



Dave Yost • Auditor of State

MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Years Ended November 30, 2010 and 2009	5
Notes to the Financial Statements	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 Prior Audit Finding	15

This page intentionally left blank.



Dave Yost • Auditor of State

Mercer County Agricultural Society
Mercer County
PO Box 301
Celina, Ohio 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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 1, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

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

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 GAAP presentation requirements. The Auditor of State permits, but does not require the Society to reformat the statements. The Society has elected not to follow GAAP statement formatting requirements. 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 years ended November 30, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Mercer County Agricultural Society, Mercer County, as of November 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 1, 2011, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Dave Yost
Auditor of State

June 1, 2011

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	2010	2009
Operating Receipts:		
Admissions	\$173,752	\$171,629
Privilege Fees	33,589	33,534
Rentals	94,009	100,130
Sustaining and Entry Fees	25,535	32,623
Parimutuel Wagering Commission	2,888	1,640
Other Operating Receipts	115,035	130,854
Total Operating Receipts	444,808	470,410
 Operating Disbursements:		
Wages and Benefits	82,679	80,493
Utilities	48,261	55,459
Professional Services	112,024	114,814
Equipment and Grounds Maintenance	46,130	152,104
Race Purse	52,900	60,379
Senior Fair	61,482	51,965
Junior Fair	20,785	19,858
Other Operating Disbursements	122,409	133,193
Total Operating Disbursements	546,670	668,265
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(101,862)	(197,855)
 Non-Operating Receipts (Disbursements):		
State Support	22,192	23,704
County Support	26,200	35,700
Debt Proceeds		90,854
Restricted Support	35,480	29,620
Unrestricted Support	61,312	46,472
Investment Income	67	181
Sale of Assets		179
Debt Service	(36,406)	(36,924)
Net Non-Operating Receipts (Disbursements)	108,845	189,786
 Excess (Deficiency) of Receipts Over (Under) Disbursements	6,983	(8,069)
 Cash Balance, Beginning of Year	65,880	73,949
 Cash Balance, End of Year	\$72,863	\$65,880

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

This page intentionally left blank.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

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, Mercer County, (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, and community events including Ribfest and Western Rodeo Days. 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

2. DEPOSITS AND INVESTMENTS

The Society maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was as follows:

	2010	2009
Demand deposits	\$72,863	\$65,880
Total deposits	\$72,863	\$65,880

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

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, 2010 and 2009 was \$22,192 and \$23,704 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.

	2010	2009
Total Amount Bet (Handle)	\$16,506	\$24,277
Less: Payoff to Bettors	13,168	19,289
Parimutuel Wagering Commission	3,338	4,988
Tote Service Set Up Fee	(450)	(450)
Tote Service Commission	(1,414)	(2,174)
State Tax	(450)	(724)
Society Portion	\$ 1,024	\$ 1,640

4. DEBT

Debt outstanding at November 30, 2010 was as follows:

	Principal	Interest Rate
County Loan - Restroom	\$ 31,520	3.10%
Citizens National Bank - Jr. Fair Building	100,385	6.50%
Total	\$131,905	

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

4. DEBT (Continued)

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.

The Society took out a commercial draw loan with Citizens National Bank on 10/7/08 for the junior fair building project. The maximum amount of the loan is \$155,000, but interest is only paid upon the amount drawn.

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.

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

Risk Pool Membership

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.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the 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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

5. RISK MANAGEMENT (Continued)

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	\$21,118,036	\$20,459,329

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Society's share of these unpaid claims collectible in future years is approximately \$23,156.

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	
2010	2009
\$13,645	\$16,618

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.

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, is responsible for the Junior Fair Division activities of the Mercer County Fair. The Society disbursed no funds directly to the Junior Fair Board and \$20,785 in 2010 and \$19,858 in 2009 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 year ended November 30, 2010 and 2009 follows:

	2010	2009
Beginning Cash Balance	\$ 207	\$ 773
Receipts	9,772	8,247
Disbursements	(9,193)	(8,813)
Ending Cash Balance	\$ 786	\$ 207

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

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 auction price. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Beginning Cash Balance	\$23,128	\$14,739
Receipts	240,254	217,423
Disbursements	<u>(243,914)</u>	<u>(209,034)</u>
Ending Cash Balance	<u><u>\$19,468</u></u>	<u><u>\$23,128</u></u>



Dave Yost • Auditor of State

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

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

To the Board of Directors:

We have audited the financial statements of the Mercer County Agricultural Society, Mercer County, (the Society) as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated June 1, 2011 wherein we noted the Society followed 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated June 1, 2011.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688
www.auditor.state.oh.us

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

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

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

Dave Yost
Auditor of State

June 1, 2011

MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY

SCHEDULE OF PRIOR AUDIT FINDING
NOVEMBER 30, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Systems Reconciliations and Financial Statement Presentation	Yes	Fully Corrected

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

MERCER COUNTY 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
JUNE 28, 2011**