



**Auditor of State  
Betty Montgomery**



MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY

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**Auditor of State  
Betty Montgomery**

Mercer County Agricultural Society  
Mercer County  
PO Box 301  
Celina, OH 45822

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 16, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Mercer County Agricultural Society  
PO Box 301  
Celina, OH 45822

To the Board of Directors:

We have audited the accompanying financial statements of the Mercer County Agricultural Society (the Society) as of and for the fiscal years ended November 30, 2004 and 2003. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the fiscal year ended November 30, 2004. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the fiscal year ended November 30, 2004 (and 2003) do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2004, or its changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Society, as of November 30, 2004 and 2003, and its cash receipts and disbursements for the fiscal years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the fiscal year ended November 30, 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

December 16, 2005



**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2004**

	<b>2004</b>
<b>Operating Receipts</b>	
Admissions	\$164,068
Privilege Fees	24,556
Rentals	38,367
Sustaining and Entry Fees	38,585
Parimutuel Wagering Commission	3,860
Other Operating Receipts	39,798
Total Operating Receipts	309,234
<b>Operating Disbursements</b>	
Wages and Benefits	32,219
Utilities	27,323
Professional Services	104,706
Equipment and Grounds Maintenance	87,475
Race Purse	76,386
Senior Fair	28,128
Junior Fair	21,853
Other Operating Disbursements	63,396
Total Operating Disbursements	441,486
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(132,252)
<b>Non-Operating Receipts (Disbursements)</b>	
State Support	33,982
County Support	5,000
Donations/Contributions	82,555
Investment Income	809
Debt Service	(1,920)
Net Non-Operating Receipts (Disbursements)	120,426
(Deficiency) of Receipts (Under) Disbursements	(11,826)
Cash Balance, Beginning of Year	102,576
<b>Cash Balance, End of Year</b>	<b>\$90,750</b>

*The notes to the financial statement are an integral part of this statement.*

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2003**

	<b>2003</b>
<b>Operating Receipts</b>	
Admissions	\$163,997
Privilege Fees	35,538
Rentals	42,328
Sustaining and Entry Fees	36,590
Parimutuel Wagering Commission	2,359
Other Operating Receipts	15,565
Total Operating Receipts	296,377
<b>Operating Disbursements</b>	
Wages and Benefits	34,377
Utilities	27,958
Professional Services	97,352
Equipment and Grounds Maintenance	63,906
Race Purse	76,898
Senior Fair	27,813
Junior Fair	19,839
Other Operating Disbursements	51,411
Total Operating Disbursements	399,554
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(103,177)
<b>Non-Operating Receipts (Disbursements)</b>	
State Support	36,925
County Support	5,000
Donations/Contributions	63,364
Investment Income	1,370
Debt Service	(10,070)
Net Non-Operating Receipts (Disbursements)	96,589
(Deficiency) of Receipts (Under) Disbursements	(6,588)
Cash Balance, Beginning of Year	109,164
<b>Cash Balance, End of Year</b>	<b>\$102,576</b>

*The notes to the financial statement are an integral part of this statement.*

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Mercer County Agricultural Society (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1852 to operate an annual agricultural fair. The Society sponsors the week-long Mercer County Fair during August. During the fair, harness races are held. Mercer County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 18 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Mercer County and pay an annual membership fee to the Society.

**Reporting Entity**

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental. The reporting entity does not include any other activities or entities of Mercer County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

**B. Basis of Accounting**

This financial statement follows the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribe or permits.

**C. Cash and Investments**

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Property, Plant, and Equipment**

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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.

**F. Race Purse**

Stake races are held during the Mercer County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

**Sustaining and Entry Fees**

Horse owners and the Western Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

**Ohio Fairs Fund**

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

**G. 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, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the 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 statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**2. CASH AND INVESTMENTS**

The carrying amount of cash and investments at November 30, 2004 and 2003 follows:

	<b>2004</b>	<b>2003</b>	
Demand deposits	\$51,362	\$ 50,362	
Certificates of deposit	39,388	52,214	
Total deposits	\$90,750	\$102,576	

**Deposits:** The banks balances were insured by Federal Depository Insurance Corporation (FDIC).

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2004 AND 2003**

**3. HORSE RACING**

**A. State Support Portion of Purse**

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2004 and 2003 was \$21,848 and \$24,384 respectively, as State Support.

**B. Pari-mutuel Wagering**

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

Year	2004	2003
Total Amount to Bet (Handle)	\$ 38,438	\$ 33,225
Less: Payoff to Bettors	30,607	26,506
Parimutuel Wagering Commission	7,831	6,719
Tote Service Set Up Fee	(450)	(450)
Tote Service Commission	(3,521)	(3,003)
State Tax	(1,094)	(907)
Society Portion	\$ 2,766	\$ 2,359

**4. DEBT**

Debt outstanding at November 30, 2004 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
County Loan	\$61,600	3.10%

The Mercer County Commissioners loaned the Society \$173,300 on August 10, 2000, for repairs to the restrooms. The County then issued a general obligation note to finance the construction costs. The loan from the County shall be paid back as follows: interest at a rate based upon the annual interest rate charged to the County on the outstanding note balance plus fees to renew the note plus an amount to cover some of the principal. There is no set repayment schedule for the note principal.

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2004 AND 2003**

**5. RISK MANAGEMENT**

The Mercer County Commissioners provide general insurance coverage for all the buildings on the Mercer County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

**A. Risk Pool Membership**

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**B. Casualty Coverage**

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**C. Property Coverage**

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

**D. 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, 2004 and 2003:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

The Society's Treasurer is bonded with coverage of \$12,000.

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2004 AND 2003**

**6. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, and is responsible for the Junior Fair Division activities of the Mercer County Fair. The Society disbursed no funds during fiscal years 2004 and 2003 directly to the Junior Fair Board and \$21,853 and \$19,839 respectively for fiscal years 2004 and 2003 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Mercer County paid the Society no money to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2004 and 2003 follows:

	<b>2004</b>	<b>2003</b>
Beginning Cash Balance	\$1,143	\$1,752
Receipts	7,696	7,477
Disbursements	(6,909)	(8,086)
Ending Cash Balance	\$1,930	\$1,143

**7. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Mercer County's auction. Monies to cover the costs of the auction are generated through a percent commission by species per group of animals (pen) assessed on the auction price and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2004 and 2003 follows:

	<b>2004</b>	<b>2003</b>
Beginning Cash Balance	\$4,481	\$1,545
Receipts	142,488	131,400
Disbursements	(139,973)	(128,464)
Ending Cash Balance	\$6,996	\$4,481

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Mercer County Agricultural Society  
PO Box 301  
Celina, OH 45822

To the Board of Directors:

We have audited the financial statements of the Mercer County Agricultural Society (the Society) as of and for the fiscal years ended November 30, 2004 and 2003, and have issued our report thereon dated December 16, 2005, wherein we noted the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Society's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A Reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Society's management dated December 16, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Society's management dated December 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

December 16, 2005

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

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

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

**FINDING NUMBER 2004-001**

**Reportable Condition**

**System Reconciliations and Financial Statement Presentation**

Society personnel did not assure that the amounts reported on the annual financial reports were complete or accurate and that the ending balance agreed with the amounts reported on the systems balance sheet. As a result, several transaction types were not included on the financial statements and the ending balance did not reconcile with the systems balance sheet. Also, transfers in did not equal transfers out and petty cash transactions and some "other expenditures" were recorded as transfers and were not carried forward to the financial statements.

The absence of a process to assure that financial statements are complete and accurate and amounts agree with reports generated from the entity's system could lead to inaccurate reporting without detection in the normal course of business on a timely basis.

Society personnel should institute a process for completing annual financial reports which provides assurance that all amounts were properly posted, which can be done in part by reconciling the ending balance on the annual reports with the ending balance from the system. Also, personnel should reconcile transfers in and out and should review to make sure these transactions are properly recorded.

**MERCER COUNTY AGRICULTURAL SOCIETY  
MERCER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-001	Insufficient documentation to support gate admissions and payments were made from gate revenues.	No	Revised and repeated in management letter.
2002-002	Cash deposits and disbursements were conducted off the books of the entity.	Yes	
2002-003	General Ledger not on same basis of accounting, footing errors on financial statements, improper beginning balances recorded on financial statements, and activity not recorded on financial statements.	No	Revised and repeated as 2004-001



**Auditor of State  
Betty Montgomery**

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**AGRICULTURAL SOCIETY**

**MERCER 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  
APRIL 11, 2006**