



**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2008 - 2007



Mary Taylor, CPA
Auditor of State

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

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Mary Taylor, CPA
Auditor of State

Knox County Agricultural Society
Knox County
P.O. Box 707
Mount 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 an 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 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

March 9, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statement of Knox County Agricultural Society, Knox County, Ohio, (the Society) as of and for the years ended November 30, 2008 and 2007. 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 statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Societies to reformat their statement. 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, 2008 and 2007 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, 2008 and 2007, 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 Knox County Agricultural Society, Knox County, Ohio, as of November 30, 2008 and 2007, 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 March 9, 2009, 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

March 9, 2009

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007**

	2008	2007
Operating Receipts:		
Admissions	\$249,555	\$227,136
Privilege Fees	100,666	92,785
Rentals	57,140	56,686
Sustaining and Entry Fees	48,300	38,025
Parimutuel Wagering Commission	3,651	4,281
Other Operating Receipts	52,464	54,313
Total Operating Receipts	511,776	473,226
Operating Disbursements:		
Wages and Benefits	15,569	12,601
Utilities	30,139	27,944
Professional Services	117,189	110,829
Equipment and Grounds Maintenance	130,352	120,651
Race Purse	71,196	65,801
Senior Fair	42,692	39,554
Junior Fair	40,422	37,911
Capital Outlay	25,017	102,798
Other Operating Disbursements	108,893	109,681
Total Operating Disbursements	581,469	627,770
Excess (Deficiency) of Operating Receipts (Under) Operating Disbursements	(69,693)	(154,544)
Non-Operating Receipts:		
State Support	26,148	29,044
County Support	15,000	27,500
Donations/Contributions	15,374	29,397
Investment Income	2,696	6,171
Net Non-Operating Receipts	59,218	92,112
Excess (Deficiency) of Receipts (Under) Disbursements	(10,475)	(62,432)
Cash Balance, Beginning of Year	204,967	267,399
Cash Balance, End of Year	\$194,492	\$204,967

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, 2008 AND 2007**

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, Ohio, (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. Accounting Basis

This 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.

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

C. Cash and Investments

The Society's accounting basis includes investments in its cash balances. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. 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.

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 bleacher projects. Restricted support is included in the Donations/Contributions line item on the accompanying financial statement.

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, 2008 AND 2007
(Continued)**

2. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2008 and November 30, 2007 was as follows:

	2008	2007
Demand deposits	\$94,875	\$107,930
Investments - Money Market Account	99,617	97,037
Total deposits	194,492	204,967

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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

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, 2008 and 2007 was \$13,848 and \$17,696, respectively, reported 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.

	2008	2007
Total Amount Bet (Handle)	\$ 45,241	\$ 50,897
Less: Payoff to Bettors	(35,989)	(40,535)
Parimutuel Wagering Commission	9,252	10,362
Tote Service Commission	(4,286)	(4,638)
State Tax	(1,315)	(1,443)
Society Portion	\$ 3,651	\$ 4,281

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2008 AND 2007
(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 cost of the Commissioners' no interest allocation to the Fair Board: therefore, no interest is to be assessed on the allocations.

In 2008 and 2007, Knox County allocated \$15,000 and \$27,500 to the Fair Board for operations.

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 \$20,091 in 2008 and \$19,896 in 2007 directly to the Junior Fair Board and \$20,331 and \$18,015 in 2008 and 2007 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 \$5,142 in 2008 and \$3,811 in 2007 to support Junior work. The Junior Fair Board accounts for its activities separately. The financial statement does not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2008 and 2007 follows:

	2008	2007
Beginning Cash Balance	\$ 2,011	\$ 1,505
Receipts	16,200	17,107
Disbursements	(16,498)	(16,601)
Ending Cash Balance	\$ 1,713	\$ 2,011

**KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2008 AND 2007
(Continued)**

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 year ended November 30, 2008 and 2007 follows:

	<u>2008</u>	<u>2007</u>
Beginning Cash Balance	\$ 10,831	\$ 13,891
Receipts	451,166	445,429
Disbursements	<u>(457,193)</u>	<u>(448,489)</u>
Ending Cash Balance	<u>\$ 4,804</u>	<u>\$ 10,831</u>

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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*

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 Knox County Agricultural Society, Knox County, Ohio, (the Society) as of and for the years ended November 30, 2008 and 2007, and have issued our report thereon dated March 9, 2009, wherein we noted the Society followed accounting practices the Auditor of State prescribes or permits 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Society's management in a separate letter dated March 9, 2009.

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*.

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

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

Mary Taylor, CPA
Auditor of State

March 9, 2009



Mary Taylor, CPA
Auditor of State

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 12, 2009**