



**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2004-2003



**Auditor of State
Betty Montgomery**

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

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**Auditor of State
Betty Montgomery**

Knox County Agricultural Society
Knox County
P.O. Box 707
Mt. Vernon, Ohio 43050

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 a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Society 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 24, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Knox County Agricultural Society
Knox County
P.O. Box 707
Mt. Vernon, Ohio 43050

To the Board of Directors:

We have audited the accompanying financial statements of the Knox County Agricultural Society, Knox County, Ohio, (the Society) as of and for the years ended November 30, 2004 and 2003. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 these financial statements 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 statements 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 statements. 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 statements referred to above for the year ended November 30, 2004 do 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, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Knox County Agricultural Society, Knox County, as of November 30, 2004 and 2003, 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 year ended November 30, 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, its financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2005, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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

October 24, 2005

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Operating Receipts:		
Admissions	\$200,503	\$169,869
Privilege Fees	92,415	87,003
Rentals	48,560	38,420
Sustaining and Entry Fees	57,418	61,153
Parimutuel Wagering Commission	5,657	4,614
Other Operating Receipts	<u>60,992</u>	<u>62,547</u>
 Total Operating Receipts	 <u>465,545</u>	 <u>423,606</u>
Operating Disbursements:		
Wages and Benefits	10,609	10,354
Utilities	26,595	26,161
Professional Services	71,763	76,924
Equipment and Grounds Maintenance	107,707	112,638
Race Purse	93,188	97,011
Senior Fair	34,360	40,398
Junior Fair	33,806	33,110
Capital Outlay	47,989	4,018
Other Operating Disbursements	<u>94,596</u>	<u>91,356</u>
 Total Operating Disbursements	 <u>520,613</u>	 <u>491,970</u>
Deficiency of Operating Receipts Under Operating Disbursements	 <u>(55,068)</u>	 <u>(68,364)</u>
Non-Operating Receipts:		
State Support	33,982	36,925
County Support	59,000	15,000
Donations/Contributions	13,652	13,275
Investment Income	<u>412</u>	<u>564</u>
 Net Non-Operating Receipts	 <u>107,046</u>	 <u>65,764</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	51,978	(2,600)
Cash Balance, Beginning of Year	<u>\$162,299</u>	<u>164,899</u>
Cash Balance, End of Year	<u>\$214,277</u>	<u>\$162,299</u>

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

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**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003**

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 Knox County Agricultural Society, Knox 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 1849 to operate an annual agricultural fair. The Society sponsors the week-long Knox County Fair during July. During the fair, harness races are held. Knox County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Knox 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 Knox 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

These financial statements follow 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. Cash and Investments

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. 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 statements do not include these items as assets.

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses. Restricted support for the Society included sponsorships for trophies, race blankets, and donations to help fund the grandstand and bleachers projects. Restricted support is included in the Donations/Contributions line item on the accompanying financial statements.

F. 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.

G. Race Purse

Home Talent Colt and Filly Stakes races are held during the Knox County 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 Home Talent Colt Stakes Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

H. 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.

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

2. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2004 and 2003 follows:

	2004	2003
Demand deposits	\$126,456	\$74,720
Investments	87,821	87,579
Total deposits and investments	\$214,277	\$162,299

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was uninsured and uncollateralized.

Investments: The investment in the Edward Jones Money Market Account was covered by the Security Investors Protection Corporation (SIPC).

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the fiscal years ended November 30, 2004 and 2003 was \$21,848 and \$24,384 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 statements, 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. State taxes, are also paid from Pari-mutuel Wagering Commission, and the amount remaining is the Society's net portion.

	2004	2003
Total Amount Bet (Handle)	\$ 67,336	\$ 54,976
Less: Payoff to Bettors	(53,693)	(43,878)
Parimutuel Wagering Commission	13,643	11,098
Tote Service Commission	(6,128)	(4,998)
State Tax	(1,858)	(1,486)
Society Portion	\$ 5,657	\$ 4,614

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

4. COUNTY ALLOCATION

Knox County granted the Society \$200,000 on April 6, 2000 to expand and repair its grandstand. The allocation from the County shall be recouped by the County at a rate of twenty thousand dollars (\$20,000) per year for ten years from the Fair Board's annual Knox County allocation. The County decided that the benefits to Knox County derived from the new grandstand are at least equal to, if not greater than, the inherent costs of the Commissioners' no interest allocation to the Fair Board; therefore, no interest is to be assessed on the allocation.

5. RISK MANAGEMENT

The Knox County Commissioners provide general insurance coverage for all the buildings on the Knox County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by Ohio Fair Participating Plan with limits of \$3,000,000 and \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Treasurer is bonded with coverage of \$40,000.

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 Knox County Fair. The Society disbursed \$17,067 in 2004 and \$17,346 in 2003 directly to the Junior Fair Board and \$16,739, and \$15,764 in 2004 and 2003 respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Knox County paid the Society \$4,078 in 2004 and \$4,209 in 2003 to support Junior Fair work. 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 years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 4	\$ 5
Receipts	20,801	20,746
Disbursements	(20,705)	(20,747)
Ending Cash Balance	\$ 100	\$ 4

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 the Knox County's auction. Monies to cover the cost of the auction are generated through a per head commission based upon species and are retained by the Junior Livestock Committee. 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, 2004 and 2003 follows:

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

7. JUNIOR LIVESTOCK SALE COMMITTEE (Continued)

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$ 9	\$ 13,639
Receipts	395,355	338,321
Disbursements	<u>(385,847)</u>	<u>(351,951)</u>
Ending Cash Balance	<u>\$ 9,516</u>	<u>\$ 9</u>

The above financial summary of receipts and disbursements includes a line of credit provided by First Knox National Bank to cover the timing differences between payouts and collections.

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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***

Knox County Agricultural Society
Knox County
P.O. Box 707
Mt. Vernon, Ohio 43050

To the Board of Directors:

We have audited the financial statements of the Knox County Agricultural Society, Knox County, Ohio, (the Society) as of and for the years ended November 30, 2003 and 2004, and have issued our report thereon dated October 24, 2005, 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 to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Society's management dated October 24, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are 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*. In a separate letter to the Society's management dated October 24, 2005, we reported other matters related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
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We intend this report solely for the information and use of the management and the 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

October 24, 2005

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-60642-001	The Society should utilize tickets and utilize ticket accountability forms to track fair admissions and other significant admission sales.	No	Corrected for 2005 fair. Comment not reissued.



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

KNOX 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
NOVEMBER 17, 2005**