



Mary Taylor, CPA  
Auditor of State



MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY

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Mary Taylor, CPA  
Auditor of State

Muskingum County Agricultural Society  
Muskingum County  
P.O. Box 2176  
Zanesville, Ohio 43701

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 statement presents 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 11, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Muskingum County Agricultural Society  
Muskingum County  
P.O. Box 2176  
Zanesville, Ohio 43701

To the Board of Directors:

We have audited the accompanying financial statement of the Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the years ended November 30, 2009 and 2008. 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 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 this financial statement 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 statement 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 agricultural societies to reformat their 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 statement referred to above for the years ended November 30, 2009 and 2008 does 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, 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, 2009 and 2008, 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 October 11, 2010, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

October 11, 2010

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008**

	<b>2009</b>	<b>2008</b>
<b>Operating Receipts:</b>		
Admissions	\$437,836	\$478,054
Privilege Fees	85,640	83,749
Rentals	125,813	125,359
Sustaining and Entry Fees	16,860	24,440
Fees	27,721	24,600
Parimutuel Wagering Commission	928	1,492
Other Operating Receipts	11,890	11,379
Total Operating Receipts	706,688	749,073
<b>Operating Disbursements:</b>		
Wages and Benefits	141,610	144,950
Utilities	70,137	61,444
Professional Services	312,571	301,478
Equipment and Grounds Maintenance	138,137	136,014
Race Purse	36,711	45,784
Senior Fair	31,850	20,953
Junior Fair	87,103	20,060
Contest Expenses	12,776	11,746
Capital Outlay		11,871
Other Operating Disbursements	34,085	22,294
Total Operating Disbursements	864,980	776,594
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(158,292)	(27,521)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	23,704	26,148
County Support	48,300	51,600
Restricted Support	104,318	38,360
Debt Proceeds		629,000
Donations/Contributions	67,143	30,493
Investment Income	29	284
Debt Service	(87,412)	(705,480)
Net Non-Operating Receipts (Disbursements)	156,082	70,405
Excess (Deficiency) of Receipts Over (Under) Disbursements	(2,210)	42,884
Cash Balance, Beginning of Year	75,354	32,470
<b>Cash Balance, End of Year</b>	<b>\$73,144</b>	<b>\$75,354</b>

*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, 2009 AND 2008**

**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 Muskingum County Agricultural Society, Muskingum 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 1847 to operate an annual agricultural fair. The Society sponsors the week-long Muskingum County Blue Ribbon Fair during August. Muskingum County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twelve directors serving staggered three-year terms. Society members elect Board members from its membership. 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 and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Muskingum 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**

This financial statement follows 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.

The statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Property, Plant, and Equipment**

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

**D. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**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

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2009 AND 2008  
(Continued)**

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

**E. Income Tax Status (Continued)**

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 Muskingum County Blue Ribbon 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 Southern Valley Colt Circuit 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. DEPOSITS AND INVESTMENTS**

The carrying amount of cash (demand deposits) at November 30, 2009 and 2008 was \$73,144 and \$75,354, respectively.

Deposits are insured by the Federal Deposit Insurance Corporation.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2009 AND 2008  
(Continued)**

**3. HORSE RACING**

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2009 and 2008 was \$12,144 and \$13,848, 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.

	2009	2008
Total Amount Bet (Handle)	\$ 12,857	\$ 18,293
Less: Payoff to Bettors	(10,248)	(14,610)
Parimutuel Wagering Commission	2,609	3,683
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(1,073)	(1,741)
State Tax	(358)	(404)
Admissions	(8)	(16)
Society Portion	\$ 570	\$ 922

**4. DEBT AND CONTRACTUAL AGREEMENT**

Debt outstanding at November 30, 2009 was as follows:

	Principal	Interest Rate
Veteran's Building Note (Refinanced)	\$614,000	Variable
Total	\$614,000	

On July 15, 2005 the Society obtained a \$700,000 note from North Valley Bank for completion of the Veteran's Complex. The note had a maturity date of November 1, 2010 and carried an interest rate consisting of the prime rate plus a margin of -0.5 percentage points. The initial rate of this loan was 5.75%. Repayment of the principal of this note consisted of four annual payments of \$35,000 beginning on November 1, 2006 and one principal and interest payment of \$562,773 at maturity. Interest was to be repaid on this note on a quarterly basis. During fiscal years 2005 and 2006, the Society expended the total proceeds of this note. The note was collateralized by the grounds of the Society.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2009 AND 2008  
(Continued)**

**4. DEBT AND CONTRACTUAL AGREEMENT (Continued)**

On September 8, 2008 the Society refinanced the Veteran's Building Note for \$629,000 with the Community Bank. The North Valley Bank note was paid-off in the amount of \$636,947. The refinanced note matures September 8, 2050 and has an initial rate of 5.65%. Repayment of the principal of this note consists of forty-one annual principal payments of \$15,000 beginning September 8, 2009 and one payment of \$14,202 on September 8, 2050. Interest will be repaid on this note on a quarterly basis. This note contains a variable interest rate, and therefore, the amount of future interest payments is unknown. Interest is not included within the schedule below for this note due to this not containing a variable interest rate and therefore the amount of future interest payments is unknown. This note is collateralized by the grounds of the Society.

Muskingum County issued fairground improvement bonds on July 1, 2002 for the purpose of making fairground capital improvements and repaying outstanding capital improvement notes of the Society. The bonds were issued in the amount of \$470,000 and over a period of 20 years with a final maturity of December 1, 2022. The net amount of bond proceeds to be received by the Society was \$464,275. As of November 30, 2009 the bond proceeds received by the Society total \$448,230, with \$16,045 still held by Muskingum County for future distribution to the Society. The bonds are backed by the full faith and credit of Muskingum County.

An agreement between the County and the Society, dated July 1, 2002, required the Society to make semiannual payments to the County equal to the County's debt service requirements of the bonds. On June 1, 2003, this agreement was amended to allow the Society to make equal monthly payments to the County over the life of the bonds. Payments to Muskingum County for the fiscal years ended November 30, 2009 and 2008 totaled \$36,380 and \$36,380, respectively.

Amortization of the above debt excluding quarterly interest payments related to the Veteran's Building Note and including Muskingum County's Fairground Improvement Bonds, which is included for informational purposes only, is scheduled as follows:

Year ending November 30:	Veteran's Building Note	County Contractual Agreement	Total
2010	\$15,000	\$36,165	\$51,165
2011	15,000	35,405	50,405
2012	15,000	34,625	49,625
2013	15,000	38,825	53,825
2014	15,000	37,575	52,575
2015-2019	75,000	180,350	255,350
2020-2024	75,000	110,045	185,045
2025-2029	75,000		75,000
2030-2034	75,000		75,000
2035-2039	75,000		75,000
2040-2044	75,000		75,000
2045-2049	75,000		75,000
2050	14,202		14,202
Total	<u>\$614,202</u>	<u>\$472,990</u>	<u>\$1,087,192</u>

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2009 AND 2008  
(Continued)**

**5. RISK MANAGEMENT**

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:

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

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 \$13,000.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2009 AND 2008  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

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.

<b><u>Contributions to PEP</u></b>	
<b><u>2009</u></b>	<b><u>2008</u></b>
\$13,777	\$13,963

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 Muskingum County Blue Ribbon Fair. During 2009, the Society disbursed \$24,400 directly to the Junior Fair Board and \$578 directly to vendors to support Junior Fair activities. During 2008, the Society disbursed \$19,400 directly to the Junior Fair Board and \$660 directly to vendors to support Junior Fair activities. On August 13, 2009, the Society took charge of the small animal livestock sale disbursing \$62,125 related to this sale. These expenses are reflected as "Junior Fair" expenses in the accompanying financial statement. Muskingum County paid the Society \$500 and \$1,000 to support the Junior Fair in 2009 and 2008, respectively. The Society was reimbursed \$4,635 during fiscal year 2009 and \$5,141 during fiscal year 2008 by the State of Ohio for its support of the Junior Fair. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2009 and 2008 follows:

	2009	2008
Beginning Cash Balance	\$ 3,302	\$ 6,462
Receipts	24,032	19,010
Disbursements	(24,225)	(22,170)
Ending Cash Balance	\$ 3,109	\$ 3,302

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2009 AND 2008  
(Continued)**

**7. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction and the Junior Livestock Small Animal Auction. The auctions are held during fair week. Children may sell their animals directly to market or through the Muskingum County's auction. A commission of 3 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities for the Junior Livestock Auction. The Junior Livestock Committee's financial activity for the Junior Livestock Auction for the years ended November 31, 2009 and 2008 follows:

	2009	2008
Beginning Cash Balance	\$ 33,724	\$ 29,334
Receipts	13,495	16,534
Disbursements	(13,397)	(12,144)
Ending Cash Balance	\$ 33,822	\$ 33,724

Effective August 13, 2009 the Society opened a checking account and the Senior Fairboard took charge of running the Junior Livestock Small Animal Auction. The accompanying financial statement does not include the Junior Livestock Committee's activities for the Junior Livestock Small Animal Auction for the year ended November 31, 2008 or for the period December 1, 2008 through August 12, 2009. The activities for the Junior Livestock Small Animal Auction for the period August 13, 2009 through November 31, 2009 are accounted for with the Society's activity on the accompanying financial statement. The Junior Livestock Committee's financial activity for the Junior Livestock Small Animal Auction for the year ended November 31, 2009 and for December 1, 2008 through August 12, 2009 follows:

	2009	2008
Beginning Cash Balance	\$ 19,803	\$ 16,274
Receipts	0	70,590
Disbursements	(19,803)	(67,061)
Ending Cash Balance	\$ -	\$ 19,803

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# Mary Taylor, CPA

Auditor of State

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

Muskingum County Agricultural Society  
Muskingum County  
P.O. Box 2176  
Zanesville, Ohio 43701

To the Board of Directors:

We have audited the financial statement of the Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the years ended November 30, 2009 and 2008, and have issued our report thereon dated October 11, 2010, wherein we noted the Society prepared its financial statement using accounting practices the Auditor of State prescribes or permits 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 statement, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying Schedule of Findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Society's financial statement is 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 October 11, 2010.

The Society's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

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

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

**Mary Taylor, CPA**  
Auditor of State

October 11, 2010

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2009 AND 2008**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2009-001**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

All transactions made by or on behalf of the Society should be recorded in the accounting system and reported in the annual report. During 2005, the Society issued notes to finance the construction of the Veteran's Building. During 2008, the notes were refinanced in the amount of \$629,000, and the original loan was paid-off in the amount of \$636,947. Only a portion of the loan pay-off, \$7,947, was recorded by the Society. The loan proceeds of the refinanced notes and related disbursements were not recorded by the Society.

As a result, the cash receipts and disbursements, as reported in the Society's fiscal year 2008 annual financial report, were understated by \$629,000. Adjustments, with which management of the Society has agreed, have been made to the accompanying financial statement.

We recommend the financial transactions pertaining to any future projects undertaken by the Society be included within the Society's accounting records and reported in the Society's annual financial report.

**Officials' Response:** Society management will report any transactions involving the transfer and or payment of debt in the future.

**FINDING NUMBER 2009-002**

**Material Weakness**

The Society is associated with several livestock sales, including the Junior Fair livestock auction and small animal livestock auction. As a result, the Society is viewed as a responsible party in the auction's activity and, therefore, expected to oversee all fair activities. The Junior Livestock Committee, a separate committee, was charged with running the Junior livestock auction for fiscal years 2008 and 2009 and the small animal livestock auction for fiscal year 2008 and for the period December 1, 2008 through August 12, 2009.

Beginning August 13, 2009 the Muskingum County Senior Fairboard, under the Muskingum County Agricultural Society, took charge of the small animal livestock auction and opened a checking account in the Society's name to account for the activity. However, the cash receipts and disbursements activity of the small animal livestock auction for the period August 13 through November 30, 2009 was not recorded on the Society's accounting system or reported on its annual report. As a result, the cash receipts, disbursements, and fund balance as reported in the Society's fiscal year 2009 annual financial report were understated by \$94,402, \$77,847, and \$16,555, respectively. Adjustments, with which management of the Society has agreed, have been made to the accompanying financial statement.

MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
NOVEMBER 30, 2009 AND 2008  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2009-002  
(Continued)

**Material Weakness (Continued)**

We recommend the financial transactions pertaining to any future activity of the small animal livestock auction be included within the Society's accounting records and reported in the Society's annual financial report. In addition, monthly bank to book reconciliations should be performed for the small animal livestock account. We also recommend the Board obtain the records maintained and monthly bank statements for the small animal livestock account on a monthly basis in order to perform a review. The Board's review of this activity should be noted in the Board's minutes.

The Society's role in the Junior Fair livestock auction varies but should, at a minimum, include inquiry and observation about the auction. The *Uniform System of Accounting for Agricultural Societies* states, "The board of directors shall regularly inquire about junior fair livestock sale cash balances and financial activity with the sale committee. Junior fair livestock sale expenses paid by the agricultural society shall be accounted for in a way that facilitates their identification. At year end, the board of directors shall acquire the monthly bank statements of all accounts held in the name of the junior fair livestock sale."

We recommend the Board of Directors make regular inquiries concerning the Junior Fair livestock auction activity and obtain books and monthly bank statements of all accounts at year end in order to perform a review. The Board's review of this activity should be noted in the Board's minutes.

**Officials' Response:** Society management began recording all activity for the Small Animal Livestock Sale account in the financial records for fiscal year 2010 commencing December 1, 2009. All activity for the Small Animal Livestock Sale account will continue to be recorded in the society's records as long as the account remains in the name of the society.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2009 AND 2008**

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>
2007-001	Material weakness in regards to recording financial activity for notes issued and disbursement of note proceeds on the Society's records and annual financial report.	No	Not corrected; this was reissued as Finding Number 2009-001.
2007-002	Material weakness in regards to the lack of a reconciliation of receipts to applicable deposits.	No	Partially corrected; this is included as a Management Letter recommendation.

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**Mary Taylor, CPA**  
Auditor of State

**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  
NOVEMBER 18, 2010**