



Dave Yost • Auditor of State





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## INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, with which the Board of Directors and the management of Knox County Agricultural Society (the Society) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended November 30, 2012 and 2011, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

### Cash

1. We tested the mathematical accuracy of the November 30, 2012 and November 30, 2011 bank reconciliations. We found no exceptions.
2. We agreed the December 1, 2010 beginning fund balances recorded to the November 30, 2010 balances in the prior year audited statements. We found no exceptions. We also agreed the December 1, 2012 beginning fund balances recorded to the November 30, 2012 balances. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the November 30, 2012 and 2011 fund cash balance reported in the Trial Balance reports. The amounts agreed in 2012. However, we noted a variance of \$222 between the Trial Balance report and the bank reconciliation in 2011. We recommend the Treasurer ensure amounts on the bank reconciliation agree to the Trial Balance report and document the reasons for any variances.
4. We confirmed the November 30, 2012 bank account balances with the Society's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the November 30, 2012 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the November 30, 2012 bank reconciliation:
  - a. We traced each debit to the subsequent December bank statement. We noted that check number 36910 dated July 26, 2011 for \$150, check number 38042 dated July 26, 2012 for \$100, and check number 38112 dated July 27, 2012 for \$20 were still outstanding at August 31, 2013. We recommend that the Treasurer periodically review and follow up with long outstanding checks.

### **Cash (Continued)**

- b. We traced the amounts and dates to the check register, to determine the debits were dated prior to November 30. We noted no exceptions.
6. We selected the only two reconciling credits (such as deposits in transit) haphazardly from the November 30, 2012 bank reconciliation:
    - a. We attempted to trace each credit to the subsequent bank statements. We noted two reconciling items totaling \$109, dated July 2011. The reconciling items appear to be receipts that were double posted and should have been reversed off the cash ledgers. We recommend that the Treasurer periodically review and follow up with long outstanding reconciling items.
    - b. We agreed the credit amounts to the Receipt Ledger. Each credit was recorded as a July 2011 receipt for the same amount recorded in the reconciliation.

### **Intergovernmental and Other Confirmable Cash Receipts**

We selected all the receipts from the Distribution Transaction Detail Report (State DTL) for 2012 and 2011. We also selected the only two receipts from the County Auditor's Detail Expense Report from 2012 and the only two from 2011.

- a. We compared the amount from the above reports to the amount recorded in the Receipt Ledger. The amounts agreed.
- b. We determined whether these receipts were allocated to the proper account codes. We found no exceptions.
- c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

### **Admission/Grandstand Receipts**

We haphazardly selected one day of admission/grandstand cash receipts from the year ended November 30 2012 and one day of admission/grandstand cash receipts from the year ended November 30, 2010 recorded in the receipts ledger and determined whether the receipt amount agreed to the supporting documentation (ticket recapitulation sheets/cash register tapes, etc). The amounts did not agree for the days tested in 2011 or 2012. We noted that for July 25, 2011, and July 26, 2012, the ticket numbers and ticket price types were not properly documented in the Ticket Journal Accountability Forms. Therefore, we were not able to determine how many tickets were truly sold and at what price. We also noted that on July 25, 2011, the Ticket Journal reported sales of \$22,567 whereas the amount deposited was \$22,540.79; on July 26, 2012, the Ticket Journal reported sales of \$10,002 whereas the amount deposited was \$10,530. We recommend that the Treasurer and Board ensure that ticket numbers and ticket prices are properly documented on Ticket Journal Accountability Forms in order to determine how many tickets were actually sold and at what price. Persons assigned to ensure the accuracy of the Ticket Journal Accountability Forms should review and recalculate beginning and ending ticket numbers to ticket prices and compare amounts reflected on the forms to amounts deposited by the Treasurer. Any discrepancies should be documented on the form.

**Privilege Fee Receipts**

We haphazardly selected 10 privilege fee cash receipts from the year ended November 30, 2012 and 10 privilege fee cash receipts from the year ended November 30, 2011 recorded in the Receipts Ledger and determined whether the:

- a. Receipt amount agreed to the contract. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We noted no evidence in the minutes of any Board approved rates for privilege fees. We recommend that the Board approve a privilege fee rate schedule each year to ensure that all vendors are being properly charged.
- c. Receipt was recorded in the proper year. We found no exceptions.

**Rental Receipts**

We haphazardly selected 10 rental cash receipts from the year ended November 30, 2012 and 10 rental cash receipts from the year ended November 30, 2011 recorded in the duplicate cash receipts book and determined whether the:

- a. Receipt amount agreed to the amount recorded in the Receipt Ledger. The amounts agreed.
- b. Amount charged complied with rates in force during the period. We noted that 16 of the 20 rental receipts in 2011 and 2012 were charged rates that could not be traced to Board approved rental rates. We recommend that the Board approve all rates and fees associated with rental receipts, and maintain a rate schedule showing the different rates charged to ensure all renters are being charged the appropriate amounts.
- c. Receipt was recorded in the proper year. We found no exceptions.

**Debt**

- 1. From the prior audit documentation, we noted the following notes outstanding as of November 30, 2010. These amounts agreed to the Societies December 1, 2010 balances on the summary we used in step 3.

Issue	Principal outstanding as of November 30, 2010:
Notes – Real Property (Issued by Knox County)	\$571,502

- 2. We inquired of management, and scanned the receipt and expenditure records for evidence of loan or credit agreements, and bonded, note, County, or mortgage debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. We noted that Knox County Commissioners financed fairground land and hold the property in their name. The Society makes one of the two semi-annual payments for the year and the County makes the other. All debt noted agreed to the summary we used in step 3. We also noted that the debt outstanding as of November 30, 2010 was retired and new notes were issued at a lower interest rate in November 2012.
- 3. We obtained a summary of debt service payments owed during 2012 and 2011 and agreed these payments from the expenditure ledger to the related debt amortization schedule. We also compared the date the debt service payments were due to the date the Society made the payments. We found no exceptions.

### **Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the General Ledger and:
  - a. We compared the hours and pay rate, or salary recorded in the General Ledger to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.

We noted that the Society does not withhold taxes. In accordance with 26 U.S.C. Section 3121 (d)(2) Internal Revenue Service (IRS) Publication 963, Chapter 4, explains that any individual will have the status of an employee if he or she meets the usual common-law rules applicable in determining the employer-employee relationship. The common-law rule for determining whether a worker is an employee is whether the service recipient (i.e., the government entity) has the right to direct and control the worker as to the manner and means of the worker's job performance. We recommend that the Society re-evaluate the employee statuses of the Treasurer and Secretary as defined by the IRS and withhold taxes.

### **Non-Payroll Cash Disbursements**

1. We haphazardly selected ten disbursements from the Expenditure Report for the year ended November 30, 2012 and ten from the year ended 2011 and determined whether:
  - a. The disbursements were for a proper public purpose. We noted that one purchase for dinner at a Columbus restaurant in January 2012 included alcohol. State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or Resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The use of public funds to purchase alcohol will be considered arbitrary and incorrect and will be cited by the Auditor of State's Office. In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Ken Boeshart, Treasurer, in the total amount of \$3.75 and in favor of Knox County Agricultural Society General Fund. The Finding for Recovery was repaid in full to the General Fund and deposited on September 24, 2013.
  - b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the General Ledger and to the names and amounts on the supporting invoices. We noted that two disbursements had no supporting documentation. However, the Board periodically approves the noted services in the minutes and we viewed supporting documentation in 2013 to demonstrate the amounts and vendors paid were reasonable. We recommend the Society maintain supporting documentation with all disbursements.
  - c. Based on the nature of the expenditure, the account coding is reasonable. We found no exceptions.

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We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Society's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Society, and is not intended to be, and should not be used by anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 7, 2013

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# 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  
NOVEMBER 7, 2013**