

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**FINANCIAL STATEMENT  
(AUDITED)**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018**



OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the Knox County Agricultural Society, Knox County, prepared by Julian & Grube, Inc., for the audit period December 31, 2017 through November 30, 2018. 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

October 3, 2019

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**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

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

To the Board of Directors:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Knox County Agricultural Society, Knox County, Ohio, as of and for the fiscal year ended November 30, 2018.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Knox County Agricultural Society's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Knox County Agricultural Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified audit opinions.

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

As described in Note 2 of the financial statement, the Knox County Agricultural Society prepared the financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Knox County Agricultural Society does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification* paragraph below.

***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* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Knox County Agricultural Society as of November 30, 2018, and the respective change in financial position thereof for the fiscal year then ended.

***Basis for Additional Opinion Qualification***

Donations/Contributions receipts included \$11,347 and other operating receipts included \$18,745, totaling \$30,092 or 5% of total receipts. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as donations/contributions and other operating receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Knox County Agricultural Society, Knox County, Ohio as of November 30, 2018, for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019, on our consideration of the Knox County Agricultural 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 Knox County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
August 26, 2019



**Knox County Agricultural Society**  
*Knox County*  
*Statement of Receipts, Disbursements and*  
*Change in Fund Balance (Regulatory Cash Basis)*  
*For the Fiscal Year Ended November 30, 2018*

<b>Operating Receipts</b>	
Admissions	\$ 213,965
Privilege Fees	58,866
Rentals	75,411
Sustaining and Entry Fees	21,651
Pari-mutuel Wagering Commission	31,250
Other Operating Receipts	<u>29,553</u>
<i>Total Operating Receipts</i>	<u>430,696</u>
 <b>Operating Disbursements</b>	
Utilities	90,977
Equipment and Grounds Maintenance	41,810
Professional Services	40,595
Property Services	55,891
Administrative Services	79,709
Race Purse	91,176
Race Expense	9,645
Advertising	19,989
Contest Expense	62,091
Insurances	17,384
Rent/Leases	6,824
Senior Fair	20,636
Junior Fair	46,804
Supplies and Materials	3,621
Capital Outlay	483
Other Operating Disbursements	<u>10,802</u>
<i>Total Operating Disbursements</i>	<u>598,437</u>
 <i>Excess (Deficiency) of Operating Receipts</i>	
<i>Over (Under) Operating Disbursements</i>	<u>(167,741)</u>
 <b>Non-Operating Receipts (Disbursements)</b>	
State Support	76,754
County Support	14,860
Donations/Contributions	53,436
Sale of Assets	1,558
Interest on Deposits	9
Debt Service	<u>(33,978)</u>
 <i>Net Non-Operating Receipts (Disbursements)</i>	<u>112,639</u>
 <i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	(55,102)
 Cash Balance, Beginning of Year	<u>126,602</u>
 <i>Cash Balance, End of Year</i>	<u><u>\$ 71,500</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, 2018*

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**1. Reporting Entity**

The Constitution and laws of the State of Ohio establish the rights and privileges of the Knox County Agricultural Society, Knox County, Ohio (the "Society"), as a body corporate and politic. The Society is a county agricultural society corporation formed under chapter 1711 of the Ohio Revised Code. The Society was founded in 1849 to operate an annual agricultural fair. The Society sponsors the weeklong 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 manage the Society. The Board members are made up of eighteen 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 community events. The reporting entity does not include any other activities or entities of Knox County, Ohio.

The Junior Fair Board and Junior Livestock Sale Committee'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.

**2. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The Society's financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis).

**B. Accounting Basis**

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(D). 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(D) permit.

**C. Deposits**

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, 2018*

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**2. Summary of Significant Accounting Policies (Continued)**

**D. Property, Plant, and Equipment**

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

**E. 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.

**F. Race Purse**

Harness Racing Stakes races are held during the Knox County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

*Sustaining and Entry Fees*

Horse owners and Ohio Harness Horseman's 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.

**G. 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 of 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, 2018*

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**3. Deposits and Investments**

The Society maintains a deposit and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2018 was as follows:

	<u>2018</u>
Demand Deposits	\$56,064
Savings Account	3,415
Money Market	<u>12,021</u>
Total Deposits	<u>\$71,500</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**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, 2017 was \$7,432 as State Support.

*Pari-mutuel Wagering*

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) (net of expenses) 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 net in Pari-mutuel Wagering Commissions. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	<u>2018</u>
Total Amount Bet (Handle)	\$ 13,080
Less: Payoff to Bettors	<u>(10,273)</u>
Parimutuel Wagering Commission	2,807
Tote Service Set Up Fee	(900)
Tote Service Commission	(836)
State Tax	<u>(374)</u>
Society Portion	<u>\$ 697</u>

**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 & 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 2018 to the Fair Board for Operations.

**Knox County Agricultural Society**  
*Knox County*  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended November 30, 2018*

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**6. Risk Management**

The Knox County Commissioner provide general insurance coverage for all the buildings on the Knox County Fairgrounds pursuant to the Ohio Revised Code 1711.24. A private company provides general liability insurance and vehicle insurance, with limits of \$5,000,000 aggregate. The policy includes crime coverage for employee dishonesty with limits of liability of \$30,000. The Society's Treasurer and Secretary are bonded with coverage of \$130,000.

**7. Debt**

In a prior year, the Society purchased a tractor through a loan contract, which bears a fixed interest rate at 3.95% and is due to John Deere Financial. The loan was entered into on September 6, 2013 and is payable in 60 monthly installments at \$231.07 per month. The Society paid \$2,311 in principal and interest during fiscal year ended November 30, 2017. The loan was paid off during the fiscal year ended 2018.

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%.

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

Fiscal Year Ending:	Refunding Bond Principal	Refunding Bond Interest	Total
2019	\$ 29,410	\$ 2,446	\$ 31,856
2020	29,730	1,819	31,549
2021	30,689	1,168	31,857
2022	31,328	505	31,833
	\$ 121,157	\$ 5,938	\$ 127,095

**8. Changes in Management**

In October of 2018, Cora Lyon-Eberhart was appointed to the Treasurer position.

**9. Accountability and Compliance**

- The Society was in noncompliance with Ohio Administrative Codes Section 117-2-02(D) and Section 117-2-02(C)(3).
- The Society was in noncompliance with Ohio Revised Code 9.38.

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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  
P.O. Box 707, 601 Fairgrounds Road  
Mt. Vernon, Ohio 43050

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balances, receipts, and disbursements of the Knox County Agricultural Society, Knox County, Ohio, as of and for the fiscal year ended November 30, 2018, and the related notes to the financial statement and have issued our report thereon dated August 26, 2019, wherein we noted the Knox County Agricultural Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion due to a lack of sufficient audit evidence supporting the amounts for donations/contributions receipts and other operating receipts for the fiscal year ended November 30, 2018.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Knox County Agricultural Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statement, but not to the extent necessary to opine on the effectiveness of the Knox County Agricultural Society's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Knox County Agricultural Society's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2018-001 through 2018-003 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Knox County Agricultural Society's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2018-002 and 2018-003.

***Knox County Agricultural Society's Responses to Findings***

The Knox County Agricultural Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject the Knox County Agricultural Society's responses to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Knox County Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Knox County Agricultural Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
August 26, 2019



**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2018-001

**Material Weakness - Financial Statement Presentation**

Management is responsible for preparing a complete and accurate financial statement 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 recorded in the proper accounts and accurately summarized on the financial statement.

Certain adjustments were made to the Society’s ledger, financial statement and note disclosures to properly state financial statement amounts. Adjustments were made to properly account for multiple transactions in the Society’s system that were classified as an incorrect line item. Additional adjustments were necessary to reclassify receipts and disbursements the Society properly recorded in its general ledger, but classified them incorrectly on the financial statement. The audited financial statement and the Society records have been adjusted for the misstatements identified during the audit.

In general, an accounting system and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations. The system also does not include a second review of the financial statement to ensure the information accurately portrays the activities of the Society. In addition, some of the adjustments were due to the Society trying to match its system to the financial statement template provided by the Auditor of State. This template is meant as a guide and should be modified to match the Society’s activity.

A lack of proper policies and procedures for control and monitoring activities associated with the proper posting of activities as well as period-end financial reporting process could lead to financial statement and note disclosure adjustments, causing a misrepresentation of activities.

We recommend the Society design and implement additional procedures to facilitate accurate financial reporting. The Society should consider having an outside third-party, or another Board member with financial experience, review the financial report prior to presenting to audit. We also recommend the Society avoid using the “other operating disbursements” and “other operating receipts” line items to account for large amounts of receipts and disbursements when it is unclear where to report them. Breaking these transactions out on the face of the financial statement more transparently documents the Society’s activity for the fiscal year. The Society should also continue to use the “statement of receipts, disbursements and change in fund balance (regulatory cash basis)” template provided on the Auditor of State’s website as a guide to assist in accurate financial reporting. However, we recommend the Society tailor this template to accurately reflect its activity for the fiscal year.

*Client’s Response:* The Society has a new Treasurer and 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.

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2018-002

**Material Weakness/Noncompliance - Accounting Records**

Ohio Administrative Code (OAC) § 117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include a cash receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions should be recorded on this ledger. The local office should also maintain adequate documentation to support the amounts recorded on this ledger. In addition, OAC § 117-2-02(C)(3) states that check vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices and timely record the transaction into its manual or computerized account records. It is management’s responsibility to implement internal accounting control policies and procedures to reasonably ensure the Society’s receipts and disbursements are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of receipt and disbursement records.

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, the USAAS states a multi-part pre-numbered receipt should be completed for each receipt. A copy of the receipt shall be given to the person or organization making the payment. The society shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively. A cash receipt shall be prepared for all cash receipts regardless of whether other documentation evidences receipt (e.g. camping contract).

Certain credit card deposits were made with no support and were classified in the general ledger as either “miscellaneous receipts” or “uncategorized income”. In addition, some donation and contribution receipts were recorded that lacked any support other than a deposit slip.

In addition, the Society withdrew cash from its operating bank account to provide start-up funds for fair events and for cash disbursements for various fair purposes. The Society maintained support for cash withdrawals in the form of a withdrawal slip or check signed by the Treasurer and Board. However, the Board of Directors did not always approve the withdrawing of cash in the form of an official Board-approved resolution. Additionally, sufficient support for cash disbursements, such as invoices, receipts, or Board resolution, was not maintained to support the proper public purpose of certain cash disbursements. Ultimately, these cash disbursements and return of start up funds were determined to be reasonable, although support was inconsistent.

By not properly requiring and retaining all supporting documentation for all transactions and monitoring cash withdrawals, receipts and disbursements, the Society is at risk of funds being misused or misplaced. Also, when the Society uses cash for operations, the risk of fraud increases.

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2018-002 - (Continued)

We recommend the Society retain adequate support of all financial transactions for receipts and disbursements throughout the year. We also recommend the Society limit the withdrawing of cash as much as possible. If the Society must withdraw cash for start-up money, we recommend they put in place procedures or controls to better track the amounts to show exactly how much went to each gate and when reconciling each gate daily and at the end of the fair, this amount be included in the reconciliation and deposited back in full when no longer needed. If the Society determines it necessary to withdraw cash for payment of certain disbursements, we recommend a Board-approved set of policies and procedures be followed. This could include the use of a reconciliation form to track the cash withdrawn, cash spent, and any cash redeposited. Further, we recommend the Society maintain an audit trail for all cash receipts and disbursements.

*Client Response:* The Society has a new Treasurer. These areas of concern are currently being addressed by the Board and new controls and procedures have already been implemented to ensure all transactions are sufficiently supported.

Finding Number	2018-003
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**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.

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 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.

The Society held funds of varying amounts greater than the allowable 1 or 3 business days without depositing them in accordance with the Ohio Revised Code Section 9.38 and the USAAS. Of the total receipts tested it was noted approximately 54% were not deposited timely.

As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment.

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2018-003 - (Continued)

We recommend that 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.

*Client Response:* The Society is under a new Treasurer who is attempting to deposit all money more timely and in accordance to the ORC mentioned. The new Treasurer will also be stamping the back of the checks the day she receives them to show that she is depositing in a timely manner from the date she receives. In addition, the Society also adopted a new program "Onsite Deposit Teller/Manager" in which all checks can be directly deposited from the Society office to the bank.

**KNOX COUNTY AGRICULTURAL SOCIETY  
KNOX COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2018**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	<u>Significant Deficiency - Financial Statement Presentation</u> - Accurate financial reporting is required in order to provide the Board and citizens with objective and timely information to enable well-informed decisions. 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. Adjustments were made to the financial statement and note disclosures for the fiscal year ended November 30, 2017, to properly state financial statement amounts. The audited financial statement and the Society records have been adjusted for the misstatements identified during the audit.	Not Corrected	Reissued as material weakness as finding 2018-001 as increased audit adjustments were posted to the Society's ledger and financial statement and related notes.
2017-002	<u>Noncompliance/Significant Deficiency - Accounting Records</u> – The Society did not comply with Ohio Administrative Codes § 117-2-02(D) and § 117-2-02(C)(3), which outline the procedures for public offices to maintain proper records for check vouchers and cash receipts. Support for certain receipts and disbursements as well as some cash withdrawals activity, wasn't always present or complete.	Not Corrected	Reissued as material weakness as finding 2018-002

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# OHIO AUDITOR OF STATE KEITH FABER



**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  
OCTOBER 15, 2019**