



**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2018-2017

**OHIO AUDITOR OF STATE
KEITH FABER**



**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY
NOVEMBER 30, 2018 AND 2017**

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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 the Delaware County Agricultural Society, Delaware County, Ohio (the Society), as of and for the years ended November 30, 2018 and 2017, 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 the overall financial statement presentation.

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

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 as of November 30, 2018 and 2017, 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 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 August 30, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

August 30, 2019

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF NET POSITION

November 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 600,561
Accounts receivable	62,738
Lodging tax receivable	9,528
Prepaid expenses	13,269
Inventory, at cost	<u>6,304</u>
Total current assets	692,400

Non-Current Assets

Restricted race qualification fees - cash in interest bearing deposits	756,056
Capital assets, net	<u>2,957,486</u>
Total non-current assets	<u>3,713,542</u>
Total assets	<u>\$ 4,405,942</u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 202,765
Accrued Expenses	39,264
Total current liabilities	<u>242,029</u>

Non-Current Liabilities

Unearned revenue - race qualification fees	746,563
Grant revenue	90,000
Gift income	12,000
Exhibitor deposit and prepaids	10,721
Stud fees	<u>3,050</u>
Total non-current liabilities	<u>862,334</u>
Total liabilities	<u>1,104,363</u>

Net Position

Net Investment in Capital Assets	2,957,486
Restricted	15,622
Unrestricted	<u>328,471</u>
Total net position	<u>3,301,579</u>
Total liabilities and net position	<u>\$ 4,405,942</u>

See accompanying notes to the basic financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Year ended November 30, 2018

Operating Revenues

Admissions	\$ 727,129
Privilege fees	226,446
Sales, license, and other	144,082
Racing fees and charges	3,061,090
Other racing income	20,522
Fees	6,250
Rentals	364,435
Sponsorships	<u>706,541</u>
Total operating revenues	5,256,495

Operating Expenses

Salaries, wages, and benefits	829,593
Administrative expense	67,287
Race supplies and materials	173,008
Utilities	168,300
Purse payments and miscellaneous expenses	3,129,630
Professional services	62,992
Property services	224,367
Advertising and communication	118,773
Repairs	69,592
Insurance	67,918
Rent and lease	199,960
Interest expense	355
Depreciation	219,598
Fair expenses	<u>155,408</u>
Total operating expenses	<u>5,486,781</u>
Net operating loss	(230,286)

Non-Operating Revenue

Lodging tax revenues, net	230,269
State and local grants	4,974
Investment income	<u>21,887</u>
Total non-operating revenue	<u>257,130</u>
Changes in net position	26,844

Net Position

Beginning of year	<u>3,274,735</u>
End of year	<u>\$ 3,301,579</u>

See accompanying notes to the basic financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF CASH FLOWS

Year ended November 30, 2018

Cash Flows from Operating Activities	
Cash received from:	
Admissions	\$ 727,129
Privilege fees	226,446
Sales, license, and other	122,405
Racing fees and charges	3,074,978
Other racing income	22,640
Fees	6,250
Rentals	375,084
Sponsorships	433,248
	<u>4,988,180</u>
Cash paid for:	
Salaries and fringe benefits	844,001
Purse payments and miscellaneous expenses	3,127,010
Fair expenses	155,408
Interest expense	623
Other operating costs	963,402
	<u>5,090,444</u>
Net cash provided by (used in) operating activities	(102,264)
Cash Flows From Capital and Related Financing Activities	
Lodging tax revenues, net	290,556
Purchase/construction of fixed assets	(223,961)
Payments on note payable	(55,000)
Net cash used for capital and related financing activities	<u>11,595</u>
Cash Flows From Non-Capital Financing Activities	
State and local grants	4,974
	<u>4,974</u>
Net cash provided by non-capital financing activities	4,974
Cash Flows from Investing Activities	
Investment income	<u>21,887</u>
NET CHANGE IN CASH	(63,808)
Cash and Cash Equivalents Balance	
Beginning of year	<u>1,420,425</u>
End of year	<u>\$ 1,356,617</u>

See accompanying notes to the basic financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended November 30, 2018

Reconciliation of Change in Net Position to Net Cash

Provided by Operating Activities

Change in net position	\$ (230,286)
Adjustments to reconcile change in net position to net cash (used in)/provided by operating activities:	
Depreciation and amortization	219,598
(Increase)/decrease in operating assets:	
Accounts receivable	(17,010)
Prepaid expenses	(1,228)
Inventory	(2,464)
Increase/(decrease) in operating liabilities:	
Accounts payable	(57,637)
Accrued expenses	<u>(13,237)</u>
 Net cash used in operating activities	 <u><u>\$ (102,264)</u></u>

Supplemental Schedule of Non-Cash Investing Activities

In-kind contributions	<u><u>\$ 258,944</u></u>
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See accompanying notes to the basic financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT

November 30, 2018

NOTE A - REPORTING ENTITY

The Delaware County Agricultural Society (the "Society", a nonprofit organization), Delaware County, is a body political and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. 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. 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"). The Board is made up of nineteen 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.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. Activities include the annual fair; harness racing during fair week; simulcast relating to harness racing; facility, track, and stall rental; and community events such as the All Horse Parade. The reporting entity does not include any other activities or entities of Delaware County, Ohio.

The financial activities of the Junior Fair Board and the Junior Fair Livestock Sale Committee are summarized in Note O and P, respectively.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

NOTE B – BASIS OF ACCOUNTING

1. Basis of Accounting

The Society prepares its financial statement on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE B – BASIS OF ACCOUNTING (CONTINUED)

2. *Basis of Presentation*

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.

As of November 30, 2018, the Society had the following temporarily restricted net position:

Junior Fair Scholarship	\$ 4,970
Junior Fair Building Fund	8,152
Helen Thomson Memorial Fund	<u>2,500</u>
	<u>\$ 15,622</u>

Net investment in capital assets is an unrestricted net position.

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.

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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Society's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. *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.

2. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash includes all of the Society's checking and savings accounts and highly liquid cash instruments purchased with an original remaining maturity of three months or less.

3. *Accounts Receivable*

Receivables at November 30, 2018 and 2017 consisted of trade and simulcast settlements due. All receivables are considered collectable in full; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Accounts receivable are unsecured.

4. *Inventory*

Inventories are valued at the lower of cost or net realizable value, 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.

5. *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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. *Capital Assets (Continued)*

The Society records disbursements for acquisitions of property, plant, and equipment when incurred. Capital assets 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 this financial statement 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 was no capitalized interest costs incurred during 2018.

For the fiscal year ended November 30, 2016, a separate capitalization policy was established to determine the minimum cost that shall be used to determine the capitalization of permanent improvements, pursuant to ORC 5739.09(L). This policy was adopted specifically for costs governed under ORC 5739.09(L). For this purpose, a capitalizable asset is defined as costs incurred that consist of additions, improvements, alterations, rehabilitations, replacements, and significant repairs that appreciably extend the life beyond one year, increases the capacity, or improves the efficiency or safety of the property. The Society established that any expense meeting the capital asset definition will be capitalized. The capitalization threshold is \$1,500 unless the purchase is part of a group of similar items or clearly has a useful life beyond one year.

7. *Income Tax Status*

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b) (1) (A) (v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

8. *Revenue Recognition*

Exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party give and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Revenue Recognition (Continued)*

Exchange and non-exchange transactions (continued)

Non-exchange transaction, in which the Society receives value without directly giving equal value in return, including grants, entitlements, race qualification fees, and lodging tax revenue. Revenue from these sources is recognized in the fiscal year in which all eligible 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 specific purpose, and expenditure requirements, in which the resources are provided to the Society on a reimbursement basis.

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. 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, the fees 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 Buckette, the Standardbred Series, and the Ohio Breeders Championship Series. All of the 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 Society became a member of the Ohio Fair Racing Conference for the fiscal year ended November 30, 2015.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Revenue Recognition (Continued)*

Race Qualification Fees (Continued)

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 year ended November 30, 2018 totaling \$7,424, which is 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 year ended November 30, 2018 totaling \$966,639, which is included in Racing Fees and Charges in the accompanying financial statements.

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.

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 included in Racing Fees and Charges in the accompanying financial statements.

9. *Contributed Goods and Services*

The Society records various types of in-kind support, including supplies, advertising, rental of personal property, vehicles, admissions, and property services, as contributions revenue. Contributed property services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received if they typically would be purchased otherwise. The revenue is offset by like amounts included in expenses.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Use of Management Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates

NOTE D - DEPOSITS

The Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was \$1,356,617.

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

NOTE E - 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.

NOTE F - HORSE RACING

Pari-mutuel on track and simulcasting commissions, which are included in racing fees, are as follows:

<u>Pari-Mutuel on Track</u>	
Parimutuel wagering commission	\$ 337,873
Tote service fee	(55,767)
State tax, net	<u>(30,400)</u>
Society portion	<u><u>\$ 251,706</u></u>
 <u>Simulcasting</u>	
Parimutuel wagering commission	\$ 96,783
Simulcast service fee	<u>(74,991)</u>
Society portion	<u><u>\$ 21,792</u></u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE G - LODGING TAX REVENUE

In March 2016, Delaware County, Ohio voters approved a 5-year, 3 percent excise tax on all transactions by which lodging in a hotel is, or is to be, furnished to transient guests within Delaware County, Ohio for the purpose of paying the costs of permanent improvements at sites at which the Society conducts fairs or exhibits, paying the costs of maintaining or operating such permanent improvements, and paying the costs of administering the tax.

Pursuant to ORC 5739.09(L), all revenue arising from the tax shall be credited to one or more special funds in the county treasury and shall be spent solely for the purposes of paying the costs of such permanent improvements and maintaining or operating the improvements. The board of county commissioners shall adopt all rules necessary to provide for the administration of the tax.

The Society does not receive the lodging tax revenue until the county commissioners approve the requested expenditures. The Society established a separate capitalization policy specific to these tax dollars, which has been approved by the county.

Summary of Lodging Tax Revenue for the fiscal year ended November 30, 2018:

Lodging taxes balance - Delaware County	<u> </u>	\$ 1,770,786
Lodging tax collected by Delaware County	<u> </u>	1,740,146
Administrative fee (kept by Delaware County)	<u> </u>	(52,204)
Lodging tax remitted to Society (revenue)	<u> </u>	(220,741)
Lodging tax payable to Society (revenue)	<u> </u>	(9,528)
Lodging tax balance - Delaware County	<u> </u>	<u>\$ 3,228,459</u>

NOTE H - RISK MANAGEMENT

The information provided in this note was the latest available at the time of filing.

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 Worker's Compensation. Coverage is currently in effect through June 2019.

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. 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 York.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE H - RISK MANAGEMENT (CONTINUED)

Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' 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, 2018, 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 government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018.

Assets	\$ 35,381,789
Liabilities	<u>(12,965,015)</u>
Net Position	<u>\$ 22,416,774</u>

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

2018 \$ 53,076

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE H - RISK MANAGEMENT (CONTINUED)

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 ORC 1711.24.

General liability and vehicle coverage is provided by PEP with a limit of \$2,000,000 for the year ended November 30, 2018.

This policy includes crime coverage for employee dishonesty with limits of liability of \$250,000 for the year ended November 30, 2018. The Society's fair secretary and treasurer are bonded with coverage of \$100,000.

The Society also added a Monies and Securities policy with a limit of \$500,000 for the year ended November 30, 2018.

NOTE I - SOCIAL SECURITY

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2018.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE J - DEBT

As of November 30, 2018, the Society had a \$150,000 line of credit with First Commonwealth Bank (formerly known as The Delaware County Bank and Trust). The line of credit was refinanced during 2016 to increase the available credit to \$150,000 solely with First Commonwealth Bank. The note was amended on October 31, 2017 to amend the note to officially be with First Commonwealth Bank, rather than The Delaware County Bank and Trust. This line of credit permits the Society to obtain advances from the bank based on the Society's cash flow needs. The line bears interest at prime plus one and one-half percent (6.75% at November 30, 2018).

There was no outstanding balance on the line of credit at November 30, 2018.

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. The final payment was made on the note on January 24, 2018. As of the date of this report, the loan balance is zero.

NOTE K - CONSTRUCTION AND CONTRACTUAL COMMITMENTS

There are no potentially significant outstanding construction or other contractual commitments for the fiscal year ended November 30, 2018.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE L - CONTINGENT LIABILITIES

In 2001, a claim was filed against the Society for a personal injury that occurred at the Delaware County Fair. The claim was settled on November 24, 2017 for \$85,000. This amount was paid by the Delaware County Fair Agricultural Society's Ohio Bureau of Workers' Compensation policy. There were no claims for November 30, 2018.

NOTE M - 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 2018 and 2017, are by agreement, added to the purse for each race.

NOTE N - SUBSEQUENT EVENTS

The Society has evaluated subsequent events through the date of the Independent Auditor's Report and have found no significant subsequent events requiring disclosure.

NOTE O - 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 \$30,448 during the fiscal year ended November 30, 2018, directly to vendors to support Junior Fair activities. The Society also disbursed \$3,000 in scholarship money for the fiscal year ended November 30, 2018. These expenses are reflected under operating expenses in the accompanying financial statements. The Society received from the State of Ohio and Delaware County \$4,174 during the fiscal year ended November 30, 2018, 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE P - JUNIOR FAIR LIVESTOCK SALE COMMITTEE

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

	Jr Fair Pig and Lamb Sale	Jr Fair Steer Sale
	2018	2018
Beginning cash balance	\$ 9,155	\$ 4,344
Receipts	4	2
Disbursements	(20)	(790)
Ending cash balance	\$ 9,139	\$ 3,556

	Jr Fair Auction Account
	2018
Beginning cash balance	\$ 28,581
Receipts	318,304
Disbursements	(325,603)
Ending cash balance	\$ 18,552

NOTE Q - 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2018

NOTE R - CAPITAL ASSETS

Capital assets consisted of the following at November 30, 2018:

	<u>Balance November 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance November 30, 2018</u>
Capital Assets - Not Depreciated:				
Construction in progress	\$ 7,200	\$ 61,466	\$ -	\$ 68,666
Capital Assets - Depreciated:				
Land improvements	994,745	48,743	-	1,043,488
Buildings	3,943,238	94,780	-	4,038,018
Machinery and equipment	610,478	18,972	-	629,450
Computer and office equipment	89,175	-	-	89,175
Vehicles	92,511	-	-	92,511
Total property and equipment	<u>5,730,147</u>	<u>162,495</u>	-	<u>5,892,642</u>
Less: accumulated depreciation	<u>(2,784,224)</u>	<u>(219,598)</u>	-	<u>(3,003,822)</u>
Net depreciable capital assets	<u>2,945,923</u>	<u>(57,103)</u>	-	<u>2,888,820</u>
 Total capital assets, net	 <u>\$ 2,953,123</u>	 <u>\$ 4,363</u>	 <u>\$ -</u>	 <u>\$ 2,957,486</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF NET POSITION

November 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 687,729
Accounts receivable	45,728
Lodging tax receivable	69,815
Prepaid expenses	12,041
Inventory, at cost	<u>3,840</u>
Total current assets	819,153

Non-Current Assets

Restricted race qualification fees - cash in interest bearing deposits	732,696
Capital assets, net	<u>2,953,123</u>
Total non-current assets	<u>3,685,819</u>
Total assets	<u>\$ 4,504,972</u>

LIABILITIES AND NET POSITION

Current Liabilities

Current portion of long-term debt	\$ 55,000
Accounts Payable	260,402
Accrued Expenses	53,672
Interest Payable	<u>268</u>
Total current liabilities	369,342

Non-Current Liabilities

Unearned revenue - race qualification fees	\$ 732,675
Grant revenue	90,000
Gift income	23,000
Exhibitor deposit and prepaids	12,170
Stud fees	<u>3,050</u>
Total non-current liabilities	<u>860,895</u>
Total liabilities	<u>1,230,237</u>

Net Position

Net Investment in Capital Assets	2,843,123
Restricted	18,622
Unrestricted	<u>412,990</u>
Total net position	<u>3,274,735</u>
Total liabilities and net position	<u>\$ 4,504,972</u>

See accompanying notes to the basic financial statements

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Year ended November 30, 2017

Operating Revenues

Admissions	\$ 771,391
Privilege fees	254,054
Sales, license, and other	115,241
Racing fees and charges	2,668,560
Other racing income	44,338
Fees	17,415
Rentals	410,686
Sponsorships	646,011
Total operating revenues	4,927,696

Operating Expenses

Salaries, wages, and benefits	799,447
Administrative expense	70,195
Race supplies and materials	164,409
Utilities	169,340
Purse payments and miscellaneous expenses	2,712,603
Professional services	50,814
Property services	196,682
Advertising and communication	106,858
Repairs	66,759
Insurance	71,113
Rent and lease	174,652
Interest expense	4,070
Depreciation	198,714
Fair expenses	162,066
Total operating expenses	4,947,722
Net operating loss	(20,026)

Non-Operating Revenue

Lodging tax revenues, net	592,580
State and local grants	22,281
Investment income	8,597
Total non-operating revenue	623,458
Changes in net position	603,432

Net Position

Beginning of year	2,671,303
End of year	3,274,735

See accompanying notes to the basic financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF CASH FLOWS

Year ended November 30, 2017

Cash Flows from Operating Activities

Cash received from:

Admissions	\$ 773,517
Privilege fees	233,199
Sales, license, and other	116,728
Racing fees and charges	2,778,888
Other racing income	47,327
Fees	17,733
Rentals	418,407
Sponsorships	440,011
	<u>4,825,810</u>

Cash paid for:

Salaries and fringe benefits	739,537
Purse payments and miscellaneous expenses	2,739,323
Fair expenses	152,707
Interest expense	4,604
Other operating costs	783,210
	<u>4,419,381</u>
Net cash provided by (used in) operating activities	406,429

Cash Flows From Capital and Related Financing Activities

Lodging tax revenues, net	522,765
Purchase/construction of fixed assets	(583,673)
Payments on note payable	(55,000)
Net cash used for capital and related financing activities	<u>(115,908)</u>

Cash Flows From Non-Capital Financing Activities

State and local grants	22,281
Net change in unearned revenue	(5,186)
Net cash provided by non-capital financing activities	<u>17,095</u>

Cash Flows from Investing Activities

Investment income	8,597
	<u>-</u>
NET CHANGE IN CASH	316,213

Cash and Cash Equivalents Balance

Beginning of year	<u>1,104,212</u>
End of year	<u>\$ 1,420,425</u>

See accompanying notes to the basic financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended November 30, 2017

Reconciliation of Change in Net Position to Net Cash

Provided by Operating Activities

Change in net position	\$ (20,025)
Adjustments to reconcile change in net position to net cash (used in)/provided by operating activities:	
Depreciation and amortization	198,714
(Increase)/decrease in operating assets:	
Accounts receivable	67,341
Prepaid expenses	(875)
Inventory	1,676
Increase/(decrease) in operating liabilities:	
Accounts payable	157,673
Accrued expenses	<u>1,925</u>
Net cash provided by operating activities	<u><u>\$ 406,429</u></u>

Supplemental Schedule of Non-Cash Investing Activities

In-kind contributions	<u><u>\$ 200,586</u></u>
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See accompanying notes to the basic financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT

November 30, 2017

NOTE A - REPORTING ENTITY

The Delaware County Agricultural Society (the "Society", a nonprofit organization), Delaware County, is a body political and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. 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. 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"). The Board is made up of nineteen 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.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. Activities include the annual fair; harness racing during fair week; simulcast relating to harness racing; facility, track, and stall rental; and community events such as the All Horse Parade. The reporting entity does not include any other activities or entities of Delaware County, Ohio.

The financial activities of the Junior Fair Board and the Junior Fair Livestock Sale Committee are summarized in Note O and P, respectively.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

NOTE B – BASIS OF ACCOUNTING

1. Basis of Accounting

The Society prepares its financial statement on an accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE B – BASIS OF ACCOUNTING (CONTINUED)

2. *Basis of Presentation*

The Society's basic financial statement consists 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.

As of November 30, 2017, the Society had the following temporarily restricted net position:

Junior Fair Scholarship	\$ 7,970
Junior Fair Building Fund	8,152
Helen Thomson Memorial Fund	<u>2,500</u>
	<u>\$ 18,622</u>

Net investment in capital assets is an unrestricted net position.

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.

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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Society's significant accounting policies consistently applied in the preparation of the accompanying financial statement follows:

1. *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.

2. *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash includes all of the Society's checking and savings accounts and highly liquid cash instruments purchased with an original remaining maturity of three months or less.

3. *Accounts Receivable*

Receivables at November 30, 2017 consisted of trade and simulcast settlements due. All receivables are considered collectable in full; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made. Accounts receivable are unsecured.

4. *Inventory*

Inventories are valued at the lower of cost or net realizable value, 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.

5. *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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. *Capital Assets*

The Society records disbursements for acquisitions of property, plant, and equipment when incurred. Capital assets 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 this financial statement 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 2017.

For the fiscal year ended November 30, 2016, a separate capitalization policy was established to determine the minimum cost that shall be used to determine the capitalization of permanent improvements, pursuant to ORC 5739.09(L). This policy was adopted specifically for costs governed under ORC 5739.09(L). For this purpose, a capitalizable asset is defined as costs incurred that consist of additions, improvements, alterations, rehabilitations, replacements, and significant repairs that appreciably extend the life beyond one year, increases the capacity, or improves the efficiency or safety of the property. The Society established that any expense meeting the capital asset definition will be capitalized. The capitalization threshold is \$1,500 unless the purchase is part of a group of similar items or clearly has a useful life beyond one year.

6. *Income Tax Status*

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b) (1) (A) (v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

7. *Revenue Recognition*

Exchange and non-exchange transactions

Revenue resulting from exchange transactions, in which each party give and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Revenue Recognition (Continued)*

Exchange and non-exchange transactions (continued)

Non-exchange transaction, in which the Society receives value without directly giving equal value in return, including grants, entitlements, race qualification fees, and lodging tax revenue. Revenue from these sources is recognized in the fiscal year in which all eligible 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 specific purpose, and expenditure requirements, in which the resources are provided to the Society on a reimbursement basis.

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. 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 statement except for the year in which the horse runs the race, at which time, the fees are reported as revenue in the financial statement.

Specific races for which the Society maintains qualification fees include the Little Brown Jug Racing Classic, the Jugette, the Old Oaken Bucket and Buckette, the Standardbred Series, and the Ohio Breeders Championship Series. All of the 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 Society became a member of the Ohio Fair Racing Conference for the fiscal year ended November 30, 2015.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. *Revenue Recognition (Continued)*

Race Qualification Fees (Continued)

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 year ended November 30, 2017 totaling \$7,967, which is included in Other Racing Income in the accompanying financial statement.

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 year ended November 30, 2017 totaling \$705,600, which is included in Racing Fees and Charges in the accompanying financial statement.

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.

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 included in Racing Fees and Charges in the accompanying financial statement.

9. *Contributed Goods and Services*

The Society records various types of in-kind support, including supplies, advertising, rental of personal property, vehicles, admissions, and property services, as contributions revenue. Contributed property services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received if they typically would be purchased otherwise. The revenue is offset by like amounts included in expenses.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

10. Use of Management Estimates

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 revenue and expense during the reporting period. Actual results could differ from these estimates

NOTE D - DEPOSITS

The Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was \$1,420,425.

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

NOTE E - 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.

NOTE F - HORSE RACING

Pari-mutuel on track and simulcasting commissions, which are included in racing fees, are as follows:

Pari-Mutuel on Track

Parimutuel wagering commission	\$ 339,591
Tote service fee	(65,909)
State tax, net	<u>(33,712)</u>
Society portion	<u>\$ 239,970</u>

Simulcasting

Parimutuel wagering commission	\$ 81,284
Simulcast service fee	<u>(36,586)</u>
Society portion	<u>\$ 44,698</u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE G - LODGING TAX REVENUE

In March 2016, Delaware County, Ohio voters approved a 5-year, 3 percent excise tax on all transactions by which lodging in a hotel is, or is to be, furnished to transient guests within Delaware County, Ohio for the purpose of paying the costs of permanent improvements at sites at which the Society conducts fairs or exhibits, paying the costs of maintaining or operating such permanent improvements, and paying the costs of administering the tax.

Pursuant to ORC 5739.09(L), all revenue arising from the tax shall be credited to one or more special funds in the county treasury and shall be spent solely for the purposes of paying the costs of such permanent improvements and maintaining or operating the improvements. The board of county commissioners shall adopt all rules necessary to provide for the administration of the tax.

The Society does not receive the lodging tax revenue until the county commissioners approve the requested expenditures. The Society established a separate capitalization policy specific to these tax dollars, which has been approved by the county.

Summary of Lodging Tax Revenue for the fiscal year ended November 30, 2017:

Lodging taxes balance - Delaware County	\$ 756,183
Lodging tax collected by Delaware County	1,655,398
Administrative fee (kept by Delaware County)	(48,215)
Lodging tax remitted to Society (revenue)	(522,765)
Lodging tax payable to Society (revenue)	<u>(69,815)</u>
Lodging tax balance - Delaware County	<u>\$ 1,770,786</u>

NOTE H - RISK MANAGEMENT

The information provided in this note was the latest available at the time of filing.

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 Worker's Compensation. Coverage is currently in effect through June 2018.

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. 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 York.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE H - RISK MANAGEMENT (CONTINUED)

Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' 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, 2017, 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 government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

Assets	\$ 44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$ 31,448,315</u>

At December 31, 2017, the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed at December 31, 2017. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017 the Society's share of these unpaid claims collectible in future years is approximately \$30,000.

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

2017	\$48,165
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**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE H - RISK MANAGEMENT (CONTINUED)

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 ORC 1711.24.

General liability and vehicle coverage is provided by PEP with a limit of \$1,000,000 for the year ended November 30, 2017.

This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000 at November 30, 2017. The Society's fair secretary and treasurer are bonded with coverage of \$100,000.

NOTE I - SOCIAL SECURITY

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2017.

NOTE J - DEBT

Debt outstanding at November 30, 2017, was as follows:

Note payable to bank - Grandstand	\$ 55,000
Less: Current portion	<u>(55,000)</u>
Long-term portion	<u><u>\$ -</u></u>

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE J – DEBT (CONTINUED)

As of November 30, 2017, the Society had a \$150,000 line of credit with First Commonwealth Bank (formerly known as The Delaware County Bank and Trust). The line of credit was refinanced during 2016 to increase the available credit to \$150,000 solely with The Delaware County Bank and Trust. The note was amended on October 31, 2017 to amend the note to officially be with First Commonwealth Bank, rather than The Delaware County Bank and Trust. This line of credit permits the Society to obtain advances from the bank based on the Society's cash flow needs. The line bears interest at prime plus one and one-half percent (5.75% at November 30, 2017).

There was no outstanding balance on the line of credit at November 30, 2017.

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.

NOTE K - CONSTRUCTION AND CONTRACTUAL COMMITMENTS

There are no potentially significant outstanding construction or other contractual commitments for the fiscal year ended November 30, 2017.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE L - CONTINGENT LIABILITIES

Litigation

In 2001, a claim was filed against the Society for a personal injury that occurred at the Delaware County Fair. The claim was settled on November 24, 2017 for \$85,000. This amount was paid by the Delaware County Fair Agricultural Society's Ohio Bureau of Workers' Compensation policy.

NOTE M - 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 2017, are by agreement, added to the purse for each race.

NOTE N - SUBSEQUENT EVENTS

The Society has evaluated subsequent events through the date of the Independent Auditor's report and have found no significant subsequent events requiring disclosure.

NOTE O - 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 \$28,273 during the fiscal year ended November 30, 2017, directly to vendors to support Junior Fair activities. The Society also disbursed \$2,000 in scholarship money for the fiscal year ended November 30, 2017. These expenses are reflected under operating expenses in the accompanying financial statement. The Society received from the State of Ohio and Delaware County \$4,277 during the fiscal year ended November 30, 2017, for support of the Junior Fair Division activities. These amounts have been reported in the accompanying financial statement as State and Local grants under non-operating revenues.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE P - JUNIOR FAIR LIVESTOCK SALE COMMITTEE

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 statement does not include the activity of this Committee.

The financial activity for the Committee follows:

	Jr Fair Pig and Lamb Sale	Jr Fair Steer Sale
	2017	2017
Beginning cash balance	\$ 9,173	\$ 5,925
Receipts	5	3
Disbursements	(23)	(1,584)
Ending cash balance	\$ 9,155	\$ 4,344

	Jr Fair Auction Account
	2017
Beginning cash balance	\$ 18,510
Receipts	298,213
Disbursements	(290,872)
Ending cash balance	\$ 25,851

NOTE Q - 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.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

NOTES TO FINANCIAL STATEMENT (CONTINUED)

November 30, 2017

NOTE R - CAPITAL ASSETS

Capital assets consisted of the following at November 30, 2017:

	Balance November 30, 2016	Additions	Disposals	Balance November 30, 2017
Capital Assets - Not Depreciated:				
Construction in progress	\$ 25,200	\$ -	\$ 18,000	\$ 7,200
Capital Assets - Depreciated:				
Land improvements	994,745	-	-	994,745
Buildings	3,335,951	607,287	-	3,943,238
Machinery and equipment	577,478	33,000	-	610,478
Computer and office equipment	89,175	-	-	89,175
Vehicles	71,311	21,200	-	92,511
Total property and equipment	5,068,660	661,487	-	5,730,147
Less: accumulated depreciation	<u>(2,585,510)</u>	<u>(198,714)</u>	-	<u>(2,784,224)</u>
Net depreciable capital assets	<u>2,483,150</u>	<u>462,773</u>	-	<u>2,945,923</u>
 Total capital assets, net	 <u>\$ 2,508,350</u>	 <u>\$ 462,773</u>	 <u>\$ 18,000</u>	 <u>\$ 2,953,123</u>



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**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, (the Society) as of and for the years ended November 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Society's basic financial statements and have issued our report thereon dated August 30, 2019, 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 opinions 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

August 30, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
OCTOBER 15, 2019**