



Dave Yost • Auditor of State

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Net Position As of November 30, 2014 and 2013	3
Statement of Revenues, Expenses and Changes in Net Position For the Years Ended November 30, 2014 and 2013	5
Statement of Cash Flows For the Years Ended November 30, 2014 and 2013	6
Notes to the Basic Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21

THIS PAGE INTENTIONALLY LEFT BLANK



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Delaware County Agricultural Society, Delaware County, Ohio (the Society), as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Society's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

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, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2016

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF NET POSITION
AS OF NOVEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash, \$214,635 and \$270,700 in Interest Bearing Deposits, respectively	\$ 312,512	\$ 279,741
Investments, At Fair Value	-	21,708
Accounts Receivable	112,413	72,465
Prepaid Expenses	11,042	10,358
Inventory, At Cost	6,930	5,372
Total Current Assets	<u>442,897</u>	<u>389,644</u>
Property and Equipment, at Cost:		
Land Improvements	742,907	742,907
Buildings	2,790,062	2,714,489
Construction in Progress	2,433	-
Machinery and Equipment	398,497	397,777
Computer and Office Equipment	73,424	73,424
Vehicles	55,311	55,311
Total Property and Equipment	<u>4,062,634</u>	<u>3,983,908</u>
Less: Accumulated Depreciation	<u>(2,307,348)</u>	<u>(2,182,851)</u>
Net Property and Equipment	<u>1,755,286</u>	<u>1,801,057</u>
Other Assets:		
Restricted Race Qualification Fees - Cash, in Interest Bearing Deposits	677,281	669,377
Prepaid Financing	-	824
Industrial Insurance Deposit	1,000	1,000
Total Other Assets	<u>678,281</u>	<u>671,201</u>
Total Assets	<u>\$ 2,876,464</u>	<u>\$ 2,861,902</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF NET POSITION
AS OF NOVEMBER 30, 2014 AND 2013
(Continued)**

	<u>2014</u>	<u>2013</u>
Current Liabilities:		
Current Installments of Long-Term Debt	\$ 55,000	\$ 55,000
Accounts Payable	65,050	314,410
Payroll and Payroll Taxes	25,771	36,347
Interest Payable	1,073	2,320
Total Current Liabilities	<u>146,894</u>	<u>408,077</u>
Non-Current Liabilities:		
Unearned Revenue - Race Qualification Fees	677,263	670,975
Unearned Revenue - Grant Revenue	90,000	-
Unearned Revenue - Gift Income	31,733	30,007
Unearned Revenue - Exhibiter Deposit	9,400	8,970
Long-Term Debt:		
Note Payable to Bank, Net of Current Installment	165,000	220,000
Total Non-Current Liabilities	<u>973,396</u>	<u>929,952</u>
Total Liabilities	<u>1,120,290</u>	<u>1,338,029</u>
Net Position:		
Net Investment in Capital Assets	1,532,854	1,554,557
Restricted	24,320	23,790
Unrestricted	199,000	(54,474)
Total Net Position	<u>1,756,174</u>	<u>1,523,873</u>
Total Liabilities and Net Postion	<u>\$ 2,876,464</u>	<u>\$ 2,861,902</u>

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

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Operating Revenues:		
Admissions	\$ 757,789	\$ 795,404
Privilege Fees	276,724	263,772
Sales, License and Other	116,061	122,403
Racing Fees and Charges	2,490,200	2,109,114
Other Racing Income	66,745	72,678
Fees	9,973	12,226
Rentals	415,376	340,117
Sponsorships	719,235	651,716
Total Operating Revenues	<u>4,852,103</u>	<u>4,367,430</u>
Operating Expenses:		
Salaries and Wages	718,894	709,608
Benefits	58,092	64,520
Administrative Expense	61,600	81,569
Race Supplies and Materials	131,688	100,939
Supplies and Materials	54,950	92,450
Utilities	215,326	207,314
Purse Payments and Miscellaneous Expenses	2,434,362	2,157,145
Professional Services	45,644	63,243
Property Services	139,391	104,120
Advertising and Communication	223,809	244,414
Repairs	57,557	57,355
Insurance	43,855	47,196
Rent and Lease	163,400	166,159
Interest Expense	17,568	29,494
Depreciation	124,497	127,931
Fair Expenses	137,284	121,302
Total Operating Expenses	<u>4,627,917</u>	<u>4,374,759</u>
Net Operating Income (Loss)	<u>224,186</u>	<u>(7,329)</u>
Non-Operating Revenues:		
State and Local Grants	7,223	43,633
Investment Income	174	163
Loss on Sale of Stock	(5,174)	(1,080)
Net Increase in Fair Value of Investments	5,892	7,308
Total Non-Operating Revenues	<u>8,115</u>	<u>50,024</u>
Change in Net Position	232,301	42,695
Net Position at Beginning of Fiscal Year	<u>1,523,873</u>	<u>1,481,178</u>
Net Position at End of Fiscal Year	<u>\$ 1,756,174</u>	<u>\$ 1,523,873</u>

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

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Receipts:		
Admissions	\$ 758,738	\$ 796,965
Privilege Fees	269,693	257,957
Sales, License, and Other	116,827	121,102
Racing Fees and Charges	2,353,199	2,153,900
Other Racing Income	66,679	72,945
Fees	9,673	12,226
Rentals	399,273	342,988
Sponsorships	696,399	765,875
	<u>4,670,481</u>	<u>4,523,958</u>
Disbursements:		
Salaries and Wages	(738,957)	(740,173)
Benefits	(60,148)	(63,319)
Administrative Expense	(77,609)	(73,656)
Race Supplies and Materials	(192,538)	(192,696)
Utilities	(230,144)	(199,925)
Purse Payments and Miscellaneous Expenses	(2,427,440)	(2,145,204)
Professional Services	(61,081)	(80,966)
Property Services	(137,973)	(101,653)
Advertising and Communication	(275,364)	(207,501)
Repairs	(51,815)	(54,608)
Insurance	(50,328)	(42,383)
Rent and Lease	(169,452)	(159,494)
Interest Expense	(17,992)	(26,290)
Fair Expenses	(133,155)	(122,418)
	<u>(4,623,996)</u>	<u>(4,210,286)</u>
Net Cash Provided by Operating Activities	46,485	313,672
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Fixed Assets	(78,726)	(113,657)
Gain on Disposal of Assets	-	425
Proceeds From the Sale of Securities	22,426	-
Payments on Notes Payable	(55,000)	(110,130)
	<u>(111,300)</u>	<u>(223,362)</u>
Net Cash (Used for) Capital and Related Financing Activities	(111,300)	(223,362)
Cash Flows From Non-Capital Financing Activities:		
State and Local Grants	97,223	43,633
Proceeds from loans (lines of credit)	-	50,000
Repayment of loans (lines of credit)	-	(50,000)
Net Change In Unearned Revenues	8,093	(25,805)
	<u>105,316</u>	<u>17,828</u>
Net Cash Provided by Non-Capital Financing Activities	105,316	17,828

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

	<u>2014</u>	<u>2013</u>
Cash Flows From Investing Activities:		
Investment Income	\$ 174	\$ 163
Net Cash Provided by Investing Activities	<u>174</u>	<u>163</u>
Net Increase in Cash and Cash Equivalents	40,675	108,301
Cash and Cash Equivalents at Beginning of Year	<u>949,118</u>	<u>840,817</u>
Cash and Cash Equivalents at End of Year	<u><u>989,793</u></u>	<u><u>949,118</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	224,186	(7,329)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities:		
Depreciation Expense	124,497	127,931
Interest Expense	824	1,646
Changes in Assets and Liabilities:		
Accounts Receivable	(39,948)	61,086
Prepaid Expenses	(684)	984
Inventory	(1,557)	1,753
Accounts Payable	(243,965)	125,756
Accrued Expenses	(16,868)	1,845
Total Adjustments:	<u>(177,701)</u>	<u>321,001</u>
Net Cash Provided by Operating Activities	<u><u>\$ 46,485</u></u>	<u><u>\$ 313,672</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013**

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 twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Delaware County and pay an annual membership fee to 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 which include the All Horse Parade. 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 Committee 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 Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise reporting focuses on the determination of the change in net position, 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 Position. The Statement of Changes in Net Position presents increases (i.e., revenues) and decreases (i.e. expenses) in net position. 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 BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

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 unearned 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 BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(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 beverages and souvenirs.

G. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expensed in the year in which services are consumed.

H. 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 2014 or 2013.

I. 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.

J. 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's tax returns for the years 2010 (November 30, 2011) through 2013 (November 30, 2014) 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, 2014 and 2013, the Society did not have any interest or penalties related to taxes.

K. 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 an interest-bearing cash account. The payments may be required in one, two or three years pending the running of the race.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Race Qualification Fees (Continued)

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 unearned 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, the Delaware Open Series and The Winbak Pace. 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 race qualification fees to assist in defraying costs of advertising for entrants to the races and record keeping for the qualification process.

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. The Society received Ohio Fairs Fund grants to supplement purse payments to horsemen during the fiscal years ending November 30, 2014 and November 30, 2013 totaling \$9,144 and \$10,832, respectively, which are included in Other Racing Income in the accompanying financial statements.

The Society also received Video Lottery Terminal (VLT) funds from the Ohio Harness Horsemen's Association to supplement purse payments to horsemen during the fiscal years ending November 30, 2014 and November 30, 2013 totaling \$412,240 and \$181,600, respectively, which are included in Racing Fees and Charges in the accompanying financial statements.

L. Pari-mutuel 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.

Pari-mutuel 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.

M. 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating 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 a necessary cost 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 non-operating revenues and expenses.

O. Net Position

Net position represents the difference between assets and liabilities. Net Investment in Capital Assets 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 position is 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's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions 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;

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. 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.

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. The bank balances at November 30, 2014 and November 30, 2013 were \$1,134,118 and \$1,039,255 respectively. Based on criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of November 30, 2014 and November 30, 2013, \$468,084 and \$421,259, respectively, of the Society's bank balances were exposed to custodial credit risk as discussed below, while \$666,034 and \$617,996, respectively, was covered by the Federal Deposit Insurance Corporation.

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

The Society had investments in DCB Financial Corp common stock at November 30, 2013 worth \$21,708. The Society sold its investment in DCB Financial Corp in April 2014 for \$22,426. 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 BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

4. RECEIVABLES

Receivables at November 30, 2014 and November 30, 2013 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, 2014 and November 30, 2013 are as follows:

	Balance Dec 1, 2013	Additions	Deletions	Balance Nov 30, 2014
Note payable to bank-Grandstand	\$275,000	\$0	\$55,000	\$220,000
Total	<u>\$275,000</u>	<u>\$0</u>	<u>\$55,000</u>	<u>\$220,000</u>

	Balance Dec 1, 2012	Additions	Deletions	Balance Nov 30, 2013
Note payable to bank-Grandstand	\$330,000	\$0	\$55,000	\$275,000
Note payable-Jugette Barn	55,130	0	55,130	0
Total	<u>\$385,130</u>	<u>\$0</u>	<u>\$110,130</u>	<u>\$275,000</u>

As of November 30, 2014 the Society had a \$100,000 line of credit with PNC Bank and The Delaware County Bank and Trust in equal shares. 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% at November 30, 2014 and 2013). There was no outstanding balance on the line of credit at November 30, 2014 and November 30, 2013.

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 used for purchases of capital assets and payment of operating expenses. The note required 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 agreement was modified on August 5, 2014. The modification required annual principal payments of \$55,000 on October 15 of each year, interest at 3.9% on the unpaid balance paid quarterly and payment in full on July 15, 2019. An additional modification was entered into on September 3, 2014 whereby the final payment date was changed to October 15, 2018, rather than July 15, 2019. The note is secured by certain Real Estate consisting of 17.35 acres of land and fair buildings, inventory, accounts receivable and equipment.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

5. LONG-TERM DEBT (Continued)

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 received an annual payment of \$50,000 in 2013 from the LaVerne A. Hill Charitable Lead Trust which was used to fund portions of the final debt payment. The balance was paid in full on July 31, 2013.

Amortization of the above debt, including interest at the current rates, through 2018 is as follows:

	Principal	Interest	Total
2015	55,000	3,000	58,000
2016	55,000	2,500	57,500
2017	55,000	2,000	57,000
2018	55,000	1,500	56,500
Total	\$220,000	\$9,000	\$229,000

6. RISK MANAGEMENT

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 PEP member.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2014 and 2013.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

6. RISK MANAGEMENT (Continued)

	2014	2013
Assets	\$ 35,402,177	\$34,411,883
Liabilities	(12,363,257)	(12,760,194)
Net Position	\$23,038,920	\$21,651,689

At December 31, 2014 and 2013, respectively, casualty coverage liabilities noted above include approximately \$11.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.1 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014 the Society's share of these unpaid claims collectible in future years is approximately \$29,000

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

2013	\$ 41,432
2014	\$ 44,167

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 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 \$10,000. 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 2015.

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 fiscal years ended November 30, 2014 and 2013.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

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. Board Member, Frank Reinhard is First Vice President of Corporate Banking at Delaware County Bank, which holds a majority of the funds for the Society.

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 2014 and 2013, are by agreement, added to the purse for each race.

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 \$30,949 and \$29,936 during the fiscal years ended November 30, 2014 and November 30, 2013, respectively, directly to vendors to support Junior Fair activities. The Society also disbursed \$2,500 and \$2,500 in scholarship money for the fiscal years ended November 30, 2014 and November 30, 2013, respectively. These expenses are reflected under operating expenses in the accompanying financial statements. The Society received from the State of Ohio and Delaware County \$2,143 and \$2,301 during the fiscal years ended November 30, 2014 and November 30, 2013, 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 COMMITTEE

Effective July 2013, the Pig and Lamb Sale Committee and the Steer Sale Committee combined into one committee, called the Junior Fair Auction Committee. A savings account still remains active for the separate committees. The Junior Fair Auction Committee is a separate committee 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 Committee to fund future sales. The accompanying financial statements do not include the activity of this Committee. The financial activity for the Committee follows:

	Junior Fair Pig & Lamb Sale		Junior Fair Steer Sale	
	Year Ended November 30		Year Ended November 30	
	2013	2014	2013	2014
Beginning Cash Balance	\$ 7,274	\$ 6,474	\$ 6,016	\$ 5,227
Receipts	4,226	1,410	8,039	8
Disbursements	(5,026)	(16)	(8,828)	(2,500)
Ending Cash Balance	\$ 6,474	\$ 7,868	\$ 5,227	\$ 2,735

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

11. JUNIOR FAIR LIVESTOCK SALE COMMITTEE (Continued)

	Junior Fair Auction account Year Ended November 30	
	2013	2014
Beginning Cash Balance	\$ -	\$ 4,991
Receipts	282,972	272,052
Disbursements	(277,981)	(268,974)
Ending Cash Balance	<u>\$ 4,991</u>	<u>\$ 8,069</u>

12. CAPITAL ASSETS

Summary by category of changes in capital assets at November 30, 2014 and November 30, 2013, respectively:

Historical Cost

Class	December 1 2013	Additions	Deletions	November 30, 2014
<i>Capital Assets not being depreciated:</i>				
Construction in Progress	\$ 0	\$ 2,433	\$ 0	\$ 2,433
<i>Capital Assets being depreciated:</i>				
Land improvements	\$ 742,907	\$ 0	\$ 0	\$ 742,907
Buildings	2,714,489	75,573	0	2,790,062
Machinery & equipment	397,777	720	0	398,497
Computer & office				
Equipment	73,424	0	0	73,424
Vehicles	55,311	0	0	55,311
Total Cost	<u>\$ 3,983,908</u>	<u>\$ 78,726</u>	<u>\$ 0</u>	<u>\$ 4,062,634</u>

Class	December 1 2012	Additions	Deletions	November 30, 2013
<i>Capital Assets being depreciated:</i>				
	\$ 715,586	\$ 27,321	\$ 0	\$ 742,907
Land improvements				
Buildings	2,673,034	41,455	0	2,714,489
Machinery & equipment	394,912	2,865	0	397,777
Computer & office				
Equipment	69,104	4,320	0	73,424
Vehicles	55,311	0	0	55,311
Total Cost	<u>\$ 3,907,947</u>	<u>\$ 75,961</u>	<u>\$ 0</u>	<u>\$ 3,983,908</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

12. CAPITAL ASSETS (Continued)

Accumulated Depreciation:

Class	December 1, 2013	Additions	Deletions	November 30, 2014
Land improvements	\$ (589,274)	\$ (24,637)	\$0	\$ (613,911)
Buildings	(1,108,348)	(84,686)	0	(1,193,034)
Machinery & equipment	(365,424)	(14,305)	0	(379,729)
Computer & office Equipment	(64,494)	(869)	0	(65,363)
Vehicles	(55,311)	0	0	(55,311)
Total Cost	<u>\$ (2,182,851)</u>	<u>\$ (124,497)</u>	<u>\$0</u>	<u>\$ (2,307,348)</u>

Class	December 1, 2012	Additions	Deletions	November 30, 2013
Land improvements	\$ (561,442)	\$ (27,832)	\$0	\$ (589,274)
Buildings	(1,025,812)	(82,536)	0	(1,108,348)
Machinery & equipment	(349,198)	(16,226)	0	(365,424)
Computer & office Equipment	(63,157)	(1,337)	0	(64,494)
Vehicles	(55,311)	0	0	(55,311)
Total Cost	<u>\$ (2,054,920)</u>	<u>\$ (127,931)</u>	<u>\$0</u>	<u>\$ (2,182,851)</u>

13. CONTINGENCIES

Litigation

The Society is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The Society is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Society.

14. SUBSEQUENT EVENTS

Significant wind damage occurred subsequent to the November 30, 2014 fiscal year end, which damaged the utility lines. Insurance proceeds were received during the fiscal year ending November 30, 2015 and the damage was corrected. The insurance proceeds covered the cost of the repair.

In February and March 2015 a significant increase in the water utility bills occurred. The cause of this increase was leakage in the water lines. A grant in the amount of \$55,000 was received from the Delaware County Commissioners during the November 30, 2015, fiscal year to help pay for the installation of new water lines. The City of Delaware provided assistance to the installation by way of skilled managers, labor and construction equipment at no cost to the Society



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Delaware County Agricultural Society, Delaware County, Ohio (the Society), as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Society's basic financial statements and have issued our report thereon dated February 3, 2016, wherein we noted the Society omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 3, 2016



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
MARCH 17, 2016**