

Muskingum County Agricultural Society
Regular Audit
For the Years Ended November 30, 2019 and 2018



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OHIO AUDITOR OF STATE
KEITH FABER



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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 Millhuff-Stang, CPA, Inc., for the audit period December 1, 2017 through November 90, 2019. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 9, 2020

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Muskingum County Agricultural Society
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For the Years Ended November 30, 2019 and 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements, and related notes of the Muskingum County Agricultural Society, Muskingum County, (the Society) as of and for the years ended November 30, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions 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 these financial statements 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 such 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 opinions.

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

As described in Note 2 of the financial statements, the Society prepared these financial statements 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 statements 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, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Muskingum County Agricultural Society, Muskingum County, as of November 30, 2019 and 2018, and 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 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent events of the Society. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2020, 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 the effectiveness of 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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

August 24, 2020

Muskingum County Agricultural Society
Statement of Receipts, Disbursements, and
Changes in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2019

Operating Receipts:	
Taxes	\$ 245
Admissions	298,307
Privilege Fees	122,621
Rentals	191,342
Sustaining and Entry Fees	16,875
Pari-Mutuel Wagering Commission	244
Other Operating Receipts	<u>99,887</u>
Total Operating Receipts	729,521
Operating Disbursements:	
Wages and Benefits	118,765
Utilities	92,463
Professional Services	213,835
Equipment and Grounds Maintenance	59,058
Property and Rent Services	76,546
Race Purse	80,121
Senior Fair	20,773
Junior Fair	94,374
Capital Outlay	23,751
Other Operating Disbursements	<u>53,724</u>
Total Operating Disbursements	<u>833,410</u>
Excess of Operating Receipts	
Under Operating Disbursements	(103,889)
Non-Operating Receipts (Disbursements)	
State Support	14,101
Local Support	3,300
Donations/Contributions	195,071
Investment Income	3
Debt Service	<u>(68,271)</u>
Net Non-Operating Receipts (Disbursements)	<u>144,204</u>
Excess of Receipts Over Disbursements	40,315
Fund Balance, Beginning of Year	<u>47,408</u>
Fund Balance, End of Year	<u><u>\$87,723</u></u>

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

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

Note 1 – Reporting Entity

The Muskingum County Agricultural Society (the Society), Muskingum County, is a body politic and corporate 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 1846 to operate an annual agricultural fair. The Society sponsors the week – long Muskingum County Fair during August. During the fair, harness races are held, culminating in the running of the Muskingum County Fair Harness Racing Program. Muskingum County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 12 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.

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 trade shows and horse shows. The reporting entity does not include any other activities or entities of Muskingum County, Ohio.

Notes 9 and 10, 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

This financial statement follows 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

Capital Assets

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

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

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.

Race Purse

The Muskingum County Fair Harness Racing stake races are held during the Muskingum County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund and Video Lottery Terminal (VLT) funds as Race Purses to winning horse owners via the Fast Fair Chex organization.

Sustaining and Entry Fees Horse owners and The Southern Valley Colt Stakes 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 reports 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 4 for additional information.

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 4 for additional information.

Note 3 – Deposits

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

	2019
Demand deposits	\$ 77,817
Other time deposits (savings and now accounts)	9,906
Total deposits	\$ 87,723

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the fiscal year ended November 30, 2019, in the amount of \$3,772 as State Support.

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission which is the Society’s share of total pari-mutuel 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 the Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society’s net portion.

	2019
Total Amount Bet (Handle)	\$ 9,397
Less: Payoff to Bettors	7,512
Parimutuel Wagering Commission	1,885
Tote Service Set Up Fee	(900)
Tote Service Commission	(496)
State Tax	(245)
Society Portion	\$ 244

Note 5 – Risk Management

Risk Pool Membership

The Muskingum County Agricultural Society is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Society’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Workers’ Compensation coverage is provided by the State of Ohio. The Society pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

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. A private company provides general liability and vehicle insurance with aggregate limits of \$2,000,000 and \$2,000,000, respectively. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's general manager is bonded with coverage of \$10,000.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2019.

Note 7 – Debt

Debt outstanding at November 30, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable for Tractor	\$13,013	0.90%
The Community Bank	<u>524,616</u>	5.50%
Total	<u><u>\$537,629</u></u>	

The \$18,057 Tractor Note bears an interest rate of 0.90 percent and is due to CNH Industrial Capital. The note was entered into on February 23, 2017 and matures February 23, 2024. Proceeds of the note were used to purchase a tractor and are collateralized by the tractor. The previous tractor was traded in on the purchase of this one.

Effective November 13, 2017, The Community Bank Veterans Building loan was modified with quarterly interest payments due by the 8th of March, June, September and December of each year. Annual Principal payments of \$7,500 are due beginning September 8, 2018 until September 8, 2022. Quarterly Principal payments of \$7,500 are due beginning March 8, 2023 until the maturity date of September 8, 2039. The interest rate at the time of the amendment was 5.50%.

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 with an adjusted monthly payment of \$2,562.50. The Muskingum County Agricultural Society's last payment made to the County was made in February 2018. The approximate amount owed to the County by the Society on November 30, 2019 is \$151,663. As such, this loan is not included on the Society's amortization schedule or debt schedule.

The Society has an approved line of credit of \$20,000 with Century National Bank. Interest only payments are required monthly. The line of credit comes due annually. The balance outstanding at November 30, 2019 was \$0.

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

Amortization of the above debt including interest is scheduled as follows:

	Note Payable for Tractor	Community Bank Loan	Total
2020	\$ 2,673	\$ 37,330	\$ 40,003
2021	2,673	36,341	39,014
2022	2,673	35,923	38,596
2023	2,673	50,188	52,861
2024	2,673	56,192	58,865
2025-2029	-	255,558	255,558
2030-2034	-	213,717	213,717
2035-2039	-	179,903	179,903
	\$ 13,365	\$ 865,152	\$ 878,517

Note 8 – Contingent Liabilities

The Society was the defendant in a lawsuit for an incident that occurred on August 13, 2017. The suit was filed on August 13, 2019 and was dismissed on July 31, 2020. The case is likely to be refiled. Although management cannot presently determine the outcome of this potential suit, management believes that the resolution of these matters will not materially adversely affect the Society’s financial condition.

Note 9 – Junior Fair Board

The Junior Fair Board, which is composed 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 Fair. The Society disbursed \$10,000.00 directly to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Muskingum County paid the Society \$500.00 to support Junior Club work. 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 fiscal year ended November 30, 2019 follows:

	2019
Beginning Cash Balance	\$ 6,152
Receipts	45,474
Disbursements	45,211
Ending Cash Balance	\$ 6,415

Note 10 – 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 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 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 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 Committee’s activities. The Junior Livestock Committee’s financial activity for the year ended November 30, 2019 follows:

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

	2019
Beginning Cash Balance	\$ 40,794
Receipts	18,174
Disbursements	<u>8,603</u>
Ending Cash Balance	<u>\$ 50,365</u>

Note 11 – Subsequent Events

In December 2017, a donation was made for \$50,000 to the Society. In January 2020, the Board approved this donation to be a loan payable over 10 years interest free at \$5,000 per year.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Society. In addition, the impact of the Society's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 – Compliance

The Society did not pay its debt payments in accordance with its debt agreement with Muskingum County.

Muskingum County Agricultural Society
Statement of Receipts, Disbursements, and
Changes in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2018

Operating Receipts:	
Taxes	\$ 295
Admissions	235,554
Privilege Fees	132,997
Rentals	181,245
Sustaining and Entry Fees	15,415
Pari-Mutuel Wagering Commission	361
Other Operating Receipts	<u>132,029</u>
Total Operating Receipts	697,896
Operating Disbursements:	
Wages and Benefits	128,383
Utilities	104,237
Professional Services	219,233
Equipment and Grounds Maintenance	66,629
Property and Rent Services	97,495
Race Purse	76,537
Senior Fair	21,121
Junior Fair	93,103
Capital Outlay	10,997
Other Operating Disbursements	<u>47,943</u>
Total Operating Disbursements	<u>865,678</u>
Excess of Operating Receipts	
Under Operating Disbursements	(167,782)
Non-Operating Receipts (Disbursements)	
State Support	10,839
Local Support	3,300
Debt Proceeds	15,000
Donations/Contributions	205,650
Investment Income	2
Debt Service	<u>(45,730)</u>
Net Non-Operating Receipts (Disbursements)	<u>189,061</u>
Excess of Receipts Over Disbursements	21,279
Fund Balance, Beginning of Year	<u>26,129</u>
Fund Balance, End of Year	<u><u>\$47,408</u></u>

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

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 1 – Reporting Entity

The Muskingum County Agricultural Society (the Society), Muskingum County, is a body politic and corporate 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 operate an annual agricultural fair. The Society sponsors the week – long Muskingum County Blue Ribbon Fair during August. During the fair, harness races are held, culminating in the running of the Stake Races, Muskingum County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 12 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.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Muskingum County, Ohio.

Notes 9 and 10, respectively; summarize the Junior Fair Board’s and Junior Livestock Sale Committee’s financial activity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

Capital Assets

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 Statements
For the Year Ended November 30, 2018

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.

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 and Video Lottery Terminal (VLT) funds as Race Purses to winning horse owners via the Fast Fair Chex organization.

Sustaining and Entry Fees Horse owners and 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 4 for additional information.

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 4 for additional information.

Note 3 – 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 was as follows:

	2018
Demand deposits	\$ 47,385
Other time deposits (savings and now accounts)	23
Total deposits	\$ 47,408

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2018 was \$3,716 as State Support.

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statements
For the Year Ended November 30, 2018

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.

	2018
Total Amount Bet (Handle)	\$ 11,420
Less: Payoff to Bettors	9,132
Parimutuel Wagering Commission	2,288
Tote Service Set Up Fee	(900)
Tote Service Commission	(732)
State Tax	(295)
Society Portion	\$ 361

Note 5 – Risk Management

Risk Pool Membership

The Muskingum County Agricultural Society is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Society’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicle
- Property
- Equipment breakdown

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 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 York. 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 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 Statements
For the Year Ended November 30, 2018

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Society's share of these unpaid claims collectible in future years is approximately \$9,099.

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>2018 Contributions to PEP</u> <u>\$14,443</u>

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.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through July 2019.

The Muskingum County Commissioners provide general insurance coverage for all the buildings on the Muskingum County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 and \$2,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's general manager is bonded with coverage of \$10,000.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2018.

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 7 – Debt

Debt outstanding at November 30, 2018, was as follows:

	Principal	Interest Rate
Note Payable for Tractor	\$ 15,546	0.90%
Century National Bank Line of Credit	20,000	Variable
The Community Bank Loan	532,116	5.50%
Total	\$ 567,662	

The \$18,057 Tractor Note bears an interest rate of 0.90 percent and is due to the CNH Industrial Capital. The note was entered into on February 23, 2017 and matures February 23, 2024. Proceeds of the note were used to purchase a tractor and are collateralized by the tractor. The previous tractor was traded in on the purchase of this one.

The Society has an approved line of credit of \$20,000 with Century National Bank. Interest only payments are required monthly. The line of credit comes due annually. The balance outstanding at November 30, 2018 was \$20,000.

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 with an adjusted monthly payment of \$2,562.50. The Muskingum County Agricultural Society's last payment made to the County was made in February 2018. The approximate amount owed to the County by the Society on November 30, 2018 is \$151,663. As such, this loan is not included on the Society's amortization schedule or debt schedule.

Effective November 13, 2017, The Community Bank Veterans Building loan was modified with quarterly interest payments due by the 8th of March, June, September and December of each year. Annual Principal payments of \$7,500 are due beginning September 8, 2018 until September 8, 2022. Quarterly Principal payments of \$7,500.00 are due beginning March 8, 2023 until the maturity date of September 8, 2039. The interest rate at the time of the amendment was 5.50%.

Amortization of the above debt including interest is scheduled as follows:

	Note Payable for Tractor	Community Bank Loan	Total
2019	\$ 2,673	\$ 44,755	\$ 47,428
2020	2,673	37,330	40,003
2021	2,673	36,341	39,014
2022	2,673	35,923	38,596
2023	2,673	50,188	52,861
2024-2028	2,673	263,995	266,668
2029-2033	-	222,081	222,081
2034-2038	-	188,570	188,570
2039	-	30,724	30,724
	\$ 16,038	\$ 909,907	\$ 925,945

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 8 – Contingent Liabilities

The Society was the defendant in a lawsuit for an incident that occurred on August 13, 2017. The suit was filed on August 13, 2019 and was dismissed on July 31, 2020. The case is likely to be refiled. Although management cannot presently determine the outcome of this potential suit, management believes that the resolution of these matters will not materially adversely affect the Society’s financial condition.

Note 9 – 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 Fair Blue Ribbon Fair. During 2018, The Society disbursed \$20,294 directly to the Junior Fair Board 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 Junior Club work in 2018. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board’s financial activity for the year ended November 30, 2018 follows:

	2018
Beginning Cash Balance	\$ 2,107
Receipts	25,471
Disbursements	21,426
Ending Cash Balance	\$ 6,152

Note 10 – 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 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 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 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 Committee’s activities. The Junior Livestock Committee’s financial activity for the year ended November 30, 2018 follows:

	2018
Beginning Cash Balance	\$ 54,453
Receipts	5
Disbursements	13,664
Ending Cash Balance	\$ 40,794

Muskingum County Agricultural Society
Muskingum County
Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 11 – Subsequent Events

In December 2017, a donation was made for \$50,000 to the Society. In January 2020, the Board approved this donation to be a loan payable over 10 years interest free at \$5,000 per year.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Society. In addition, the impact of the Society's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 – Compliance

The Society did not pay its debt payments in accordance with its debt agreement with Muskingum County.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, 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, the financial statements of the Muskingum County Agricultural Society, Muskingum County, (the Society) as of and for the years ended November 30, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Society.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

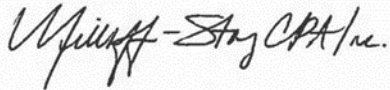
As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2019-001.

Society's Response to Finding

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Society's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

August 24, 2020

Muskingum County Agricultural Society
Muskingum County
Schedule of Findings and Responses
For the Fiscal Years Ended November 30, 2019 and 2018

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2019-001

Noncompliance/Material Weakness – Debt Covenants – Timely Payments

The Society entered an into a debt agreement in a prior year with the County with the understanding that payments are to be paid by the specified due date.

We noted that the Society’s payments were due monthly to the County. The Society’s last payment to the County was made in February 2018. Noncompliance with debt covenants could result in the Society paying late charges for untimely payments. The Society understood that the County allowed a cease of payments due to the Society’s lack of funds; however no written evidence of this could be provided.

The Society should implement procedures to ensure all payments with lending institutions or organizations are made in a timely manner to avoid paying late fees, which is an additional cost to the Society. We also recommend the Society obtain legal support that states the Society is no longer obligated to pay the monthly agreed upon amount per the County agreement, or otherwise obtain an amended agreement from the County officials.

Client Response:

The client chose not to respond.

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OHIO AUDITOR OF STATE KEITH FABER



MUSKINGUM COUNTY AGRICULTURAL SOCIETY

MUSKINGUM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/19/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov