



**Auditor of State  
Betty Montgomery**



**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter.....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2004 .....	5
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2003 .....	6
Notes to the Financial Statement .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15

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**Auditor of State  
Betty Montgomery**

Darke County Agricultural Society  
Darke County  
800 Sweitzer Street  
Greenville, Ohio 45331

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

August 11, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Darke County Agricultural Society  
Darke County  
800 Sweitzer Street  
Greenville, Ohio 45331

To the Board of Directors:

We have audited the accompanying financial statements of the Darke County Agricultural Society, Darke County, (the Society), as of and for the 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 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 year ended November 30, 2004 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 balances of the Darke County Agricultural Society, Darke County, as of November 30, 2004 and 2003, and its cash receipts and disbursements for the 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 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 August 11, 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

August 11, 2005

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE 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	\$712,281
Privilege Fees	304,899
Rentals	243,107
Sustaining and Entry Fees	90,760
Parimutuel Wagering Commission	30,063
Fees	17,601
Other Operating Receipts	29,699
 Total Operating Receipts	 1,428,410
<b>Operating Disbursements:</b>	
Wages and Benefits	216,592
Utilities	167,733
Professional Services	197,439
Equipment and Grounds Maintenance	260,621
Race Purse	165,052
Senior Fair	515,934
Junior Fair	38,579
Capital Outlay	96,804
Other Operating Disbursements	185,265
 Total Operating Disbursements	 1,844,019
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	  (415,609)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	33,982
County Support	4,970
Restricted Support	409,235
Unrestricted Support	4,847
Investment Income	1,464
Sale of Assets	8,083
 Net Non-Operating Receipts (Disbursements)	 462,581
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 46,972
 Cash Balance, Beginning of Year	 252,325
 <b>Cash Balance, End of Year</b>	 <b>\$299,297</b>

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

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE 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	\$713,452
Privilege Fees	308,829
Rentals	298,654
Sustaining and Entry Fees	62,308
Parimutuel Wagering Commission	35,545
Fees	16,639
Other Operating Receipts	28,658
 Total Operating Receipts	 1,464,085
<b>Operating Disbursements:</b>	
Wages and Benefits	198,582
Utilities	169,073
Professional Services	168,207
Equipment and Grounds Maintenance	241,327
Race Purse	149,192
Senior Fair	493,183
Junior Fair	34,899
Capital Outlay	44,807
Other Operating Disbursements	175,958
 Total Operating Disbursements	 1,675,228
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	  (211,143)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	36,925
County Support	2,800
Debt Proceeds	60,000
Restricted Support	402,270
Unrestricted Support	10,985
Investment Income	971
Sale of Assets	480
Debt Service	(81,000)
 Net Non-Operating Receipts (Disbursements)	 433,431
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 222,288
 Cash Balance, Beginning of Year	 30,047
 <b>Cash Balance, End of Year</b>	 <b>\$252,335</b>

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

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE 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 Darke County Agricultural Society, Darke County, (the Society) as a body corporate and politic. The Society is a independent agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded on November 24, 1852, to direct the operations of the annual agricultural fair. The Society sponsors the nine day-long Darke County Fair during August. During the fair, harness races are held, culminating in the running of the Speed Races. Darke County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 11 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Darke 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. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including horse shows and trade shows. The reporting entity does not include any other activities or entities of Darke County, Ohio. The Junior Livestock Sale Committee activity is included in the financial statements.

Note 5 summarizes the Junior Fair Board's financial activity for 2004 and 2003.

The Society's management believes these financial statements present all activities for which the Society is financially accountable.

**B. Basis of Accounting**

These financial statements follow 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.

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE COUNTY**

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

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

**E. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses. These include money for sponsorships and promotions. The receipts for the Junior Livestock Sale are also classified as restricted support.

**F. 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.

**G. Race Purse**

Stake races are held during the Darke 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 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.

**H. 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:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$295,699	\$248,745
Certificates of deposit	3,598	3,590
Total deposits	<u>\$299,297</u>	<u>\$252,335</u>

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE COUNTY**

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

**2. CASH AND INVESTMENTS (Continued)**

**Deposits:** The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder is covered by collateral pools maintained by the depository.

**3. HORSE RACING**

**State Support Portion of Purse**

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

**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.

	<b>2004</b>	<b>2003</b>
Total Amount Bet (Handle)	\$147,212	\$174,513
Less: Payoff to Bettors	(117,149)	(138,968)
Parimutuel Wagering Commission	30,063	35,545
Tote Service Set Up Fee	0	0
Tote Service Commission	(12,909)	(15,293)
State Tax	(4,245)	(4,959)
Society Portion	<u>\$12,909</u>	<u>\$15,293</u>

**4. RISK MANAGEMENT**

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Darke County Commissioners provide general insurance coverage for all the buildings on the Darke County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company, Cincinnati Insurance Company, provides general liability and vehicle insurance, with limits of \$1,000,000 and \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's general manager is bonded with coverage of \$1,000,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2005.

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE COUNTY**

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

**4. RISK MANAGEMENT (Continued)**

**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.

**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.

**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.

**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 (the latest information available):

<u><b>Casualty Coverage</b></u>	<u><b>2004</b></u>	<u><b>2003</b></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><b>Property Coverage</b></u>	<u><b>2004</b></u>	<u><b>2003</b></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>

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE COUNTY**

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

**5. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Darke County Fair. The Society disbursed \$38,579 for 2004 and \$34,899 for 2003 for the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$4,578 for 2004 and \$5,509 for 2003 by the state for its support of Junior Fair Board. 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:

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$156	\$98
Receipts	6,658	6,821
Disbursements	<u>(6,399)</u>	<u>(6,763)</u>
Ending Cash Balance	<u><u>\$415</u></u>	<u><u>\$156</u></u>

**6. DEBT**

During the fiscal year ended November 30, 2002, the Society obtained and received \$130,000 on a line of credit loan for operating funds. As of November 30, 2002, the Society had an \$80,000 outstanding payable balance on the line of credit. The line of credit was from Old National Bank at an interest rate of 3.95%. The line of credit was retired on May 23, 2003, and there was no outstanding debt as of November 30, 2003 and 2004.

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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***

Darke County Agricultural Society  
Darke County  
800 Sweitzer Street  
Greenville, Ohio 45331

To the Board of Directors:

We have audited the financial statements of the Darke County Agricultural Society, Darke County, (the Society), as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated August 11, 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

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 conditions described above are material weaknesses. In a separate letter to the Society's management dated August 11, 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 August 11, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Directors. 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

August 11, 2005

**DARKE COUNTY AGRICULTURAL SOCIETY  
DARKE COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Reportable Condition**

**Privilege Fees and Rental Contracts**

Our testing of the Privilege Fee and Rental revenues for 2004 and 2003 indicated that basic controls were either missing or not fully implemented during the period. The Society did not require each privilege fee and rental contract be signed by a member of the Board, Fair Secretary, and the Lessee/Vendor. The rental contracts were not pre-numbered to allow management to determine that all the forms were properly accounted for. The Society did not always charge lessees and vendors at the Board approved rate. The failure to implement these basic controls could result in the Society's inability to detect errors and irregularities during the normal course of business.

The Society should require that the signature of the Secretary and a member of the Board sign every contract to indicate approval. All contracts should be signed by the Lessee or Vendor to show agreement with the contract terms and rates. Every contract should be pre-numbered to allow the Society to account for all the forms printed. Each contract should clearly state all rates being charged and any deviation for the Board approved rates should be documented and explained on the contract form.

**FINDING NUMBER 2004-002**

**Reportable Condition**

**Cash Reconciliations**

The Society completes monthly bank reconciliations; however, we noted the following weaknesses. The monthly bank reconciliations were not always completed at the end of the month or fiscal year end date. For example, in 2004, the November bank reconciliation for the general checking account was completed on November 24 before month end. The failure to reconcile at the actual close of the month or year allowed the depository balance, outstanding check, or deposits in transit amounts to be misstated. There were also instances noted where reconciling items were shown on the reconciliations for which no support was maintained and could not be substantiated.

The Society should establish procedures to improve the monthly reconciliation process by providing for accurate reconciliations performed within the proper time frame. The Board should review the reconciliations monthly and investigate any unusual reconciling items. This review should be documented in the Board minutes and/or the reconciliation initialed and dated as proof it was performed.





**Auditor of State  
Betty Montgomery**

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**DARKE COUNTY AGRICULTURAL SOCIETY**

**DARKE 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  
SEPTEMBER 13, 2005**