



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2022 AND 2021

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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Directors
Knox County Agricultural Society
601 Fairgrounds Road
P. O. Box 707
Mount Vernon, Ohio 43050

We have reviewed the *Independent Auditor's Report* of the Knox County Agricultural Society, Knox County, prepared by BHM CPA Group, Inc., for the audit period December 1, 2020 through November 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Knox County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 31, 2023

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KNOX COUNTY AGRICULTURAL SOCIETY
KNOX COUNTY
For the Years Ended November 30, 2022 and 2021
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Knox County Agricultural Society, Knox County, Ohio (the Society), which comprises the cash balances, receipts and disbursements as of and for the years ended November 30, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements as of and for the years ended November 30, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society, as of November 30, 2022 and 2021, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Society, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by Society on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Society. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



BHM CPA Group, Inc.
Piketon, Ohio
June 26, 2023

Knox County Agricultural Society
Knox County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2022

Operating Receipts	
Admissions	256,421
Privilege Fees	114,645
Rentals	70,284
Sustaining and Entry Fees	29,385
Pari-mutuel wagering commission	(592)
Other Operating Receipts	<u>15,976</u>
<i>Total Operating Receipts</i>	<u>486,119</u>
Operating Disbursements	
Utilities	60,036
Professional Services	196,243
Equipment and Grounds Maintenance	60,628
Property and Rent Services	125,471
Race Purse	102,983
Senior Fair	14,643
Junior Fair	101,530
Other Operating Disbursements	<u>69,129</u>
<i>Total Operating Disbursements</i>	<u>730,663</u>
<i>Excess (Deficiency) of Operating Receipts</i> <i>Over (Under) Operating Disbursements</i>	<u>(244,544)</u>
Non-Operating Receipts (Disbursements)	
State Support	12,084
Local Support	57,160
Donations/Contributions	250,215
Investment Income	392
Sale of Asset	814
Debt Service	<u>(57,474)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>263,191</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	18,647
Cash Balance, Beginning of Year	<u>279,074</u>
<i>Cash Balance, End of Year</i>	<u><u>\$297,721</u></u>

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

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2022

Note 1 – Reporting Entity

Knox County Agricultural Society (the Society), Knox County, is a body politic and corporate 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 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 twenty-three 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.

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 include facility rental, track and stall rental, storage rental, and other community events. The reporting entity does not include any other activities or entities of Knox County, Ohio.

The Junior Fair Board’s financial activity are reported in the Society’s financial statement.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

Deposits and Investments

The Society maintains an interest-bearing checking account, savings account and money market account.

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2022

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

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.

Race Purse

Home Talent and Filly stake 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 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 4 for additional information.

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 4 for additional information.

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2022

Note 3 – Deposits and Investments

The Society maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was as follows:

	2022
Demand deposits	\$232,489
Money Markets	12,298
Savings Account	52,934
Total deposits	297,721

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the fiscal year ended November 30, 2022, in the amount of \$4,677.98 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 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 the Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society’s net portion.

	2022
Total Amount Bet (Handle)	\$ 6,313
Less: Payoff to Bettors	(5,040)
Parimutuel Wagering Commission	1,273
Tote Service Set Up Fee	(1,400)
Tote Service Commission	(296)
State Tax	(169)
Society Portion	\$ (592)

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2022

Note 5 – County Allocation

In 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 2013, Knox County issued refunding bonds and used proceeds to pay off the anticipation notes in 2014.

Knox County allocated \$12,160 in grant monies 2022 to the Fair Board for Operations. Allocations are reported as part of Local Support in the financial statements.

Note 6 – Risk Management

The Society is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

Risk Pool Membership

Risk Pool Membership

The (local entity) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021 (latest information available)</u>
Cash and investments	\$ 41,996,850
Actuarial liabilities	\$14,974,099

Note 7 – Debt

The Knox County Commissioners issued a refunding bond in a joint venture with the Society in 2013 in the amount of \$514,682, starting on June 1, 2014 for the purpose of acquiring real property. The Society and Knox County must pay their portions of the bond annually at a fixed interest rate of 2.15%.

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2022

Amortization of the Society's Portion of the above debt is scheduled as follows:

Year	Principal	Interest	Total
2023	31,328	338	31,666
	\$31,328	\$338	\$31,666

Note 8 – 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. 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, 2022 follows:

	2022
Beginning Cash Balance	\$ 5,853
Receipts	1,500
Disbursements	6,366
Ending Cash Balance	\$ 987

Note 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Society. The impact on the Society’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

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Knox County Agricultural Society
Knox County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2021

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Operating Receipts	
Admissions	241,062
Privilege Fees	125,920
Rentals	71,300
Sustaining and Entry Fees	12,400
Other Operating Receipts	14,685
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<i>Total Operating Receipts</i>	<i>465,367</i>
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Operating Disbursements	
Utilities	52,959
Professional Services	170,135
Equipment and Grounds Maintenance	42,825
Property and Rent Services	99,128
Race Purse	95,444
Senior Fair	10,449
Junior Fair	41,518
Capital Outlay	72,353
Other Operating Disbursements	102,431
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<i>Total Operating Disbursements</i>	<i>687,242</i>
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<i>Excess (Deficiency) of Operating Receipts</i>	
<i>Over (Under) Operating Disbursements</i>	<i>(221,875)</i>
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Non-Operating Receipts (Disbursements)	
State Support	63,087
Local Support	57,160
Donations/Contributions	246,911
Investment Income	30
Sale of Assets	16
Debt Service	(9,124)
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<i>Net Non-Operating Receipts (Disbursements)</i>	<i>358,080</i>
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<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<i>136,205</i>
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Cash Balance, Beginning of Year	142,869
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<i>Cash Balance, End of Year</i>	<i>\$279,074</i>
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The notes to the financial statement are an integral part of this statement.

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2021

Note 1 – Reporting Entity

Knox County Agricultural Society (the Society), Knox County, is a body politic and corporate 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 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 twenty-three 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.

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 include facility rental, track and stall rental, storage rental, and other community events. The reporting entity does not include any other activities or entities of Knox County, Ohio.

The Junior Fair Board’s financial activity are reported in the Society’s financial statement.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

This financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

Deposits and Investments

The Society maintains an interest-bearing checking account, savings account and money market account.

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2021

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

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.

Race Purse

Home Talent and Filly stake 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 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 4 for additional information.

Note 3 – Deposits and Investments

The Society maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was as follows:

	2021
Demand deposits	\$225,819
Money Markets	12,259
Savings Account	40,996
Total deposits	279,074

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2021

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the fiscal year ended November 30, 2021, in the amount of \$4,677.98 as State Support.

Note 5 – County Allocation

In 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 2013, Knox County issued refunding bonds and used proceeds to pay off the anticipation notes in 2014.

Knox County allocated \$12,160 in grant monies 2021 to the Fair Board for Operations. Allocations are reported as part of County Support in the financial statements.

Note 6 – Risk Management

The Society is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

Risk Pool Membership

Risk Pool Membership

The (local entity) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and investments	\$ 41,996,850
Actuarial liabilities	\$14,974,099

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2021

Note 7 – Debt

The Knox County Commissioners issued a refunding bond in a joint venture with the Society in 2013 in the amount of \$514,682, starting on June 1, 2014 for the purpose of acquiring real property. The Society and Knox County must pay their portions of the bond annually at a fixed interest rate of 2.15%.

During 2021, the Knox County Commissioners paid the Society's 2021 portion of the debt service for the refunding bond of \$30,050 in principal and \$1,661 in interest due to the Society not holding a fair during 2020 as a result of the coronavirus pandemic.

Amortization of the Society's Portion of the above debt is scheduled as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$30,689	\$1,006	\$31,695
2023	31,328	338	31,666
	<u>\$62,017</u>	<u>\$1,344</u>	<u>\$63,361</u>

The Society entered into a loan contract with John Deere Financial during 2019 for the purchase of a utility tractor. The amount financed totaled \$40,274. This will be repaid in 5 equal annual installments of \$8,055. The first payment was due on July 16, 2020.

Amortization of the loan is scheduled as follows:

<u>Fiscal Year Ending</u>	<u>Tractor Principal</u>
2022	\$8,055
2023	8,055
2024	8,054
	<u>\$24,164</u>

Knox County Agricultural Society
Knox County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2021

Note 8 – 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. 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, 2021 follows:

	2021
Beginning Cash Balance	\$ 1,671
Receipts	9,500
Disbursements	<u>5,318</u>
Ending Cash Balance	<u>\$ 5,853</u>

Note 9 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Society. The impact on the Society’s future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Directors:

We have audited, in accordance the 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 (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements as of and for the years ended November 30, 2022 and 2021 and the related notes to the financial statements of the Knox County Agricultural Society, Knox County, (the Society) and have issued our report thereon dated June 26, 2023 wherein we noted the Society followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Society.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-002.

Society's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Society's responses to the findings identified in our audit and described in the accompanying schedule of findings. The Society's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BHM CPA Group, Inc.
Piketon, Ohio
June 26, 2023

**Knox County Agricultural Society
Knox County
Schedule of Findings
November 30, 2022 and 2021**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2022-001

Material Weakness – Financial Statement Presentation

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries, consolidating entries, and any entries that are recorded directly to the financial statement. For the Society, this could also include reviewing the fiscal year-end QuickBooks detailed reports to ensure activity is reported in the correct line items.

Certain adjustments were made to the financial statements and note disclosures to properly state amounts for the fiscal years ended November 30, 2022 and 2021. The audited financial statements and note disclosures have been adjusted for the misstatements identified during the audit.

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Society’s activity.

We recommend the Society design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Society should consider having an outside third-party, or board member with financial experience, perform a second review of the financial report prior to filing in the Hinkle System. Further, the Society should reach out to its auditor throughout the year if questions arise on how to properly account for receipts or disbursements. Additionally, we recommend the Society incorporate the adjustments from this audit into its future unaudited financial statements submitted via the Hinkle System.

Officials’ Response: The Society will closely monitor all transactions to ensure accurate financial reporting going forward. The Society will also use the provided shell as a template only and potentially consult with an outside accounting firm to better report a more representative financial statement. The Society also plans to implement better controls of all the accounts associated with the Society and better track and increase controls of all transactions that are being reported.

FINDING NUMBER 2022-002

Material Weakness/Noncompliance - Timely Deposits and Cash Handling

Ohio Revised Code § 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. This section also stipulates if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Uniform System of Accounting for Agricultural Societies (USAAS) manual issued by the Auditor of State stipulates procedures over cash receipts for agricultural societies. In part, bank deposit slips shall be prepared daily, and cash deposited daily in the bank. Additionally, during periods of greater activity, such as the periods during and around fair week, cash should be deposited several times per day, and significant deposits at the end of the day should be deposited in the bank’s night depository and not left overnight on the fairgrounds.

Knox County Agricultural Society
Knox County
Schedule of Findings
November 30, 2022 and 2021

FINDING NUMBER 2022-002
(Continued)

While collected cash receipts were deposited with the Society's Treasurer within reasonable timeframes and deposits were properly safeguarded, the Society did not deposit collected cash receipts with the Society's financial institution as amounts were held for extended periods of time.

By not depositing monies with the Society's financial institution within a reasonable period of time, not only is there increased risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for disbursement or investment.

We recommend the Society monitor collections and ensure that monies are deposited in accordance with state statute. This will improve cash flow and reduce the risk of loss. Further guidance regarding specific dollar amounts may be found in the Ohio Compliance Supplement.

Officials' Response: The Society is attempting to deposit all money more timely and in accordance to the ORC mentioned. Unfortunately, this will always be area of struggle for the Society as everyone on the Board is a volunteer and the Secretary & Treasurer work on a part-time, 20 hours a month, basis. The Treasurer will stamp receipts as to when she receives them, and deposits will be make in accordance with ORC Rule. The Society has added a sur-tel teller station to the Treasurer's office which can better allow the Society to deposit all checks from the comfort and safety of the Agricultural Society office.

**Knox County Agricultural Society
Knox County
Schedule of Prior Audit Findings
November 30, 2022 and 2021**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2020-001	Material Weakness – Financial Statement Presentation	No	Reissued as Finding 2022-001
2020-002	Material Weakness/Noncompliance – Accounting Records	Yes	
2020-003	Material Weakness/Noncompliance – Timely Deposits and Cash Handling	No	Reissued as Finding 2022-002
2020-004	Material Weakness – Petty Cash Activity	Yes	
2020-005	Material Weakness/Noncompliance – Control Environment	Yes	

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OHIO AUDITOR OF STATE KEITH FABER



KNOX COUNTY AGRICULTURAL SOCIETY

KNOX COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/12/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov