



Dave Yost • Auditor of State



**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Years Ended November 30, 2010 and November 30, 2009.....	5
Notes to the Financial Statement.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

Knox County Agricultural Society  
Knox County  
23280 Danville-Amity Road  
Danville, Ohio 43014

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 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 statement 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 statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

April 18, 2011

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Knox County Agricultural Society  
Knox County  
23280 Danville-Amity Road  
Danville, Ohio 43014

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, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 April 18, 2011, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

April 18, 2011



**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	<b>2,010</b>	<b>2,009</b>
<b>Operating Receipts:</b>		
Admissions	\$ 260,569	\$ 250,979
Privilege Fees	98,665	103,787
Rentals	68,036	52,150
Sustaining and Entry Fees	30,108	44,272
Parimutuel Wagering Commission	2,580	3,437
Other Operating Receipts	51,477	50,499
Total Operating Receipts	511,435	505,124
<b>Operating Disbursements:</b>		
Wages and Benefits	15,346	15,862
Utilities	34,723	33,449
Professional Services	108,003	97,158
Equipment and Grounds Maintenance	131,552	121,301
Race Purse	48,362	64,454
Senior Fair	28,930	41,124
Junior Fair	35,838	35,904
Capital Outlay	575	23,954
Other Operating Disbursements	132,847	213,439
Total Operating Disbursements	536,176	646,645
Deficiency of Operating Receipts Under Operating Disbursements	(24,741)	(141,521)
<b>Non-Operating Receipts:</b>		
State Support	22,192	23,704
County Support	12,160	13,800
Donations/Contributions	20,916	13,023
Investment Income	64	484
Net Non-Operating Receipts	55,332	51,011
Excess (Deficiency) of Receipts Over (Under) Disbursements	30,591	(90,510)
Cash Balance, Beginning of Year	103,982	194,492
<b>Cash Balance, End of Year</b>	<b>\$ 134,573</b>	<b>\$ 103,982</b>

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2010 AND 2009**

**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, rental, storage 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, 2010 AND 2009  
(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, 2010 AND 2009  
(Continued)**

**2. CASH AND INVESTMENTS**

The carrying amount of cash and investments at November 30, 2010 and November 30, 2009 was as follows:

	2010	2009
Demand deposits	\$117,705	\$87,116
Investments - Money Market Account	16,868	16,866
Total deposits	134,573	103,982

**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 (SIPC).

**3. HORSE RACING**

State Support Portion of Purse

The financial statement report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2010 and 2009 was \$11,040 and \$12,144, 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.

	2010	2009
Total Amount Bet (Handle)	\$ 27,238	\$ 42,573
Less: Payoff to Bettors	(21,664)	(33,857)
Parimutuel Wagering Commission	5,929	8,716
Tote Service Commission	(2,613)	(4,034)
State Tax	(736)	(1,245)
Society Portion	\$ 2,580	\$ 3,437

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2010 AND 2009  
(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 February 26, 2009, The Knox County Commissioners authorized the issuance of \$600,000 of notes in anticipation of bonds for the purpose of acquiring real property for use by The Knox County Fair Board. It is agreed that future payments on the mortgage, shall be made on a semi-annual, alternating basis between the Commission and Fair Board.

In 2010 and 2009, Knox County allocated \$12,160 and \$13,800 respectively, 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. A private company provides general liability and vehicle insurance, with limits of \$3,000,000 and \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$30,000. The Society's Treasurer is bonded with coverage of \$30,000.

**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 \$16,475 in 2010 and \$16,441 in 2009 directly to the Junior Fair Board and \$19,363 and \$19,463 in 2010 and 2009 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 \$4,414 in 2010 and \$4,635 in 2009 to support Junior work. The Junior Fair Board accounts for its activities separately. This accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2010 and 2009 follows:

	2010	2009
Beginning Cash Balance	\$ 978	\$ 1,713
Receipts	19,754	20,066
Disbursements	<u>(20,166)</u>	<u>(20,801)</u>
Ending Cash Balance	<u>\$ 566</u>	<u>\$ 978</u>

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2010 AND 2009  
(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, 2010 and 2009 follows:

	2010	2009
Beginning Cash Balance	\$ 10,678	\$ 4,804
Receipts	391,661	347,261
Disbursements	<u>(393,797)</u>	<u>(341,387)</u>
Ending Cash Balance	<u>\$ 8,542</u>	<u>\$ 10,678</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**





# Dave Yost • 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  
23280 Danville-Amity Road  
Danville, Ohio 43014

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, 2010 and 2009, and have issued our report thereon dated April 18, 2011, where we noted the Society prepared its financial statements using 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 the purpose of expressing our opinion on the financial statement, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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 deficiencies in internal control that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-01 a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated April 18, 2011.

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Society's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Directors, and other within the Society. We intended it for none other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

April 18, 2011

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2009 AND 2010**

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

**FINDING NUMBER 2010-01**

**Coke Sales – Significant Deficiency**

A sales journal and inventory log should be maintained of all Coke products purchased and sold during fair week. This journal should contain an inventory count at the beginning of each day, Coke shipments brought to the fairgrounds during the day, all Coke products sold for the day and an ending inventory count completed at the end of each day.

During fair week, the Society had multiple stations throughout the fair where they sold Coke products. The Coke distributor brought the Coke products to the fair during each day in a semi-truck and stayed at the fairgrounds all day. The individual in charge of each of the merchant stands selling the Coke products came to the semi-truck and took enough Coke products to refill their stand. At the end of the week, the Coke distributor invoiced the Society for the number of Coke products given to the merchant stands during the fair. The Society did not maintain a separate sales journal or daily inventory counts of Coke products received from the Coke distributor to determine the amount invoiced was accurate.

By not keeping an inventory of products received and sold, along with their sale price, the Society was unable to determine if any Coke products were lost or stolen during the fairweek. This can also lead to loss of revenues and unnecessary expenditures to the Society by not receiving revenues for all product ordered and incurring additional expenditures for product that was lost or stolen during fair week.

We recommend that the Society keep a sales journal and inventory of all Coke products, as well as a record of the different sale prices to help ensure the Society is collecting all revenues derived from the sale of Coke products.

**Official's Response:** The Knox County Agricultural Society will implement the suggestions as given by the State Auditor's Office.

**This Page is Intentionally Left Blank.**



# Dave Yost • 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  
JUNE 9, 2011**