



Mary Taylor, CPA
Auditor of State

MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2007 and 2006	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 18, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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 statement of the Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the years ended November 30, 2007 and 2006. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require agricultural societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended November 30, 2007 and 2006 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Muskingum County Agricultural Society, Muskingum County, Ohio, as of November 30, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 18, 2008

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006**

	2007	2006
Operating Receipts:		
Admissions	\$432,508	\$427,849
Privilege Fees	72,073	78,621
Rentals	117,362	116,081
Sustaining and Entry Fees	29,130	26,310
Fees	21,203	21,603
Parimutuel Wagering Commission	4,131	3,957
Other Operating Receipts	19,936	12,142
Total Operating Receipts	696,343	686,563
Operating Disbursements:		
Wages and Benefits	128,618	116,553
Utilities	67,689	62,835
Professional Services	316,134	321,867
Equipment and Grounds Maintenance	120,460	145,951
Race Purse	54,022	53,367
Senior Fair	18,417	20,423
Junior Fair	24,033	22,250
Contest Expenses	11,676	11,451
Capital Outlay	2,218	217,541
Other Operating Disbursements	20,080	30,478
Total Operating Disbursements	763,347	1,002,716
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(67,004)	(316,153)
Non-Operating Receipts (Disbursements):		
State Support	29,044	29,155
County Support	25,000	90,650
Restricted Support	28,464	41,237
Debt Proceeds		70,945
Donations/Contributions	49,490	89,172
Investment Income	2,170	6,194
Debt Service	(125,067)	(147,668)
Net Non-Operating Receipts (Disbursements)	9,101	179,685
Excess (Deficiency) of Receipts Over (Under) Disbursements	(57,903)	(136,468)
Cash Balance, Beginning of Year	90,373	226,841
Cash Balance, End of Year	\$32,470	\$90,373

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

This page intentionally left blank.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006**

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 include facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Muskingum County, Ohio.

Notes 7 and 8, 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

The financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Property, Plant, and Equipment

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

D. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(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 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 3 for additional information.

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. CASH AND INVESTMENTS

The carrying amount of cash (demand deposits) at November 30, 2007 and 2006 was \$32,470 and \$90,373, respectively. The Society did not have any investments.

The Society's deposits exceeded Federal Deposit Insurance Corporation (FDIC) coverage by as much as \$122,837 and \$29,570 during 2006 and 2007, respectively, contrary to Ohio law.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2007 and 2006 was \$17,696 and \$17,704, 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.

	2007	2006
Total Amount Bet (Handle)	\$ 17,771	\$ 17,011
Less: Payoff to Bettors	(14,148)	(13,542)
Parimutuel Wagering Commission	3,623	3,469
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(1,635)	(1,549)
State Tax	(508)	(487)
Admissions	0	(14)
Society Portion	\$ 880	\$ 819

4. DEBT AND CONTRACTUAL AGREEMENT

Debt outstanding at November 30, 2007 was as follows:

	Principal	Interest Rate
Veteran's Building Note	\$630,000	Variable
Total	\$630,000	

The Veteran's Building Note was originally issued on July 15, 2005 for \$700,000 at a variable interest rate. The initial rate of this loan was 5.75% and the final maturity date was established at November 1, 2010. Repayment of the principal of this note was scheduled as four annual payments of \$35,000 and one principal and interest payment of \$562,773 at maturity. Interest was to be repaid on this note on a quarterly basis. Interest was 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 was unknown. During fiscal year 2005, the Society expended \$629,055 of the proceeds of this note. During fiscal year 2006, the Society expended the remaining \$70,945 of proceeds. This note was collateralized by the grounds of the Society.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

4. DEBT AND CONTRACTUAL AGREEMENT (Continued)

An agreement between Muskingum County and the Society, dated July 1, 2002, provided for the Society to make semiannual payments to the County equal to the County's debt service requirements to retire bonds issued by the County for the purpose of fairground improvements. Muskingum County issued general obligation 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 to be paid 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, 2007 the Society has received \$448,230, with \$16,045 still held by Muskingum County for future distribution to the Society.

On June 1, 2003, this agreement was amended to allow the Society to make equal monthly payments to the County over the life of the bonds. Payments to Muskingum County for the fiscal years ended November 30, 2007 and 2006 totaled \$36,380 and \$60,633, respectively.

Amortization of the above debt, excluding interest payments related to the Veteran's Building Note, and obligations pertaining to the contractual agreement are scheduled as follows:

Year ending November 30:	County Contractual Agreement	Veteran's Building Note	Total
2008	\$37,585	\$35,000	\$72,585
2009	36,885	35,000	71,885
2010	36,165	560,000	596,165
2011	35,405		35,405
2012	34,625		34,625
2013-2017	182,450		182,450
2018-2022	184,345		184,345
Total	<u>\$547,460</u>	<u>\$630,000</u>	<u>\$1,177,460</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 § 1711.24.

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

Risk Pool Membership

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty 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.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

5. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

5. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society's share of these unpaid claims collectible in future years is approximately \$29,000. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

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>	
2005	\$13,011
2006	\$12,639
2007	\$14,646

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

6. SUBSEQUENT EVENTS

On September 8, 2008 the Society refinanced the Veteran's Building Note with the Community Bank, with a principal balance of \$629,000. 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.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

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 Muskingum County Blue Ribbon Fair. During 2007, the Society disbursed \$20,000 directly to the Junior Fair Board and \$4,033 directly to vendors to support Junior Fair activities. During 2006, the Society disbursed \$21,500 directly to the Junior Fair Board and \$750 directly to vendors to support Junior Fair activities. These expenses are reflected as "Junior Fair" expenses in the accompanying financial statement. Muskingum County paid the Society \$500 to support the Junior Fair in 2006. The Society was reimbursed \$3,811 during fiscal year 2007 and \$3,845 during fiscal year 2006 by the State of Ohio for its support of the Junior Fair. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$ 10,889	\$ 2,239
Receipts	21,170	43,376
Disbursements	(25,597)	(34,726)
Ending Cash Balance	\$ 6,462	\$ 10,889

8. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction and the Junior Livestock Small Animal Auction. The auctions are held during fair week. Children may sell their animals directly to market or through the Muskingum County's auction. A commission of 3 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the Junior Livestock Auction for the years ended November 31, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$ 24,869	\$ 25,261
Receipts	17,924	14,159
Disbursements	(13,459)	(14,551)
Ending Cash Balance	\$ 29,334	\$ 24,869

The Junior Livestock Committee's financial activity for the Junior Livestock Small Animal Auction for the years ended November 31, 2007 and 2006 follows:

MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)

8. JUNIOR LIVESTOCK SALE COMMITTEE (Continued)

	<u>2007</u>	<u>2006</u>
Beginning Cash Balance	\$ 17,115	\$ 13,078
Receipts	61,456	57,100
Disbursements	<u>(62,297)</u>	<u>(53,063)</u>
Ending Cash Balance	<u>\$ 16,274</u>	<u>\$ 17,115</u>



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Directors:

We have audited the financial statement of the Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated December 18, 2008, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-001 and 2007-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated December 18, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Society's management in a separate letter dated December 18, 2008.

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

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



Mary Taylor, CPA
Auditor of State

December 18, 2008

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Material Weakness

A well-designed accounting system and accounting records would enable the entity to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2005, the Society issued notes to finance the construction of the Veteran's Building. The disbursement of note proceeds to the various contractors was approved by the Society and made directly to the contractors by the financial institution; however, the financial activity was neither recorded in the Society's records nor reflected on the Society's annual financial report.

As a result, the cash receipts and disbursements, as reported in the Society's fiscal year 2006 annual financial report, were understated by \$70,945. Adjustments, with which management of the Society has agreed, have been made to the accompanying financial statement.

According to the Society management, they were not aware that the note proceeds and related contractual transactions should have been included in the Society's annual report until late in 2006 when the previous audit was being performed.

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

Officials' Response

Society management will report any future project activity in the Society's annual financial report.

FINDING NUMBER 2007-002

Material Weakness

A well-designed accounting system and accounting records would enable the entity to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The system should include procedures to assure all revenues are receipted and deposited to the credit of the entity.

We noted that a reconciliation of receipts to the applicable deposits was not performed. More specifically, the Society could not identify the specific deposit(s) that included monies corresponding to three of the receipts tested during the month when the fair is held. Details of the three receipts are as follows:

- Albanese Concession for games in the amount of \$2,832, issued on August 17, 2006;
- Zane State College for general admission tickets in the amount of \$105 issued on August 29, 2006; and,
- Pilati Concessions for games in the amount of \$3,280 issued on August 17, 2007.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2007 AND 2006
(Continued)**

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

**FINDING NUMBER 2007-002
(Continued)**

Material Weakness (Continued)

According to Society personnel, the Society followed a practice of collecting monies for season passes, exhibitor tickets, membership tickets, and pre-sale general admission tickets, and depositing the monies as one amount. However, a duplicate receipt was not issued and the receipt was not posted to the system as the various passes/tickets were sold. Instead, at the completion of the fair, the total number of passes/tickets remaining was deducted from the total purchased at the start of the fair to arrive at the total passes/tickets sold. Then this number was multiplied by the pass/ticket price to arrive at the amount of money that should have been collected and deposited during fair week. A duplicate receipt was then issued for the calculated amount of each type of pass/ticket sold and each amount was posted to the accounting system. For four other receipts tested during the same month, the Society could not identify the specific deposits of the corresponding monies. Details of the four receipts are as follows:

- Society Office for season passes in the amount of \$6,930 on August 19, 2006;
- Society Office for exhibitor tickets in the amount of \$28,134 on August 19, 2006;
- Society Office for season passes in the amount of \$6,360 on August 30, 2007; and
- Society Office for exhibitor tickets in the amount of \$26,928 on August 30, 2007.

Without these reconciliations, discrepancies could occur between monies collected and amounts deposited, and remain undetected. In addition, these weaknesses could result in increased audit hours being necessary in order to verify that amounts collected were appropriately deposited.

According to Society management, reconciliations have not been performed due to the anticipated time and effort which would be involved during fair week, the busiest time of the year.

We recommend a daily reconciliation of cash collections, duplicate receipts and deposits be documented and maintained. As part of the reconciliation, we recommend the Society prepare a daily receipt log that includes:

- Each revenue type, in accordance with the chart of accounts utilized by the Society;
- The starting and ending ticket/pass numbers and the total number sold;
- Total daily collections for each revenue type; and
- Total credit card transactions.

At the end of each day, the Society should reconcile total receipts documented on the receipt log to the cash drawer. Any discrepancies found during the reconciliation should be documented and resolved. A duplicate receipt should be issued that specifies total receipts for each revenue type. A deposit slip should be filled out and money deposited in a timely manner. The date and amount of the deposit should be indicated on the daily receipt log. Receipts should be entered into the accounting system, and the duplicate receipt attached to the daily receipt log and maintained on file.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2007 AND 2006
(Continued)**

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

**FINDING NUMBER 2007-002
(Continued)**

Material Weakness (Continued)

Officials' Response

Society management will again consider implementing a reconciliation process where cash collected is reconciled to receipts issued and deposits made.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Material weakness in regards to recording financial activity for notes issued and disbursement of note proceeds on the Society's records and annual financial report.	No	Not Corrected; This was reissued as a significant deficiency in Finding 2007-001 as the amount of financial activity not recorded was far less than in the previous audit period.
2005-002	Material weakness in regards to the lack of a reconciliation of receipts to applicable deposits.	No	Not Corrected; This was reissued as 2007-002.
2005-003	Material noncompliance in regards to Ohio Rev. Code Section 1711.13(B) for debt issued in excess of the 25% limitation.	No	Not Corrected; No additional debt was issued during the audit period.
2005-004	Material noncompliance in regards to Ohio Rev. Code Section 135.12(B) for deposits in excess of FDIC coverage with no evidence of collateral being pledged to secure these amounts.	No	Not Corrected; This is included as a noncompliance finding in the Management Letter as the amounts not covered are quite less than those not covered in the previous audit period.



Mary Taylor, CPA
Auditor of State

AGRICULTURE 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
JANUARY 6, 2009**