



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Muskingum County Agricultural Society
Muskingum County
P. O. Box 2176
Zanesville, Ohio 43702-2176

To the Board of Directors:

We have audited the accompanying financial statement of Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the year ended November 30, 2001. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Muskingum County Agricultural Society, Muskingum County, as of November 30, 2001, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 19, 2002

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**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2001**

	2001
Operating Receipts:	
Admissions	\$370,541
Privilege Fees	51,423
Rentals	74,675
Sustaining and Entry Fees	31,441
Parimutuel Wagering Commission	4,116
Other Operating Receipts	38,190
Total Operating Receipts	570,386
Operating Disbursements:	
Wages and Benefits	102,459
Utilities	47,895
Professional Services	190,444
Equipment and Grounds Maintenance	76,786
Race Purse	67,097
Senior Fair	18,705
Junior Fair	15,700
Capital Outlay	290,079
Other Operating Disbursements	120,853
Total Operating Disbursements	930,018
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(359,632)
Non-Operating Receipts (Disbursements):	
State Support	120,483
County Support	53,300
Debt Proceeds	316,940
Donations/Contributions	7,346
Restricted Support	10,532
Debt Service	(158,534)
Net Non-Operating Receipts (Disbursements)	350,067
Excess (Deficiency) of Receipts Over (Under) Disbursements	(9,565)
Cash Balance, Beginning of Year	13,244
Cash Balance, End of Year	\$3,679

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

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**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Muskingum County Agricultural Society, Muskingum County, (the Society) is a body corporate and politic 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 1847 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Southeastern Ohio's Blue Ribbon Fair during August. Muskingum County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 12 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Muskingum 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 various community events. The reporting entity does not include any other activities or entities of Muskingum County, Ohio.

The financial activity of the Junior Livestock Sale Committee is summarized in Note 8.

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

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

D. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

F. Race Purse

Stake races are conducted during the Muskingum 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 Associations pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement race purse. See note 4 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 determined by the pari-mutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 4 for additional information.

2. CASH AND INVESTMENTS

The carrying amount of cash (demand deposits) at November 30, 2001 was \$3,679. The bank balance was covered by Federal Deposit Insurance Corporation (FDIC).

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000
(Continued)**

3. DEBT

Debt outstanding at November 30, 2001 was as follows:

	Principal	Interest Rate
Note Payable - Operating Expenses	\$20,000	8.000%
Note Payable - Secretary's Office	10,000	7.500%
Note Payable - Capital Improvements	357,744	8.875%
Total	\$387,744	

The \$20,000 promissory note is due to the Unizan Bank on March 15, 2002. The note was issued on October 10, 2001. Proceeds of the note were used for various operating expenses.

The \$10,000 promissory note is due to the Century National Bank on November 1, 2002. The note was issued on November 7, 2001. Proceeds of the note were used to retire an existing note whereas the original note proceeds were used for the construction of a new Secretary's Office.

The \$357,744 promissory note is dated October 5, 2000 and provides for a \$400,000 line of credit with Unizan Bank extended to the Society for various capital improvements. The note specifies a payment schedule of twenty annual principal and interest payments of \$41,040.50, with a final maturity of February, 2020. However, the payment schedule is dependent upon the total advances on the line of credit.

4. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2001 was \$30,800 and is included within the State Support on the accompany financial statement.

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 which is the Society's share of total pari-mutuel wages 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.

	2001
Total Amount Bet (Handle)	\$20,559
Payoff to Bettors	16,444
Pari-mutuel Wagering Commission	4,115
Tote Service Set Up Fee	400
Tote Service Commission	2,079
State Tax	517
Society Portion	\$1,119

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2001, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participants gross salaries through November 30, 2001.

6. RISK MANAGEMENT

The Muskingum County Commissioners provide general insurance coverage for all the buildings on the Muskingum County Fairgrounds pursuant to Ohio Revised Code Section 1711. 24. Property damage is covered on a replacement cost basis for a blanket amount of \$3,660,589 through CORSA (County Risk Sharing Authority).

The Society participates in the Public Entities Pool of Ohio (PEP) for additional property and liability coverage. Legal liability third party claims coverage is at \$500,000 per occurrence with \$0 deductible. Wrongful acts coverage is at \$500,000 per occurrence with a \$500 deductible. Property coverage is at \$41,800 with a \$250 deductible for building contents and certain equipment.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

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 insurance 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 occurrence. Claims exceeding \$250,000 are reinsured with APEEP 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-occurrence limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2001 AND 2000
(Continued)**

6. RISK MANAGEMENT (Continued)

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:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

7. SUBSEQUENT EVENTS

On February 5, 2002, the Society borrowed \$35,000 via a promissory note with Unizan Bank. A portion of the note proceeds were used to retire the \$20,000 promissory note which was due on March 15, 2002.

8. 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 Muskingum County's auction. Monies to cover the cost of the auction are generated through a 3% commission and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2001 follows:

Beginning Cash Balance	\$11,266
Receipts	12,184
Disbursements	<u>10,282</u>
Ending Cash Balance	<u>\$13,168</u>

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Muskingum County Agricultural Society
Muskingum County
P. O. Box 2176
Zanesville, Ohio 43702-2176

To the Board of Directors:

We have audited the financial statement of Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the year ended November 30, 2001, and have issued our report thereon dated June 19, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated June 19, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance 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 to be 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 judgement, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings as items 2001-61060-001 and 2001-61060-002.

Muskingum County Agricultural Society
Muskingum County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

A material weakness is a 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 in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-61060-001 and 2001-61060-002 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Society in a separate letter dated June 19, 2002.

This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

Jim Petro
Auditor of State

June 19, 2002

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2001**

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

FINDING NUMBER 2001-61060-001

Material Weakness

The Society financed a capital project through note proceeds and a grant from the State of Ohio. The financial transactions were processed through a separate bank account. However, the financial activity was neither recorded in the Society's receipts and disbursements ledgers nor reflected on the Society's annual financial report.

As a result, the cash receipts and disbursements as reported in the Society's annual financial report were understated by \$276,940. Adjustments with which the management of the Society agrees have been made to the accompanying financial statement.

We recommend the financial transactions pertaining to any future projects undertaken by the Society be included in the Society's ledgers.

FINDING NUMBER 2001-61060-002

Material Weakness

Various payments made for note principal retirement were incorrectly classified in the Society's disbursement ledger as mortgage payments or not recorded at all. In addition, certain note proceeds as a result of note rollovers were not recorded as receipts. The Society did not maintain a debt ledger to record pertinent information such as issue date, due date, interest rate, principal and interest payments, and amounts outstanding.

As a result, note principal payments and receipts were not accurately reported in the Society's annual financial report. Adjustments and reclassifications with which the management of the Society agrees have been made to the accompanying financial statement.

We recommend the Society establish and maintain a debt ledger to account for all debt activity. All debt issuance and retirement should be properly classified as cash receipts and disbursements in the Society's ledgers. A debt amortization schedule should also be maintained and provided to the Board of Directors to assist in managing the Society.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
N/A.	Debt activity was not properly accounted for.	No.	Not corrected. This is reported as a material weakness in this audit.



STATE OF OHIO
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MUSKINGUM COUNTY AGRICULTURAL SOCIETY

MUSKINGUM 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
JULY 5, 2002**