



**Auditor of State
Betty Montgomery**

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

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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 statement of the Knox County Agricultural Society (the Society) as of and for the year ended November 30, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30, 2002, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

March 20, 2003

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2002**

	2002
Operating Receipts:	
Admissions	\$158,203
Privilege Fees	83,874
Rentals	34,440
Sustaining and Entry Fees	67,249
Parimutuel Wagering Commission	4,961
Other Operating Receipts	64,389
 Total Operating Receipts	 413,116
Operating Disbursements:	
Wages and Benefits	10,510
Utilities	24,193
Professional Services	71,255
Equipment and Grounds Maintenance	135,936
Race Purse	106,697
Senior Fair	31,698
Junior Fair	25,728
Capital Outlay	39,445
Other Operating Disbursements	93,166
 Total Operating Disbursements	 538,628
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (125,512)
Non-Operating Receipts (Disbursements):	
State Support	38,627
County Support	15,000
Donations/Contributions	15,589
Investment Income	1,623
 Net Non-Operating Receipts (Disbursements)	 70,839
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 (54,673)
 Cash Balance, Beginning of Year	 219,572
 Cash Balance, End of Year	 \$164,899

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

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**KNOX COUNTY AGRICULTURE SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Knox County Agricultural Society, Knox County, (the Society) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1849 to direct the operation of 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 responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 21 directors serving staggered three-year terms, elected from the membership of the Society. 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.

As discussed in Note 6, Junior Fair Board activity is reflected in the accompanying financial statements.

The financial activity of the Junior Livestock Sale Committee is summarized in Note 7. Its activity is not reflected in the accompanying financial statements

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

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**KNOX COUNTY AGRICULTURE SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses. Restricted support for the Society included sponsorships for trophies, race blankets, and specific days of the fair, 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 that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

G. Race Purse

The Home Talent Colt and Filly Stakes races are conducted 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. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

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

H. Parimutuel 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 determined by the parimutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

Parimutuel wagering commission (commission) is the Society's share of total parimutuel 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 Parimutuel Wagering Commission. See Note 3 for additional information.

**KNOX COUNTY AGRICULTURE SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2002
(Continued)**

2. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2002 follows:

	2002
Demand deposits	\$77,809
Investments	\$87,090
Total deposits and investments	\$164,899

Deposits: \$77,809 of the bank balance was covered by Federal Depository Insurance Corporation (FDIC). \$87,090 of the investment balance was covered by Security Investors Protection Corporation (SIPC).

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$29,488 and is included within State Support on the accompanying financial statement.

Parimutuel Wagering

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

	2002
Total Amount Bet (Handle)	\$ 56,657
Less: Payoff to Bettors	(45,206)
Parimutuel Wagering Commission	11,451
Tote Service Commission	(5,018)
State Tax	(1,472)
Society Portion	\$ 4,961

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.

**KNOX COUNTY AGRICULTURE SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2002
(Continued)**

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, FHA, Boy Scout, and Girl Scout organization representatives, is responsible for the Junior Fair Division activities of the Knox County Fair. The Society disbursed \$17,047 directly to the Junior Fair Board and \$8,681 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$4,641 by Knox County for its support of Junior Fair work. The Junior Fair maintains a separate account in which the money from the Society is receipted and additional Junior Fair Expenditures are made. The beginning cash balance was \$40; the ending balance was \$5.

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 accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 11,564
Receipts	333,335
Disbursements	<u>(331,260)</u>
Ending Cash Balance	<u>\$ 13,639</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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 statement of the Knox County Agricultural Society (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated March 20, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Society in a separate letter dated March 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of findings as item 2002-60642-001.

A material weakness is a 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 in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated March 20, 2003.

This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by 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

March 20, 2003

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2002**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2002-60642-001

Admission Tickets and Accountability Forms

The Society does not utilize admission tickets or ticket accountability forms to track and record admissions or other tickets sold during fair week. Tickets should be utilized for daily admissions, season passes, and all other admission sales. Accountability forms should include the numbers of the first and last tickets sold, the amount collected, the signature of the gate attendant, and the signature of the person reconciling the collections.

The use of tickets and ticket accountability forms would help ensure the completeness of receipts and would give the Society a greater ability to maintain accountability over receipts.

We recommend that the Society utilize tickets and ticket accountability forms for daily admissions to the fair and other significant admission sales.



**Auditor of State
Betty Montgomery**

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KNOX COUNTY 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
MAY 8, 2003**