



**Auditor of State  
Betty Montgomery**



MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY

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**Auditor of State  
Betty Montgomery**

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 statement due to a February 2, 2005 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 statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

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**Betty Montgomery**  
Auditor of State

September 12, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statement of the Muskingum County Agricultural Society, Muskingum County, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004. 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.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statement. Since the Society does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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 2005 and 2004, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Muskingum County Agricultural Society, Muskingum County, as of November 30, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2005 and 2004. 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 September 12, 2006, 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.



**Betty Montgomery**  
Auditor of State

September 12, 2006



**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2005 AND 2004**

|   | <b>2005</b>      | <b>2004</b>      |
|---|------------------|------------------|
| <b>Operating Receipts:</b>  |                  |                  |
| Admissions  | \$389,969        | \$426,143        |
| Privilege Fees  | 74,096           | 72,272           |
| Rentals   | 99,594           | 91,840           |
| Sustaining and Entry Fees   | 29,175           | 29,045           |
| Fees  | 23,912           | 26,486           |
| Parimutuel Wagering Commission  | 4,066            | 4,465            |
| Other Operating Receipts  | 14,558           | 9,862            |
|   | <b>635,370</b>   | <b>660,113</b>   |
| <b>Operating Disbursements:</b>   |                  |                  |
| Wages and Benefits  | 107,445          | 108,822          |
| Utilities   | 49,486           | 43,444           |
| Professional Services   | 292,807          | 303,277          |
| Equipment and Grounds Maintenance   | 140,930          | 96,839           |
| Race Purse  | 58,618           | 59,752           |
| Senior Fair   | 18,141           | 18,569           |
| Junior Fair   | 23,044           | 18,400           |
| Contest Expenses  | 11,391           | 11,217           |
| Capital Outlay  | 659,375          | 35,255           |
| Other Operating Disbursements   | 19,827           | 15,002           |
|   | <b>1,381,064</b> | <b>710,577</b>   |
| Excess (Deficiency) of Operating Receipts<br>Over (Under) Operating Disbursements | <b>(745,694)</b> | <b>(50,464)</b>  |
| <b>Non-Operating Receipts (Disbursements):</b>                                    |                  |                  |
| State Support   | 32,044           | 33,982           |
| County Support  | 19,285           | 38,300           |
| Restricted Support  | 23,475           | 22,905           |
| Debt Proceeds   | 629,055          |                  |
| Donations/Contributions   | 109,348          | 127,443          |
| Investment Income   | 5,560            | 1,203            |
| Debt Service  | (26,916)         | (38,812)         |
|   | <b>791,851</b>   | <b>185,021</b>   |
| Net Non-Operating Receipts (Disbursements)  | <b>791,851</b>   | <b>185,021</b>   |
| Excess (Deficiency) of Receipts Over (Under) Disbursements                        | <b>46,157</b>    | <b>134,557</b>   |
| Cash Balance, Beginning of Year   | <b>180,684</b>   | <b>46,127</b>    |
| <b>Cash Balance, End of Year</b>  | <b>\$226,841</b> | <b>\$180,684</b> |

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

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**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Muskingum County Agricultural Society, Muskingum County (the Society), as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1847 to operate an annual agricultural fair. The Society sponsors the week-long Muskingum County Blue Ribbon Fair during August. Muskingum County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twelve directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Muskingum County and pay an annual membership fee to the Society.

**Reporting Entity**

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

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

**B. Basis of Accounting**

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

This statement includes adequate disclosure of material matters, as the Auditor of State prescribe or permits.

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

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statement does not include 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 STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(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, 2005 and 2004 was \$226,841 and \$180,684, respectively. The bank balance of \$100,000 was covered by the Federal Deposit Insurance Corporation (FDIC) each year. Contrary to Ohio Rev. Code Section 135.18(A), the Society failed to secure collateral for the remaining amounts not covered by FDIC.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**3. HORSE RACING**

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2005 and 2004 was \$20,304 and \$21,848, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

|                                | 2005     | 2004     |
|--------------------------------|----------|----------|
| Total Amount Bet (Handle)      | \$19,905 | \$21,823 |
| Less: Payoff to Bettors        | (15,839) | (17,358) |
| Parimutuel Wagering Commission | 4,066    | 4,465    |
| Tote Service Set Up Fee        | (600)    | (600)    |
| Tote Service Commission        | (1,897)  | (2,099)  |
| State Tax                      | (548)    | (636)    |
| Society Portion                | \$ 1,021 | \$ 1,130 |

**4. DEBT**

Debt outstanding at November 30, 2005 was as follows:

|                         | Principal | Interest Rate |
|-------------------------|-----------|---------------|
| Tractor Note            | \$5,464   | 2.90%         |
| Veteran's Building Note | 629,055   | Variable      |
| Total                   | \$634,519 |               |

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

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**4. DEBT (Continued)**

The Veteran's Building Note (\$700,000) bears 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%. The note was entered into on July 15, 2005 and matures November 1, 2010. Repayment of the principal of this note consists of four annual payments of \$35,000 beginning on November 1, 2006 and one principal and interest payment of \$562,773 at maturity. Interest will be repaid on this note on a quarterly basis. 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. During fiscal year 2005, the Society expended \$629,055 of the proceeds of this note. The remaining \$70,945 of proceeds was spent by the Society subsequent to fiscal year end. This note is collateralized by the grounds of the Society.

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

Muskingum County issued fairground improvement bonds on July 1, 2002 for the purpose of making fairground capital improvements and repaying outstanding capital improvement notes of the Society. The bonds were issued in the amount of \$470,000 and over a period of 20 years with a final maturity of December 1, 2022. The net amount of bond proceeds to be received by the Society was \$464,275. As of November 30, 2005 the bond proceeds received by the Society total \$425,880, with \$38,395 still held by Muskingum County for future distribution to the Society. The bonds are backed by the full faith and credit of Muskingum County. The County also holds \$3,181 received from the Society for future debt service requirements of the bonds.

An agreement between the County and the Society, dated July 1, 2002, required the Society to make semiannual payments to the County equal to the County's debt service requirements of the bonds. On June 1, 2003, this agreement was amended to allow the Society to make equal monthly payments to the County over the life of the bonds. Payments to Muskingum County for the fiscal years ended November 30, 2005 and 2004 totaled \$12,127 and \$33,348, respectively.

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

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**4. DEBT (Continued)**

| Year Ending<br>November 30: | Tractor<br>Note | Fairground<br>Improvement<br>Bonds | Veteran's<br>Building<br>Note | Total              |
|-----------------------------|-----------------|------------------------------------|-------------------------------|--------------------|
| 2006                        | \$5,464         | \$38,745                           | \$35,000                      | \$79,209           |
| 2007                        |                 | 38,185                             | 35,000                        | 73,185             |
| 2008                        |                 | 37,585                             | 35,000                        | 72,585             |
| 2009                        |                 | 36,885                             | 35,000                        | 71,885             |
| 2010                        |                 | 36,165                             | 562,773                       | 598,938            |
| 2011-2015                   |                 | 182,930                            |                               | 182,930            |
| 2016-2020                   |                 | 178,750                            |                               | 178,750            |
| 2021-2022                   |                 | 75,145                             |                               | 75,145             |
| Total                       | <u>\$5,464</u>  | <u>\$624,390</u>                   | <u>\$702,773</u>              | <u>\$1,332,627</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.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

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 local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available):

| <u>Casualty Coverage</u> | <u>2004</u>         | <u>2003</u>         |
|--------------------------|---------------------|---------------------|
| Assets                   | \$30,547,049        | \$25,288,098        |
| Liabilities              | (16,989,918)        | (12,872,985)        |
| Retained earnings        | <u>\$13,557,131</u> | <u>\$12,415,113</u> |

| <u>Property Coverage</u> | <u>2004</u>        | <u>2003</u>        |
|--------------------------|--------------------|--------------------|
| Assets                   | \$3,652,970        | \$3,158,813        |
| Liabilities              | (544,771)          | (792,061)          |
| Retained earnings        | <u>\$3,108,199</u> | <u>\$2,366,752</u> |

**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 2005, the Society disbursed \$20,000 directly to the Junior Fair Board and \$3,044 directly to vendors to support Junior Fair activities. During 2004, the Society disbursed \$15,000 directly to the Junior Fair Board and \$3,400 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 Junior Club work each year. The Society was reimbursed \$3,852 during fiscal year 2005 and \$4,078 during fiscal year 2004 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, 2005 and 2004 follows:



**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

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

|                        | 2005            | 2004            |
|------------------------|-----------------|-----------------|
| Beginning Cash Balance | \$ 138          | \$ 2,595        |
| Receipts               | 20,003          | 15,002          |
| Disbursements          | <u>(17,902)</u> | <u>(17,459)</u> |
| Ending Cash Balance    | <u>\$ 2,239</u> | <u>\$ 138</u>   |

**7. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock 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 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 years ended November 30, 2005 and 2004 follows:

|                        | 2005             | 2004             |
|------------------------|------------------|------------------|
| Beginning Cash Balance | \$ 22,444        | \$ 18,198        |
| Receipts               | 14,813           | 14,537           |
| Disbursements          | <u>(11,996)</u>  | <u>(10,291)</u>  |
| Ending Cash Balance    | <u>\$ 25,261</u> | <u>\$ 22,444</u> |

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**Auditor of State  
Betty Montgomery**

**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, 2005 and 2004, and have issued our report thereon dated September 12, 2006 wherein we noted the Society follows 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 to determine our auditing procedures in order to express our opinion on the financial statement and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statement we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider the reportable conditions listed above to be material weaknesses. In a separate letter to the Society's management dated September 12, 2006 we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-003 and 2005-004.

We intend this report solely for the information and use of the management and Board of Directors. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

September 12, 2006

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2005 AND 2004**

|   |
|---|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENT<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**FINDING NUMBER 2005-001**

**Material Weakness**

All transactions made by or on behalf of the Society should be recorded in the accounting system and reported in the annual report. During 2005, the Society issued notes to finance the construction of the Veteran's Building. 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 annual financial report, were understated by \$629,055. Adjustments, with which management of the Society has agreed, have been made to the accompanying financial statement.

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

**Officials' Response**

The Society will record in its books all financial transactions relating to any future projects.

**FINDING NUMBER 2005-002**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. To achieve this, the Society should reconcile the receipts recorded to the applicable supporting documents and to the applicable deposits made.

During the audit period, we noted that a reconciliation of grandstand tickets sold to monies collected was not performed. In addition, we noted that evidence of a reconciliation of receipts to the applicable deposits was not maintained. Without these reconciliations, discrepancies could occur between tickets sold and monies collected or 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.

We recommend a reconciliation of monies collected to grandstand tickets sold be prepared for each ticket seller. A count of unsold tickets should be documented and maintained for future reference. In addition, we recommend a reconciliation of pre-numbered duplicate receipts and each deposit be documented and maintained. Any discrepancies found during these reconciliations should be documented and resolved.

**Officials' Response**

The Society will maintain accountability over grandstand tickets sold by each ticket seller. In addition, receipts issued will be reconciled to deposits made to help assure that all monies collected are deposited intact.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

|   |
|---|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENT<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|---|

**FINDING NUMBER 2005-003**

**Noncompliance Citation**

Ohio Rev. Code § 1711.13(B) authorizes county agricultural societies to enter into agreements to obtain loans and credits for expenses related to the purposes of the county agricultural society, provided that the agreements are in writing and are first approved by the board of directors of the society. The total net indebtedness incurred by a county agricultural society pursuant to this division shall not exceed an amount equal to twenty-five percent of its annual revenues.

In 2005, the Muskingum County Agricultural Society's annual revenue amounted to \$825,082. On July 15, 2005, the Agricultural Society entered into a construction loan agreement to obtain \$700,000 for the purpose of constructing a building. As a result, the Agricultural Society's total net indebtedness far exceeded twenty-five percent of its annual revenues.

We recommend that, in the future, the Agricultural Society refrain from issuing debt in excess of the 25% limitation imposed by Ohio Rev. Code § 1711.13(B).

**Officials' Response**

The Society will obtain the advice of legal counsel prior to issuing any future debt.

**FINDING NUMBER 2005-004**

**Noncompliance Citation**

Ohio Rev. Code § 135.12(B) requires, in part, the agricultural society to meet every five years for the purpose of designating the public depositories of the public monies of the subdivision. In addition, Ohio Rev. Code § 135.18(A) requires the Treasurer of the Society to obtain from the depository evidence of eligible securities pledged as collateral for all public monies on deposit in excess of federal deposit insurance, prior to initial deposit. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

The Board of Directors had not formally designated a public depository for the Society. In addition, the Society had deposits of approximately \$134,000 and \$85,000 in excess of federal deposit insurance during 2005 and 2004, respectively, and the Society neither obtained nor maintained evidence of collateral being pledged to secure these amounts. Failure to adequately monitor amounts pledged as collateral for the Society's deposits could result in the Society suffering significant financial losses.

We recommend once every five years the Board approve the designation of the public depositories in which the Society shall deposit public monies during that five year period. Periodically, the Treasurer should request evidence of deposits being secured from the depository when public monies on deposit are in excess of the Society's federal deposit insurance coverage.

**MUSKINGUM COUNTY AGRICULTURAL SOCIETY  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

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| <p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENT<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p> |
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**FINDING NUMBER 2005-004  
(Continued)**

**Noncompliance Citation - Ohio Rev. Code § 135.12(B) (Continued)**

**Officials' Response**

The Society will designate a public depository for the Society's deposits and obtain assurances that deposits in excess of federal deposit insurance are adequately collateralized.







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Betty Montgomery**

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**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  
OCTOBER 12, 2006**