



Dave Yost • Auditor of State

**RICHLAND COUNTY AGRICULTURAL SOCIETY
RICHLAND COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Richland County Agricultural Society
Richland County
750 North Home Road
Mansfield, Ohio 44906

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Richland County Agricultural Society, Richland County, Ohio, (the Society) as of and for the years ended November 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements 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 these financial statements 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 statements are 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 Society's preparation and fair presentation of the financial statements 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 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 audit opinions.

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

As described in Note 2 of the financial statements, the Society prepared these financial statements 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 statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements 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 *Opinion on Regulatory Basis of Accounting* 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 statements referred to above 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, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Richland County Agricultural Society, Richland County, Ohio, as of November 30, 2016 and 2015, for the years 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 March 13, 2018, 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. 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 Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2018

Richland County Agricultural Society
Richland County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2016

Operating Receipts	
Admissions	\$166,049
Privilege Fees	68,860
Rentals	237,656
Sustaining and Entry Fees	31,277
Pari-mutuel Wagering Commission	666
Other Operating Receipts	72,336
	576,844
<i>Total Operating Receipts</i>	
Operating Disbursements	
Wages and Benefits	147,544
Utilities	108,223
Professional Services	111,935
Equipment and Grounds Maintenance	228,917
Race Purse	87,885
Senior Fair	22,036
Junior Fair	5,718
Other Operating Disbursements	126,601
	838,859
<i>Total Operating Disbursements</i>	
<i>Excess (Deficiency) of Operating Receipts</i>	
	(262,015)
Non-Operating Receipts (Disbursements)	
State Support	64,739
County Support	3,300
Donations/Contributions	149,760
Sale of Personal Property	11,782
Interest Received	21
Gain on Investment	5,898
Debt Service	(12,738)
	222,762
<i>Net Non-Operating Receipts (Disbursements)</i>	
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	
	(39,253)
Cash Balance, Beginning of Year	105,051
<i>Cash Balance, End of Year</i>	\$65,798

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

Richland County Agricultural Society
Richland County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2015

Operating Receipts	
Admissions	\$205,282
Privilege Fees	85,918
Rentals	246,007
Sustaining and Entry Fees	22,460
Pari-mutuel Wagering Commission	837
Other Operating Receipts	<u>67,742</u>
<i>Total Operating Receipts</i>	<u>628,246</u>
Operating Disbursements	
Wages and Benefits	148,303
Utilities	96,077
Professional Services	99,562
Equipment and Grounds Maintenance	129,221
Race Purse	75,441
Senior Fair	22,914
Junior Fair	5,430
Other Operating Disbursements	<u>122,745</u>
<i>Total Operating Disbursements</i>	<u>699,693</u>
<i>Excess (Deficiency) of Operating Receipts</i>	<u>(71,447)</u>
Non-Operating Receipts (Disbursements)	
State Support	14,494
County Support	3,300
Donations/Contributions	112,482
Sale of Personal Property	25,784
Interest Received	30
Loss on Investment	(1,610)
Debt Service	<u>(52,733)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>101,747</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	30,300
Cash Balance, Beginning of Year	<u>74,751</u>
<i>Cash Balance, End of Year</i>	<u><u>\$105,051</u></u>

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

Richland County Agricultural Society
Richland County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 1 – Reporting Entity

The Richland County Agricultural Society, Richland County, Ohio, (the Society) 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 1850 to operate an annual agricultural fair. The Society sponsors the week – long Richland County Fair during August. During the fair, harness races are held, culminating in the running of the Northern Ohio Colt Stakes. Richland County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 27 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Richland 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 including facility rental, track and stall rental, and community events including a flea market and “Christmas Wonderland.” The reporting entity does not include any other activities or entities of Richland County, Ohio.

Notes 8 and 9, respectively, summarize the Junior Fair Board’s and Junior Livestock Sale Committee’s financial activity.

The Society’s management believes these financial statements present all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting

These financial statements follow 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 Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include 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.

Deposits and Investments

The Society’s accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Society’s mutual fund investment is recorded at the fair market value.

Richland County Agricultural Society
Richland County
Notes to the Financial Statements
For the Year Ended November 30, 2016 and 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Capital Assets

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do 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

North Ohio Colt Stakes stake races are held during the Richland 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 the United States Trotting Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund - The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 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.

Richland County Agricultural Society
Richland County
Notes to the Financial Statements
For the Year Ended November 30, 2016 and 2015
(Continued)

Note 3 – Deposits and Investments

The Society maintains a deposit and investment 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:

	2016	2015
Demand deposits	\$22,979	\$68,130
Investment (mutual fund)	42,819	36,921
Total deposits and investments	\$65,798	\$105,051

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments / Noncompliance

The mutual fund investment is uncollateralized and includes investments in common stock of corporations which are not in accordance with Ohio Rev. Code Section 135.14(B).

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2016 and 2015, was \$64,739 and \$14,494, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

Richland County Agricultural Society
Richland County
Notes to the Financial Statements
For the Year Ended November 30, 2016 and 2015
(Continued)

Note 4 – Horse Racing (Continued)

Pari-mutuel Wagering (Continued)

	2016	2015
Total Amount Bet (Handle)	\$ 15,143	\$ 15,977
Less: Payoff to Bettors	(12,030)	(12,671)
Parimutuel Wagering Commission	3,113	3,306
Tote Service Set Up Fee	(700)	(700)
Tote Service Commission	(1,294)	(1,275)
State Tax	(453)	(494)
Society Portion	\$ 666	\$ 837

Note 5 – Risk Management

The Richland County Commissioners provide general insurance coverage for all the buildings on the Richland County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000.

The Society provides workers' compensation coverage on all employees through the State of Ohio worker's compensation fund. Coverage is currently in effect through June 30, 2018.

Note 6 – Debt

Debt outstanding at November 30, 2016, was as follows:

	Principal	Interest Rate
County Loan	\$154,083	4.00%

Richland County loaned the Society \$500,000 on August 1, 2007, to construct a new exhibition barn for poultry, expanding a bath and shower facility, and improving water lines. The Society was originally to repay the loan in monthly installments of \$8,333, plus 4% interest. However, the County and Society have subsequently made verbally agreed-upon modifications to the original payment schedule. A formal written repayment plan has not yet been established.

Note 7 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2016.

Richland County Agricultural Society
Richland County
Notes to the Financial Statements
For the Year Ended November 30, 2016 and 2015
(Continued)

Note 8 – Junior Fair Board

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Richland County Fair. During 2016 and 2015, the Society disbursed \$4,776 and \$4,768, respectively, directly to the Junior Fair Board and \$942 and \$662, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Richland County paid the Society \$500 each year to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board’s financial activity for the years ended November 30, 2016 and 2015 follows:

	2016	2015
Beginning Cash Balance	2,731	8,371
Receipts	20,991	20,927
Disbursements	(14,909)	(26,567)
Ending Cash Balance	\$ 8,813	\$ 2,731

Note 9 – 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 Richland County’s auction. A commission of 3 percent on auction sales covers auction costs. 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 years ended November 30, 2016 and 2015 follows:

	2016	2015
Beginning Cash Balance	\$ 61,726	\$ 48,408
Receipts	635,361	551,135
Disbursements	(642,083)	(537,817)
Ending Cash Balance	\$ 55,004	\$ 61,726

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

Richland County Agricultural Society
Richland County
750 North Home Road
Mansfield, Ohio 44906

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 statements of the cash balances, receipts, and disbursements of the Richland County Agricultural Society, Richland County, Ohio, (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated March 13, 2018, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and significant deficiencies.

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 a 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 Society's financial statements. We consider finding 2016-002 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2016-001 and 2016-003 described in the accompanying schedule of findings to be significant deficiencies.

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Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are 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 as items 2016-003 through 2016-005.

Society's Response to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses 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 Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

March 13, 2018

**RICHLAND COUNTY AGRICULTURAL SOCIETY
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2016-001

Rental Receipts – Significant Deficiency

The Society collects receipts for various rentals such as buildings, stalls, storage, golf carts, and campsites.

For thirteen out of thirty-three (39%) rental receipts tested during 2015 and 2016, the Society did not enter into or maintain written contracts. Rental rates were determined based on verbal agreements or fees charged in prior years. Lack of a proper, legally binding contract could result in improper use of the building, inability to collect rental fees, or uncollectible damage or cleaning expenses.

We recommend the Society ensure that arrangements to collect rental fees are supported by a written contract, signed by a representative of the Society and the renter. Terms of the contract, including rental payments and any restrictions on the use of the building or space, should be detailed in the agreement. The Society should also monitor all written contracts to ensure the Society collects all money due.

Officials' Response:

The Society will enter into and maintain written contracts for all rentals.

**RICHLAND COUNTY AGRICULTURAL SOCIETY
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002

Monthly Bank Reconciliations – Material Weakness

Monthly bank to book reconciliations should be completed by the Society's Treasurer. Reconciling items should be investigated at the time of the reconciliation and resolved in a timely manner. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Board of Directors.

The Society did not record investment account activity in its accounting ledgers; therefore, monthly bank to book reconciliations performed by the Treasurer did not include the Society's investment account balance. Adjustments were made to the financial statements to include the investment account balance and activity as follows:

- Increase the December 1, 2014 cash balance by \$38,531;
- Record loss on investment of \$1,610 in 2015;
- Increase December 1, 2015 cash balance by \$36,921;
- Record investment interest of \$5,898 in 2016.

Furthermore, the Society was unreconciled at November 30, 2016 and November 30, 2015 with bank balances exceeding book balances by \$4,362 and \$2,029, respectively.

When bank reconciliations are not properly performed, the Board does not have accurate knowledge of the financial status of the Society and errors, irregularities, or misappropriation of the Society's assets could occur and go undetected by management.

We recommend the Treasurer account for the investment account activity in the accounting system. Monthly bank to book reconciliations should be performed that properly account for all accounts held by the Society. Additionally, reconciling items should be resolved in a timely manner and reviewed by the Board of Directors.

Officials' Response:

The Society's Treasurer will be working with the Local Government Services Division of the State Auditor's Office to become reconciled. Once this has been completed the Society's Treasurer will maintain monthly reconciliations.

**RICHLAND COUNTY AGRICULTURAL SOCIETY
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-003

Debit Card Expenditures and Supporting Documentation – Noncompliance / Significant Deficiency

Ohio Rev. Code § 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

During 2015 and 2016, the Society used a debit card for various purchases. We noted the following debit card expenditures which had no supporting documentation:

- \$63.12 for toner
- \$175.72 for soft drinks for auction
- \$228.00 hotel expenses for 2015 training conference
- \$31.00 for parking at 2016 training conference
- \$255.15 for office supplies
- \$177.39 for meals provided to band members

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

Furthermore, the use of debit cards exposes governments to various unnecessary risks. Debit cards take funds directly from government accounts and bypass important internal controls over authorization and approval of expenditure transactions.

We recommend the Society discontinue use of its debit card and review its policies and procedures to ensure expenditures are properly authorized and that detailed itemized receipts are maintained to support all expenditures. All supporting documentation should be maintained in the Society's accounting records.

Officials' Response:

The Society's Treasurer is working on acquiring a credit card for the Society and will do away with the debit card upon receipt of credit card.

**RICHLAND COUNTY AGRICULTURAL SOCIETY
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004

Unallowable Investment – Noncompliance

Ohio Rev. Code § 135.14(B) indicates the treasurer or governing board may invest or deposit any part or all of the interim moneys. The following classifications of obligations shall be eligible for such investment or deposit:

- (1) United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.
- (3) No-load money market mutual funds consisting exclusively of obligations described in division (B)(1) or (2) of this section.

In prior years, the Society invested a donation of \$7,000 in a mutual fund investment account which invests in, among other things, common stock of corporations. As of November 30, 2016, this investment account was still open and valued at \$42,819. A mutual fund which invests in corporate common stock is not an eligible investment for the Society, based on the Revised Code Section noted above.

Placing Society monies in unallowable investments could lead to greater risk of investment losses.

We recommend the Society ensure investments are only made in compliance with Ohio Revised Code requirements. The Society should divest itself of the mutual fund investment account when it is economically feasible and place these funds in eligible investments.

Officials' Response:

The Society will look into other options for this investment.

**RICHLAND COUNTY AGRICULTURAL SOCIETY
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-005

Finding for Recovery Repaid Under Audit – Alcohol Purchase

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, unless the purchase meets the exceptions as outlined in Auditor of State Bulletins 2014-002 and 2014-003, which state that a county agricultural society may use moneys provided by the state, county, or “other sources” to acquire alcoholic beverages and a liquor permit to sell the beverages at an event that is open to the public and conducted on the society’s or county’s fairgrounds.

On August 10, 2015, Jason Snyder used the Society’s debit card to purchase \$19 in alcohol for concert band members. This purchase does not meet the exception outlined in Auditor of State Bulletins 2014-002 and 2014-003.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jason Snyder in the amount of nineteen dollars (\$19), in favor of the Richland County Agricultural Society’s General Fund.

The Finding for Recovery was repaid in full by Jason Snyder to the General Fund and deposited on February 28, 2018.

Officials’ Response:

This finding has been resolved.

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Dave Yost • Auditor of State

RICHLAND COUNTY AGRICULTURAL SOCIETY

RICHLAND 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
APRIL 19, 2018**