

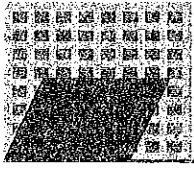
**KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois**

**ANNUAL FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2010**

KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois

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Independent Auditors' Report

Board of Directors
Knox County Metropolitan, Exposition,
Auditorium and Office Building Authority
Galesburg, Illinois

We have audited the accompanying financial statements of the business-type activities of the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Knox County Metropolitan, Exposition, Auditorium and Office Building Authority prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the business-type activities of Knox County Metropolitan, Exposition, Auditorium and Office Building Authority as of December 31, 2010, and the respective changes in financial position – modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 14 through 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Bludner, Kneer and Associates
Certified Public Accountants *Ltd.*

Galesburg, Illinois
August 17, 2011

KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois

STATEMENT OF NET ASSETS-MODIFIED CASH BASIS

December 31, 2010

ASSETS

Current Assets	
Cash and cash equivalent	\$ 140,432
Concession inventory	750
Total current assets	<u>\$ 141,182</u>
Noncurrent Assets	
Property and equipment (net of accumulated depreciation)	<u>2,112,161</u>
Total Assets	<u>\$ 2,253,343</u>

LIABILITIES

Payroll tax withholding	<u>\$ 163</u>
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NET ASSETS:

Invested in capital assets, net of related debt	\$ 2,112,161
Unrestricted: Designated	118,101
Undesignated	<u>22,918</u>
Total Net Assets	<u>\$ 2,253,180</u>

The accompanying notes are part of the financial statements.

KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois

STATEMENT OF REVENUE, EXPENSES, AND
CHANGE IN NET ASSETS-MODIFIED CASH BASIS

Year Ended December 31, 2010

Operating Revenue:	
Admissions	\$ 99,314
Rental fees	72,006
Organization receipts	102,099
Program advertisement sales	1,050
Concessions and merchandise sales	14,441
Total operating revenue	<u>\$ 288,910</u>
Operating Expenses:	
Office and Administration	\$ 144,895
Theatre expenditures	87,907
Production expenses	224,342
Fundraising	7,010
Depreciation	80,332
Total operating expenses	<u>\$ 544,486</u>
Operating Income (Loss)	<u>\$ (255,576)</u>
Nonoperating revenues (expenses):	
Hotel/motel city tax	\$ 115,732
Donations	180,291
Grant revenue	3,450
Interest income	541
Interest expense	(977)
Other	1,781
Nonoperating revenues (expenses)	<u>\$ 300,818</u>
Change in net assets	\$ 45,242
Net assets, beginning of year	<u>2,207,938</u>
Net assets, end of year	<u><u>\$ 2,253,180</u></u>

The accompanying notes are part of the financial statements.

KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS

Year ended December 31, 2010

Cash Flows From Operating Activities:	
Receipts from customers	\$ 285,880
Paid to employees for services	(98,745)
Paid to suppliers for goods and services	(362,893)
Net cash used by operating activity	\$ (175,758)
 Cash Flows From Non-capital Financing Activities:	
Hotel/motel city tax	\$ 115,732
Donations	180,291
Grant revenue	3,450
Other revenue	1,781
Net cash provided by non-capital financing activities	\$ 301,254
 Cash Flows From Capital Financing Activities:	
Acquisition and construction of property and equipment	\$ (3,109)
 Cash Flows From Investing Activities:	
Interest income	\$ 541
Principal paid on line of credit	(28,715)
Interest paid on line of credit	(977)
Net cash provided by investing activities	\$ (29,151)
Net increase in cash and cash equivalents	\$ 93,236
Cash and cash equivalents at beginning of year	47,196
Cash and cash equivalents at end of year	\$ 140,432
 Cash Flows From Operating Activities:	
Operating loss	\$ (255,576)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	80,332
Change in assets and liabilities:	
Decrease in inventory	125
Decrease in payroll tax payable	(639)
Net cash used by operating activity	\$ (175,758)

The accompanying notes are part of the financial statements.

**KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois**

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

Note 1—Significant Accounting Policies

As discussed in Note 1C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

The Knox County Metropolitan, Exposition, Auditorium and Office Building Authority, located in Galesburg, Illinois, is a public authority that maintains facilities for local and traveling performers to use to provide cultural recreation to the community and surrounding areas.

Generally accepted accounting principles requires that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The criteria provided in Governmental Accounting Standards Board Statement No. 14 have been considered and the Authority has one entity which should be included as a component unit in the financial reporting entity.

These financial statements present the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority and its component units. The following component unit is an entity which is legally separate from the Authority, but whose relationship with the Authority is such that exclusion would cause the Authority's financial statements to be misleading or incomplete. A blended component unit is reported as if it were a fund of the primary government and is included in the appropriate set of fund financial statements.

Blended Component Unit

The Orpheum Theatre of Galesburg, IL NFP, Inc. is presented as a component unit of the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority for the year ending December 31, 2010. The Orpheum Theatre of Galesburg, IL NFP, Inc. is a not-for-profit organization created to provide funding for the maintenance and upkeep of the Theatre. For this fiscal year, the Orpheum Theatre had the same governmental body as the Authority. The Orpheum Theatre has been blended into the enterprise fund due to its relationship with the Authority.

B. Basis of Presentation

The Governmental Accounting Standards Board (GASB) issued statement No. 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments. GASB Statement No. 34 established new requirements and new reporting model for the annual financial reports of state and local governments.

**KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY**
Galesburg, Illinois
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

Note 1—Significant Accounting Policies (Continued)

B. Basis of Presentation

GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. GASB Statement No. 34 includes:

Management Discussion and Analysis:

Management Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Authority's financial activities in a narrative format.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The Authority currently has only proprietary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Totals assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

As of December 31, 2010 the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority only had a proprietary operating fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Budgetary Comparison Statements:

These statements are presented as required supplemental information to demonstrate whether resources were obtained and used in accordance with the Authority's legally adopted budgets. The Authority revises the original budgets over the course of the year for various reasons. Under the new reporting model, budgetary information continues to be provided and includes comparisons of the Authority's original adopted budgets to the final budgets and actual results.

KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

Note 1—Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The Statement of Net Assets and the Statement of Revenue, Expenses, and Change in Net Assets are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

The authority utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The Statement of Net Assets and Statement of Revenue, Expenses, and Change in Net Assets are presented using modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Authority used the basis of accounting recognized as generally accepted, the fund financial statements for the proprietary fund would use the accrual basis of accounting.

D. Budget and Appropriations

The Authority adopts an annual budget. The budget covers the fiscal year ending December 31. These appropriations are adopted on a cash basis method of accounting.

E. Statement of Cash Flows

For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments to be cash equivalents. The checking, savings, and certificates of deposit are, therefore, deemed to be cash equivalents. The certificate of deposit is carried at cost which approximates fair value.

KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

Note 1—Significant Accounting Policies (Continued)

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets are presented net of accumulated depreciation and related debt. Net assets are reported as unrestricted unless limitations are imposed on their use.

G. Compensated Absences

Employees are entitled to certain compensated absences based on the length of employment. Compensated absences do not vest or accumulate at year end.

H. Donated Services, Property, and Equipment

Knox County Metropolitan, Exposition, Auditorium and Office Building Authority relies on volunteers who donate their time to support the Authority's programs. No amounts have been reported in the financial statements for these donated services since no objective basis is available to measure the value of such services. Property and equipment are reported at fair market value at the date of donation.

I. Property and Equipment

Property and equipment are carried at cost or fair market value at the date of donation less accumulated depreciation. Depreciation is computed using the straight-line method over the following useful lives:

Building	40 years
Building improvements	20 years
Parking lot	20 years
Equipment	5 to 10 years

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Receivable from Orpheum Theatre

Each January, the Authority receives the prior year ending cash balance from the Orpheum Theatre. The balance to be received as of December 31, 2010 is \$7,454.

**KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2010

Note 2—Custodial Credit Risk – Deposits

State statutes authorize the Authority to make deposits in commercial banks and savings and loan institutions, and to make investments in obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and the Illinois Public Treasurer's Investment Pool. Pension funds may also invest in certain non-U.S. obligations, mortgages, veterans' loans, and life insurance company contracts. The Authority does not have a policy to limit allowable deposits or investments.

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. Knox County Metropolitan, Exposition, Auditorium and Office Building Authority does not have a deposit policy for custodial credit risk. However, the Authority maintains accounts with balances below the FDIC limit. Therefore, at December 31, 2010, none of the Authority's total bank balance of \$142,640 was exposed to custodial credit risk.

Note 3—Inventory

Inventory consists of concession items and is recorded at cost.

Note 4—Designated Net Assets

The designated cash is board approved for capital maintenance to the Authority's facilities. The balance of designated cash as of December 31, 2010 was \$118,101.

Note 5—Property and Equipment

Property and equipment consists of the following as of December 31, 2010:

	Cost/Fair Market Value 1/1/2010	Additions	Cost/Fair Market Value 12/31/2010	Accumulated Depreciation	Net Cost/Fair Market Value
Buildings	\$ 2,551,000	\$ -	\$ 2,551,000	\$ 573,975	\$ 1,977,025
Building Improvements	68,684	-	68,684	15,887	52,797
Parking Lot	127,750	-	127,750	57,488	70,262
Equipment	61,853	3,109	64,962	52,885	12,077
	<u>\$ 2,809,287</u>	<u>\$ 3,109</u>	<u>\$ 2,812,396</u>	<u>\$ 700,235</u>	<u>\$ 2,112,161</u>

Depreciation expense for fiscal year ending December 31, 2010 was charged as follows:

Buildings	\$ 63,775
Building Improvements	3,434
Parking lot	6,388
Equipment	6,735
	<u>\$ 80,332</u>

**KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2010

Note 6—Risk Management

Significant losses are covered by commercial insurance for property, liability and workers' compensation. During the year ended December 31, 2010, there have been no significant reductions in insurance coverage. Settlement amounts, if any, have not exceeded insurance coverage in the past three years.

Note 7—Operating Leases

Starting January 1, 2008, Knox County Metropolitan, Exposition, Auditorium and Office Building Authority obtained a new fifteen year operating lease for rental of office space. This is a 15 year lease with monthly payment for the first five year period of \$650, the second five year period of \$700, and the last five years of \$750.

The following is a schedule by year of minimum future rentals:

Year Ending December 31,	<u>Annual Rental Due</u>
2011	\$ 7,800
2012	7,800
2013	8,400
2014	8,400
2015	8,400
2016-2020	196,000
2021-2022	16,500
	<u>\$ 253,300</u>

Note 8—Budget and Over-Expenditures

The Authority had actual expenses over the appropriated amount as follows:

<u>Expenditure</u>	<u>Appropriation</u>	<u>Difference</u>
\$ 465,131	\$ 346,000	\$ 119,131

Note 9—Short-Term Debt

On May 6, 2008 the Authority entered into an agreement for a line of credit of \$20,000 with Farmers and Mechanics Bank to assist with operational costs. The line of credit was due on May 6, 2009. In 2009 the agreement was renewed with an increase in the amount of credit available to \$50,000, due on May 6, 2010 with a variable interest rate. On February 22, 2010 the Authority again renewed the agreement for another year with a due date of February 22, 2011. The interest rate on the line of credit is subject to change based on changes in an independent index which is the highest prime rate as published daily in the money rates section of the Midwest edition of the Wall Street Journal. Interest is to be paid monthly on the amount outstanding from the line of credit and is recorded when paid.

KNOX COUNTY METROPOLITAN, EXPOSITION,
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2010

Note 9—Short-Term Debt (Continued)

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010
Line of Credit	\$ 28,715	\$ -	\$ (28,715)	\$ -

Note 10—Subsequent Events

Subsequent events were evaluated through August 17, 2011, which is the date the financial statements were available to be issued.

Note 11—Related Party Transaction

During the fiscal year ended December 31, 2010, the Authority had two Board members who were owners/partners in businesses the Authority did business with. One business was the Authority's insurance provider who was compensated approximately \$14,244 for services and the other business was an office supply company who was compensated approximately \$1,123 for office supplies purchased.

REQUIRED SUPPLEMENTARY INFORMATION

**KNOX COUNTY METROPOLITAN, EXPOSITION
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS--
BUDGET AND ACTUAL--CASH BASIS**

Year Ended December 31, 2010

Page 1 of 3

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
<u>Revenue:</u>				
Box office admissions	\$ 43,000	\$ 43,000	\$ 57,698	\$ 14,698
Ticket Surcharge fees	15,500	15,500	20,208	4,708
Preservation fees	17,000	17,000	21,408	4,408
Rental Fees	60,000	60,000	72,006	12,006
Organization receipts	-	-	102,099	102,099
Program advertisement sales	3,500	3,500	1,050	(2,450)
Concession sales	13,000	13,000	14,441	1,441
Grants	15,000	15,000	3,450	(11,550)
Donations: Corporate	18,500	18,500	112,025	93,525
Corporate sponsors	15,000	15,000	25,000	10,000
Individuals	30,000	30,000	22,185	(7,815)
Gifts in Kind	15,000	15,000	21,081	6,081
Hotel/motel city tax	100,000	100,000	115,732	15,732
Interest income	500	500	541	41
Miscellaneous income	500	500	1,781	1,281
Total Revenues	\$ 346,500	\$ 346,500	\$ 590,705	\$ 244,205
<u>Expenses:</u>				
<u>Office and Administrative:</u>				
Salaries	\$ 95,000	\$ 95,000	\$ 98,745	\$ (3,745)
Payroll taxes	9,500	9,500	9,715	(215)
Postage	1,500	1,500	1,126	374
Credit card fees	4,000	4,000	4,646	(646)
Office expense	2,500	2,500	2,137	363
Software	6,000	6,000	115	5,885
Equipment maintenance	1,000	1,000	1,715	(715)
Bank charges	1,000	1,000	66	934
Interest expense	-	-	977	(977)
Rent	7,800	7,800	7,800	-
Utilities	2,500	2,500	2,309	191
Education/professional development	1,350	1,350	421	929
Accounting fees	6,500	6,500	6,745	(245)
Telephone	4,000	4,000	4,214	(214)
Dues and subscriptions	750	750	606	144
Gifts in kind	-	-	2,515	(2,515)
Other	500	500	2,020	(1,520)
Total office and administration	\$ 143,900	\$ 143,900	\$ 145,872	\$ (1,972)

The accompanying notes are part of the financial statements.

**KNOX COUNTY METROPOLITAN, EXPOSITION
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS--
BUDGET AND ACTUAL--CASH BASIS
Year Ended December 31, 2010**

Page 2 of 3

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<u>Theatre Expenses</u>				
Miscellaneous taxes and license	\$ 2,500	\$ 2,500	\$ 3,563	(1,063)
Pest control	300	300	325	(25)
Trash	1,250	1,250	1,297	(47)
Fire alarm maintenance	2,850	2,850	4,057	(1,207)
Concession expense	6,500	6,500	8,302	(1,802)
Repairs and maintenance	12,750	12,750	14,473	(1,723)
Security service	3,750	3,750	3,642	108
Utilities	32,000	32,000	31,804	196
Insurance	14,000	14,000	14,244	(244)
Production cost, lights, sound	6,500	6,500	-	6,500
Janitor service	7,500	7,500	6,200	1,300
Total theatre expenses	<u>\$ 89,900</u>	<u>\$ 89,900</u>	<u>\$ 87,907</u>	<u>\$ 1,993</u>
<u>Production Expenses</u>				
Program printing	\$ 2,000	\$ 2,000	\$ 1,769	231
Advertising	17,500	17,500	24,268	(6,768)
Movie rental fees	350	350	400	(50)
Ticket printing	1,000	1,000	315	685
Artist Fees	50,000	50,000	50,900	(900)
Event security service	550	550	330	220
Transportation	950	950	332	618
Tech costs, lights, sound	5,650	5,650	9,010	(3,360)
Catering	1,700	1,700	4,847	(3,147)
Lodging	1,150	1,150	2,922	(1,772)
Organizations disbursements	-	-	102,319	(102,319)
Advertising in-kind	15,000	15,000	18,565	(3,565)
Lights Camera Learn Expense	8,500	8,500	7,750	750
Other	-	-	615	(615)
Total productions expenses	<u>\$ 104,350</u>	<u>\$ 104,350</u>	<u>\$ 224,342</u>	<u>\$ (119,992)</u>
<u>Fundraising</u>				
Solicitation Printing	\$ 4,500	\$ 4,500	\$ 4,510	(10)
Solicitation Postage	1,850	1,850	1,044	806
Travel and fundraising	250	250	-	250
Donor and patron cultivation	500	500	305	195
Staff and volunteer recognition	750	750	1,151	(401)
Total fundraising	<u>\$ 7,850</u>	<u>\$ 7,850</u>	<u>\$ 7,010</u>	<u>\$ 840</u>
Total Expenses	<u>\$ 346,000</u>	<u>\$ 346,000</u>	<u>\$ 465,131</u>	<u>\$ (119,131)</u>

The accompanying notes are part of the financial statements.

KNOX COUNTY METROPOLITAN, EXPOSITION
AUDITORIUM AND OFFICE BUILDING AUTHORITY
Galesburg, Illinois

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS--
BUDGET AND ACTUAL--CASH BASIS
Year Ended December 31, 2010

Page 3 of 3

	Budget Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Total Revenues Over Expenses	\$ 500	\$ 500	\$ 125,574	\$ 125,074
Net change resulting from conversion to modified cash basis			(80,332)	
Fund balance, January 1, 2010			2,207,938	
Fund balance, December 31, 2010			\$ 2,253,180	

The accompanying notes are part of the financial statements.



Blucker, Kneer & Assoc., Ltd.
Certified Public Accountants

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To the Board of Directors
Knox County Metropolitan, Exposition, Auditorium and Office Building Authority
Galesburg, Illinois

In planning and performing our audit of the financial statements of business-type activities of Knox County Metropolitan, Exposition, Auditorium and Office Building Authority, Illinois, as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Knox County Metropolitan, Exposition, Auditorium and Office Building Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

The size of the Authority administrative and accounting staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties and is not a controllable weakness. Therefore, the Board must remain involved in the financial affairs of the Authority to provide oversight and review functions.

A significant deficiency is a control deficiency, or a combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority's internal control to be significant deficiencies.

The Authority does not have staff with sufficient accounting knowledge needed to prepare financial statements and disclosures in accordance with the generally accepted accounting principles or to prevent, detect, and correct potential material misstatement in the financial statements. As a result, the Authority relies on fiscal year auditors to prepare draft financial statements for the Authority's approval and is not a controllable weakness. The Board should continue to perform a detailed review of the draft financial statements and make inquiries necessary.

To the Board of Directors
Knox County Metropolitan, Exposition, Auditorium and Office Building Authority
Page Two

The Authority needs to retain supporting documentation for all expenses especially invoices for credit card purchases. During the testing of disbursements, invoices or documentation were not found to support the expense.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Authority, is not intended to be and should not be used by anyone other than these specified parties.

Bluelee, Kneez and Associates
Certified Public Accountants *Ltd.*

Galesburg, Illinois
August 17, 2011

Blucker, Kneer & Assoc., Ltd.
Certified Public Accountants

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Norman J. Underwood, C.P.A.
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August 17, 2011

Board of Directors
Knox County Metropolitan, Exposition, Auditorium
and Office Building Authority
60 S. Kellogg Street
Galesburg, IL 61401

Upon completing the audit of your financial statements for the fiscal year ended December 31, 2010, we have the following recommendations based on our engagement findings:

- The Board needs to ensure supporting documentation is kept for all expenses especially all individual receipts for credit card purchases. Invoices for credit card purchases should be kept and matched to the credit card statement to make sure all purchases are justifiable, properly recorded and supported for the Board's subsequent review
- The Board should consider reviewing employee pay contracts and making modifications to ensure that the contract language is clear as to the rate of pay for the employee.

The above findings are not intended to be all inclusive but made in an effort to assist you in operations of the authority.

If you have any questions, please contact me.

Very truly yours,

Blucker, Kneer & Assoc., Ltd.
Certified Public Accountants



Teresa A. Welch

TAW:kh



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August 17, 2011

To the Board of Directors
Knox County Metropolitan, Exposition, Auditorium and Office Building Authority.
Galesburg, Illinois

We have audited the financial statements of the business-type activities of Knox County Metropolitan, Exposition, Auditorium and Office Building Authority., Illinois, for the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibility under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 29, 2010. Professional standards also require we communicate to you the following information related to our audit.

Significant Audit Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority., Illinois, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. There are no particularly sensitive financial statement disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Board of Directors
Knox County Metropolitan, Exposition, Auditorium and Office Building Authority.
Page Two

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following material misstatements detected as a result of audit procedures were corrected: Adjustments to reclassify revenue, reclassify expenses, and record depreciation.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, report, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 17, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Knox County Metropolitan, Exposition, Auditorium and Office Building Authority., Illinois, and is not intended to be and should not be used by anyone other than these specified parties.

Bluckee, Kneez, and Assoc.
Certified Public Accountants
Ltd.

Galesburg, Illinois
August 17, 2011