



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 N. Home Road  
Mansfield, Ohio 44906

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Richland County Agricultural Society, Richland County, Ohio, (the Society) as of and for the years ended November 30, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

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

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2012 and 2011, or changes in financial position or cash flows 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 combined cash balances of the Richland County Agricultural Society, Richland County, Ohio, as of November 30, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013, 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

April 12, 2013

**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Receipts:</b>		
Admissions	\$154,185	\$209,261
Privilege Fees	82,312	87,040
Rentals	212,345	229,380
Sustaining and Entry Fees	17,053	20,233
Parimutuel Wagering Commission	3,087	2,981
Other Operating Receipts	42,186	42,834
 Total Operating Receipts	 511,168	 591,729
<b>Operating Disbursements:</b>		
Wages and Benefits	140,678	134,153
Utilities	95,626	107,833
Professional Services	99,096	128,147
Equipment and Grounds Maintenance	107,693	102,697
Race Purse	29,704	33,204
Senior Fair	27,870	35,869
Junior Fair	4,755	4,720
Capital Outlay	910	1,500
Other Operating Disbursements	121,014	127,345
 Total Operating Disbursements	 627,346	 675,468
Deficiency of Operating Receipts Under Operating Disbursements	(116,178)	(83,739)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	18,729	19,524
County Support	3,300	3,300
Donations/Contributions	136,201	73,439
Sale of Assets	699	40
Investment Income	3,590	185
Loss on Investment		(950)
Debt Service	(47,066)	(24,492)
 Net Non-Operating Receipts (Disbursements)	 115,453	 71,046
Deficiency of Receipts Under Disbursements	(725)	(12,693)
Cash Balance, Beginning of Year	65,230	77,923
<b>Cash Balance, End of Year</b>	<b>\$64,505</b>	<b>\$65,230</b>

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

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**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Richland County Agricultural Society, Richland 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 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.

**Reporting Entity**

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, and community events including a flea market and "Christmas Wunderland." The reporting entity does not include any other activities or entities of Richland County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

**C. 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.

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

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

**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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**

Northern 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 3 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 to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011  
(Continued)**

**2. 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, 2012 and 2011 was as follows:

	2012	2011
Demand deposits	\$32,366	\$39,019
Cash on hand	3,900	1,540
Total deposits	36,266	40,559
Investment (mutual fund)	28,239	24,671
Total deposits and investments	\$64,505	\$65,230

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

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

**3. 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, 2012 and 2011 was \$18,729 and \$19,524, 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.

	2012	2011
Total Amount Bet (Handle)	\$ 14,932	\$ 14,314
Less: Payoff to Bettors	(11,845)	(11,333)
Parimutuel Wagering Commission	3,087	2,981
Tote Service Set Up Fee	(500)	(400)
Tote Service Commission	(1,383)	(1,381)
State Tax	(460)	(457)
Society Portion	\$ 744	\$ 743

**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011  
(Continued)**

**4. DEBT**

Debt outstanding at November 30, 2012 was as follows:

	Principal	Interest Rate
County Loan	\$287,500	4%

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 modifications to the original payment schedule.

Amortization of the above debt is scheduled as follows:

Year ending	County Loan	Interest	Total
November 30:			
2013	\$100,000	\$9,167	\$109,167
2014	100,000	5,167	105,167
2015	87,500	2,679	90,179
Total	\$287,500	\$17,013	\$304,513

**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 \$5,000,000 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 workers' compensation fund. Coverage is currently in effect through January 31, 2013.

**6. 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 2012 and 2011, the Society disbursed \$4,243 and \$4,235, respectively, directly to the Junior Fair Board and \$512 and \$485, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. Richland County paid the Society \$500 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, 2012 and 2011 follows:

**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011  
(Continued)**

**6. JUNIOR FAIR BOARD (Continued)**

	2012	2011
Beginning Cash Balance	\$ 6,825	\$ 9,806
Receipts	8,334	14,058
Disbursements	(8,936)	(17,039)
Ending Cash Balance	\$ 6,223	\$ 6,825

**7. 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 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, 2012 and 2011 follows:

	2012	2011
Beginning Cash Balance	\$ 2,526	\$ 13,915
Receipts	453,840	457,066
Disbursements	(448,251)	(468,455)
Ending Cash Balance	\$ 8,115	\$ 2,526

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# Dave Yost • Auditor of State

## 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 N. 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 Richland County Agricultural Society, Richland County, Ohio, (the Society) as of and for the years ended November 30, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2013 wherein we noted the Society followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America.

### ***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.

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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-001 to be a significant deficiency.

***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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

***Society's Response to Findings***

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Society's response and, accordingly, we express no opinion on it.

***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

April 12, 2013



**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Significant Deficiency/Noncompliance Finding:**

**Ohio Rev. Code Section 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, 2012, this investment account was still open and valued at \$28,239. During 2012 and 2011, adjustments of \$3,568 and (\$4,450) were made to the financial statements to record interest earnings, redemptions and losses. 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.

The Society should include all cash and investment account activity and balances in their accounting records and on their financial statements. This will help management better monitor the Society's financial position and will aid in more accurate financial reporting. Additionally, since the mutual fund investment does not comply with Ohio Revised Code requirements, the Society should divest themselves of the mutual fund investment account when it is economically feasible and place these funds in eligible investments.

**Officials' Response:** We still are not sure how this donation came to the Society, whether it was a cash donation or as a donation of the investment. At the present time we will leave this money in the investment account. We realize the potential loss in value with this type of investment, but the initial investment of \$7,000 has grown to \$28,239.

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**RICHLAND COUNTY AGRICULTURAL SOCIETY  
RICHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	<b>Ohio Rev. Code Section 135.14(B)</b> – The Society invested a donation in a mutual fund investment account which invests in, among other things, common stock of corporations.	No	Repeated as Finding 2012-001.
2010-002	<b>Ohio Admin. Code Section 117-2-02-(A)</b> – The Society did not always have accurate supporting documentation for receipts.	Yes	Finding No Longer Valid.

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# Dave Yost • Auditor of State

**RICHLAND 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  
MAY 14, 2013**