

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY
Regular Audit
For the Years Ended November 30, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Muskingum County Agricultural Society, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period December 1, 2011 through November 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Muskingum County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 16, 2014

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MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY

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Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

May 19, 2014

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

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement and related notes of the **Muskingum County Agricultural Society**, Muskingum County, (the Society) as of and for the years ended November 30, 2013 and 2012.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statement, the Society prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the cash balances of the Muskingum County Agricultural Society, Muskingum County as of November 30, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012**

	2013	2012
Operating Receipts:		
Admissions	\$ 511,348	\$ 450,197
Privilege Fees	86,258	85,465
Rentals	147,653	152,551
Sustaining and Entry Fees	10,730	8,825
Fees	34,963	29,982
Pari-mutuel Wagering Commission	827	488
Other Operating Receipts	14,586	11,709
Total Operating Receipts	806,365	739,217
Operating Disbursements:		
Wages and Benefits	125,108	117,048
Utilities	78,182	73,731
Professional Services	343,228	328,529
Equipment and Grounds Maintenance	126,107	124,335
Race Purse	42,542	22,834
Senior Fair	29,111	29,297
Junior Fair	112,763	105,263
Contest Expenses	13,876	13,346
Capital Outlay	46,561	31,201
Other Operating Disbursements	18,415	23,966
Total Operating Disbursements	935,893	869,550
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(129,528)	(130,333)
Non-Operating Receipts (Disbursements):		
State Support	32,474	18,729
County Support	3,300	23,300
Restricted Support	209,299	119,083
Debt Proceeds	10,224	-
Donations/Contributions	31,683	38,864
Investment Income	22	7
Other Non-Operating Receipts	2,000	46,499
Debt Service	(83,644)	(88,021)
Net Non-Operating Receipts (Disbursements)	205,358	158,461
Excess (Deficiency) of Receipts Over (Under) Disbursements	75,830	28,128
Cash Balance, Beginning of Year	66,755	38,627
Cash Balance, End of Year	\$ 142,585	\$ 66,755

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

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2013 AND 2012**

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 including horse shows and trade shows. 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.

This statement includes 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.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

H. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2013 AND 2012
(Continued)**

2. DEPOSITS

The Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30, 2013 and 2012 was as follows:

	2013	2012
Demand Deposits	\$ 142,585	\$ 66,755
Total Deposits	\$ 142,585	\$ 66,755

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. HORSE RACING

State Support Portion of Purse

This financial statement reports Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2013 and 2012 was \$18,432 and \$8,064, 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.

	2013	2012
Total Amount Bet (Handle)	\$ 11,842	\$ 7,729
Less: Payoff to Bettors	(9,425)	(6,133)
Parimutuel Wagering Commission	2,417	1,596
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(989)	(509)
State Tax	(340)	(237)
Society Portion	\$ 488	\$ 250

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2013 AND 2012
(Continued)**

4. DEBT AND CONTRACTUAL AGREEMENT

Debt outstanding at November 30, 2013 was as follows:

	Principal	Interest Rate
Veteran's Building Note	\$ 553,889	Variable
New Holland Tractor	10,224	1.00%
Total	\$ 564,113	

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.

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 note 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, 2011 the bond proceeds received by the Society total \$448,230. During fiscal year 2011, the Muskingum County Commissioners passed a resolution to transfer the remaining bond proceeds of \$16,045 from the County Ag Society Fund 079 to the County Ag Society Debt Fund 119, closing out Fund 079 and leaving \$0 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. Muskingum County refinanced the bonds on July 10, 2012 in the amount of \$280,000. The Muskingum County Agricultural Society is continuing to pay Muskingum County the same equal payments over the remaining life of the bonds until the bonds are paid in full.

On July 10, 2013 the Society obtained a \$10,224 note from CNH Capital for the purchase of a New Holland Tractor. The note has a maturity date of October 2018 and carries an interest rate of 1%. Repayment of the principal and interest of this note consists of 5 annual payments of \$2,112.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2013 AND 2012
(Continued)**

4. DEBT AND CONTRACTUAL AGREEMENT (Continued)

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

Year ending November 30:	County			Total
	Veteran's Building Note	Contractual Agreement	New Holland Tractor	
2014	\$ 15,000	31,250	\$ 2,112	\$ 48,362
2015	15,000	30,250	2,112	47,362
2016	15,000	30,250	2,112	47,362
2017	15,000	24,750	2,112	41,862
2018	15,000	34,350	2,112	51,462
2019-2023	75,000	134,450	-	209,450
2024-2028	75,000	-	-	75,000
2029-2033	75,000	-	-	75,000
2034-2038	75,000	-	-	75,000
2039-2044	75,000	-	-	75,000
2045-2049	75,000	-	-	75,000
2050	28,889	-	-	28,889
Total	<u>\$ 553,889</u>	<u>\$ 285,300</u>	<u>\$ 10,560</u>	<u>\$ 849,749</u>

5. 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.

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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, 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.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2013 AND 2012
(Continued)**

5. 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2012</u>
\$16,600	\$16,325

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.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2013 AND 2012
(Continued)**

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 2013, the Society disbursed \$25,400 directly to the Junior Fair Board and \$1,364 directly to vendors to support Junior Fair activities. During 2012, the Society disbursed \$21,000 directly to the Junior Fair Board and \$1,526 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Muskingum County paid the Society \$500 to support the Junior Fair in both 2013 and 2012. The Society was reimbursed \$4,241 and \$4,243 during 2013 and 2012, respectively, by the State of Ohio for its support of the Junior Fair. The Junior Fair Board accounts for its activities separately. This accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2013 and 2012 follows:

	2013	2012
Beginning Cash Balance	\$ 2,053	\$ 4,055
Receipts	25,000	21,118
Disbursements	(25,054)	(23,120)
Ending Cash Balance	\$ 1,999	\$ 2,053

7. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Large Animal and Junior Livestock Small Animal Committees are separate committees charged with running the Junior Livestock Large Animal Auction and the Junior Livestock Small Animal Auction. The auctions are held during fair week. Children may sell their animals to the Muskingum Livestock Auction Company or directly to a private buyer. All sales are handled by the auction company. A commission of 3 percent on Junior Livestock large animal auction sales and 7 percent on Junior Livestock small animal auction sales covers auction costs. The auction company pays the commission to each Junior Livestock Committee based on total sales, and the remaining money collected is paid out to the children by the auction company. The accompanying financial statement does not include the Junior Livestock Large Animal Committee's activities for the Junior Livestock Large Animal Auction. The Committee's financial activity for the Junior Livestock Large Animal Auction for the years ended November 30, 2013 and 2012 follows:

	2013	2012
Beginning Cash Balance	\$ 60,524	\$ 38,533
Receipts	22,626	41,261
Disbursements	(17,907)	(19,270)
Ending Cash Balance	\$ 65,243	\$ 60,524

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 activities of the Junior Livestock Small Animal Auction for the years ended November 30, 2013 and 2012 are accounted for with the Society's activity on the accompanying financial statement.

The prior audit report did not properly disclose all banking activity of the Junior Livestock Large Animal Committee. One bank account was not presented and the bank balance as of November 30, 2011 was \$12,119.

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

May 19, 2014

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United State and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the **Muskingum County Agricultural Society**, Muskingum County, (the Society) as of and for the years ended November 30, 2013 and 2012, and the related notes to the financial statement and have issued our report thereon dated May 19, 2014, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Government's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying schedule of audit findings to be a material weakness.

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, opining 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 that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated May 19, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness

Posting Receipts and Disbursements

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. 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.

During 2013 and 2012, the Society utilized the Muskingum Livestock Auction Company to collect monies from the buyers and to make the payout to the sellers for the small animal livestock auction held during fair week. This on-behalf-of activity was neither deposited into nor paid out of the Society's checking account and, therefore, the activity was not recorded by the Society on its accounting system in 2013 or 2012. As a result, the cash receipts and disbursements as reported in the Society's fiscal year 2013 and 2012 annual financial reports were understated by \$85,999 and \$82,737, respectively. 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 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, the Society should continue to perform monthly bank to book reconciliations for the small animal livestock account. We recommend the Board review the monthly bank statements and reconciliations for the small animal livestock account, and the Board's review of this activity should be noted in the Board's minutes along with a related discussion.

Officials' Response – Officials did not provide a response to this finding.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Not recording on-behalf activity of the Junior Fair small animal livestock auction.	No	Repeated as Finding 2013-001: Posting Receipts and Disbursements



Dave Yost • 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
JUNE 26, 2014**