Computer & office equipment	(60,486)	(1,771)	0	(62,257)
Vehicles	(97,712)	(472)	0	(98,184)
Total Cost	<u>\$ (1,734,316)</u>	<u>\$ (133,337)</u>	<u>\$ 0</u>	<u>\$ (1,867,653)</u>

Class	November 30, 2008	Additions	Deletions	November 30, 2009
Land improvements	\$ (437,331)	\$ (33,188)	\$	\$ (470,519)
Buildings	(705,382)	(77,399)		(782,781)
Machinery & equipment	(303,402)	(19,416)		(322,818)
Computer & office equipment	(58,364)	(2,122)		(60,486)
Vehicles	(97,023)	(689)		(97,712)
Total Cost	<u>\$ (1,601,502)</u>	<u>\$(132,814)</u>	<u>\$ 0</u>	<u>\$ (1,734,316)</u>

13. CONTINGENCIES

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

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED NOVEMBER 30, 2010 AND 2009
(Continued)**

14. MANAGEMENT PLANS

Due to net losses experienced in fiscal years 2010, 2009, and 2008, the Society reported a deficit of Unrestricted Net Assets of \$180,223 at November 30, 2010 and \$65,312 at November 30, 2009, respectively. In response, the Society's management and Board of Directors embarked upon an intensive analysis of all operations aimed at increasing Operating Revenues while significantly decreasing Operating Expenses to produce profitable operations. The goal for the 2011 fiscal year has been to decrease expenses by 20%.

The losses experienced during this three year period resulted from the following:

- 2008 windstorm on Sunday of fair week which damaged many of the fair buildings, caused reductions in the 2008 racing program, and negatively impacted attendance during the remainder of fair week. In addition, the process of making repairs to the facilities took more than eight months to complete and added to the 2008 and 2009 net losses.
- The downturn in the US economy impacted the fair by way of lessening public participation in the 2008, 2009 and 2010 events, significantly reducing sponsorship revenues from supporting individuals and businesses, and decreased the investment income which the Society earns on Deferred Race Qualification Fees and Investment assets.
- Declines in the number of standardbred breeders active in the State of Ohio have resulted in shortages in the number of quality horses available to the Society for its 2009 and 2010 race programs. This has caused a decline in race attendance and in the profitability of the pari-mutuel program in Delaware. The Society has reduced simulcasting of races to reduce expenses in 2009 and 2010 and in 2011 eliminated Monday racing.

As of October 31, 2011, the Society has an unrestricted cash balance of \$113,338.95. The compilation of results for the 2011 fair is incomplete at this time.

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Dave Yost • 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, Ohio 43015

To the Board of Directors:

We have audited the basic financial statements of Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of and for the years ended November 30, 2010 and 2009, which collectively comprise the Society's basic financial statements and have issued our report thereon dated October 31, 2011, wherein we noted the Society has suffered recurring losses from operations and has negative unrestricted net assets as of November 30, 2010 and 2009. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying schedule of findings to be a material weakness.

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*.

Delaware County Agricultural Society
Delaware County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated October 31, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Directors, and others within the Society. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 31, 2011

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Material Weakness

Sound financial reporting is the responsibility of the Fair Manager and governing board and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

The following adjustment and reclassification were made to the financial statements and the Society accounting records.

1. An adjustment of \$85,000 to properly record proceeds from line of credit and repayment of line of credit the Society had in 2010 on the Statement of Cash Flows.

2. A reclassification of \$266,000 in 2009 and \$137,000 in 2010 to properly record outstanding debt related to operations against unrestricted net assets rather than Capital Assets Net of Related Debt on the Statement of Net Assets. An additional \$13,000 in 2009 and \$109,400 in 2010 related to the proper classification of net assets was unadjusted due to being quantitatively immaterial to the overall financial statements.

By not producing complete and accurate financial statements, this could lead to inaccurate financial reports being disseminated to the governing board and management as well as financial statement readers.

The adjustment and reclassification identified above should be reviewed by the Fair Manager and the Board of Directors to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Society should adopt policies and procedures, including a final review of the financial statement and note disclosures by the fiscal officer and governing board, to identify and correct errors and omissions.

We did not receive an officials' response to the finding denoted above.

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Dave Yost • Auditor of State

DELAWARE COUNTY AGRICULTURAL SOCIETY

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 17, 2011**