



**Auditor of State  
Betty Montgomery**



MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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 statements of the Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002. 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 *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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statements 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 statements referred to above present fairly, in all material respects, the cash balances of the Muskingum County Agricultural Society, Muskingum County, as of November 30, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 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 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, the audit committee 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 2, 2005

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

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

<b>Operating Receipts:</b>	
Admissions	\$392,498
Privilege Fees	69,241
Rentals	89,266
Sustaining and Entry Fees	27,980
Parimutuel Wagering Commission	1,054
Membership Fees	17,064
Other Operating Receipts	<u>20,739</u>
 Total Operating Receipts	 <u>617,842</u>
<b>Operating Disbursements:</b>	
Wages and Benefits	100,155
Utilities	42,022
Professional Services	266,609
Equipment and Grounds Maintenance	149,246
Race Purse	63,885
Senior Fair	32,492
Junior Fair	14,790
Capital Outlay	6,110
Other Operating Disbursements	<u>17,514</u>
 Total Operating Disbursements	 <u>692,823</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 <u>(74,981)</u>
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	36,925
County Support	28,300
Restricted Support	19,745
Donations/Contributions	29,890
Debt Service	<u>(41,833)</u>
 Net Non-Operating Receipts (Disbursements)	 <u>73,027</u>
Excess (Deficiency) of Receipts Over/(Under) Disbursements	(1,954)
Cash Balance, Beginning of Year	<u>48,080</u>
 <b>Cash Balance, End of Year</b>	 <b><u><u>\$46,126</u></u></b>

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

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2002**

<b>Operating Receipts:</b>	
Admissions	\$365,627
Privilege Fees	67,696
Rentals	79,453
Sustaining and Entry Fees	28,520
Parimutuel Wagering Commission	1,389
Membership Fees	17,430
Other Operating Receipts	<u>24,040</u>
 Total Operating Receipts	 <u>584,155</u>
<b>Operating Disbursements:</b>	
Wages and Benefits	86,041
Utilities	43,746
Professional Services	179,345
Equipment and Grounds Maintenance	149,147
Race Purse	59,987
Senior Fair	30,044
Junior Fair	18,600
Capital Outlay	19,382
Other Operating Disbursements	<u>14,110</u>
 Total Operating Disbursements	 <u>600,402</u>
Excess (Deficiency) of Operating Receipts Over/(Under) Operating Disbursements	 <u>(16,247)</u>
<b>Non-Operating Receipts/(Disbursements):</b>	
State Support	38,627
County Support	53,300
Debt Proceeds	444,895
Restricted Support	9,420
Donations/Contributions	9,772
Debt Service	<u>(495,367)</u>
 Net Non-Operating Receipts/(Disbursements)	 <u>60,647</u>
Excess (Deficiency) of Receipts Ove/(Under) Disbursements	44,400
Cash Balance, Beginning of Year	<u>3,680</u>
<b>Cash Balance, End of Year</b>	<b><u><u>\$48,080</u></u></b>

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

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2003 AND 2002**

**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 Muskingum County 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 twelve 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 and harness racing during fair week as well as 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.

The financial activity of the Junior Fair Board is summarized in Note 7. 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**

These financial statements follow 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.

These statements include 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 statements.

**D. 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.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2003 AND 2002  
(Continued)**

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

**E. Race Purse**

Stake races are conducted 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. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statements 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 the race purse. See Note 3 for additional information.

**F. 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 statements as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**2. CASH**

The carrying amount of cash (demand deposits) at November 30, 2003 was \$46,126 and at November 30, 2002 was \$48,080. The bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

**3. HORSE RACING**

*State Support Portion of Purse*

Ohio Fairs Fund monies received to supplement purse for the years ended November 30, 2003 and 2002 were \$24,384 and \$25,488, respectively, and are included within State Support on the accompanying financial statements.

*Pari-mutuel Wagering*

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statements, rather, it records the Parimutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2003 AND 2002  
(Continued)**

**3. HORSE RACING (Continued)**

The expenses of providing the parimutuel 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.

	2003	2002
Total Amount Bet (Handle)	\$ 19,464	\$ 24,831
Less: Payoff to Bettors	(15,495)	(19,826)
Pari-mutuel Wagering Commission	3,969	5,005
Tote Service Set Up Fee	(400)	(400)
Tote Service Commission	(1,958)	(2,603)
State Tax	(557)	(613)
Society Portion	\$ 1,054	\$ 1,389

**4. DEBT**

Debt outstanding at November 30, 2003 was as follows:

	Principal	Interest Rate
Tractor Note	\$15,484	2.90%
Total	\$15,484	

The Tractor Note bears an interest rate of 2.9% and is due to the New Holland Credit Company. The note was entered into on October 11, 2001 and matures October 11, 2006. Proceeds of the note (\$25,093) were used to purchase a tractor and loader and are collateralized by the tractor and loader.

On February 5, 2002, the Society issued a promissory note in the amount of \$35,000 for the purpose of refinancing existing debt and making interest payments. This note, along with other existing Society debt, was paid during 2002 from the proceeds of the Muskingum County Fairground Improvement Bonds.

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 is \$464,275. As of November 30, 2003, the bond proceeds received by the Society total \$409,895, with \$54,380 still held by Muskingum County for future distribution to the Society. The bonds are backed by the full faith and credit of Muskingum County. The County also holds \$1,687 received from the Society for future debt service requirements of the bonds.

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

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2003 AND 2002  
(Continued)**

**4. DEBT (Continued)**

County over the life of the bonds. Payments to Muskingum County for the fiscal year ended November 30, 2003, totaled \$36,369.

Amortization of the above debt, including Muskingum County's Fairground Improvement Bonds which is included for informational purposes only, is scheduled as follows. These amounts include scheduled interest payments:

Year Ending November 30:	Tractor Note	Fairground Improvement Bonds	Total
2004	\$5,464	\$34,420	\$39,884
2005	5,464	34,120	39,584
2006	5,464	38,745	44,209
2007		38,185	38,185
2008		37,585	37,585
2009-2013		181,905	181,905
2014-2018		181,525	181,525
2019-2022		146,445	146,445
Total	\$16,392	\$692,930	\$709,322

**5. SOCIAL SECURITY**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2002, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2003.

**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 § 1711. 24.

**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.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2003 AND 2002  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, 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. 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 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:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**7. 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 County Fair. During 2003, the Society disbursed \$14,000 directly to the Junior Fair Board and \$790 directly to vendors to support Junior Fair activities. During 2002, the Society disbursed \$18,000 directly to the Junior Fair Board and \$600 directly to vendors to support Junior Fair activities. These expenses are reflected as "Junior Fair" expenses in the accompanying financial statements. The Society was reimbursed \$500 during 2003 and 2002 by Muskingum County for its support of Junior Club work. The Society was reimbursed \$4,641 during 2003 and \$4,209 during 2002 by the State of Ohio for its support of the Junior Fair.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2003 AND 2002  
(Continued)**

**7. JUNIOR FAIR BOARD (Continued)**

All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statements do not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the years ended November 30, 2003 and 2002 follows:

	2002	2003
Beginning Cash Balance	\$ 2,428	\$ 4,886
Receipts	18,132	14,245
Disbursements	(15,674)	(16,536)
Ending Cash Balance	\$ 4,886	\$ 2,595

**8. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Sale 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 statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the years ended November 30, 2003 and 2002 follows:

	2002	2003
Beginning Cash Balance	\$ 13,170	\$ 15,239
Receipts	12,923	13,600
Disbursements	(10,854)	(10,641)
Ending Cash Balance	\$ 15,239	\$ 18,198



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT 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 accompanying financial statements of the Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002, and have issued our report thereon dated February 2, 2005. 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 statements are 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*.

#### **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 statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Society's management in a separate letter dated February 2, 2005.

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

This report is intended solely for the information and use of management, the audit committee 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 2, 2005

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2003 AND 2002**

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>
2001-61060-001	Material Weakness- Financial activity from a capital project was omitted from the annual report.	Yes	Corrected
2001-61060-002	Material Weakness- The Society did not maintain a debt ledger to track debt activity and pertinent information.	No	Partially Corrected – now included as a management letter item.





**Auditor of State  
Betty Montgomery**

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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  
MARCH 22, 2005**