



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 402 of the 128th G.A.](#)

Date: March 2, 2010

Status: As Introduced

Sponsor: Rep. Dodd

Local Impact Statement Procedure Required: No — No local cost

Contents: Revises audit procedures for county and independent agricultural societies and makes other changes

State Fiscal Highlights

STATE FUND

FY 2010 – FUTURE YEARS

Auditor of State

Public Audit Expense – Local Government Fund (Fund 4220)

Revenues	Cap of \$3,000 per audit that the Auditor of State may charge for audits
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Expenditures	Potential decrease in auditing costs resulting from smaller scope of audits
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Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill limits the Auditor of State to auditing only income that county agricultural societies or independent agricultural societies receive from a state agency or a board of county commissioners. Reducing the scope of these audits would reduce the expense the Auditor of State incurs in conducting them.
- The bill also limits the overall audit fee that the Auditor of State may charge a county or independent agricultural society to no more than \$3,000 per audit. These fees are deposited into the Auditor of State's Public Audit Expense – Local Government Fund (Fund 4220), the source of funding for local government audits.
- If the cost of an audit, which is based on billable hours, exceeds \$3,000, then the bill could result in additional nonreimbursed expenses for the Auditor of State.

Local Fiscal Highlights

LOCAL GOVERNMENT

FY 2010 – FUTURE YEARS

County and independent agricultural societies

Revenues

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Expenditures

Decrease in audit costs

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Limiting the scope of audits to only public money received by a county or independent agricultural society and capping the amount that the Auditor of State may charge for these audits at \$3,000 will decrease audit costs for the 94 county and independent agricultural societies.
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Detailed Fiscal Analysis

Agricultural society audits

The bill requires that the Auditor of State audit only state and county money received by a county agricultural society or an independent agricultural society and limits the amount that the Auditor of State may charge for these audits to no more than \$3,000 per audit. There are 94 county and independent agricultural societies statewide. Although these societies receive subsidies from the state and counties, income from admission fees, rentals, and contest entry fees account for the bulk of their operating receipts. Overall, the bill would both lower the cost that the Auditor of State incurs in conducting these financial audits and in turn reduce the amount of state audit costs billed to county and independent agricultural societies.

Subsidies to county and independent fairs

On the state level, the Department of Agriculture's GRF appropriation item 700501, County Agricultural Societies, is used to reimburse county and independent agricultural fairs for a portion of the cost they incur for conducting youth activities. The amount received by each fair depends on the number of fairs which apply for assistance and the total state appropriation. Under H.B. 1, appropriations for this purpose are \$414,903 in FY 2010 and \$434,903 in FY 2011.

Another source of state support for county and independent fairs is wagering taxes distributed from the Ohio Fairs Fund (Fund 7083). The fund distributes money to each agricultural society for general operating purposes and for expenses related to horse races. Under H.B. 1, appropriations for these purposes are \$2.3 million in both FY 2010 and FY 2011. In FY 2009, the fund distributed \$1,738 to each of the 94 agricultural societies for general operating expenses. The total distributed to each of the 66 agricultural societies that host horse racing events was approximately \$18,000. In addition to these state subsidies, agricultural societies receive some support from counties based upon the availability of general fund moneys.

Effect on audit costs

Generally, the Auditor of State audits each of these agricultural societies once a biennium. The costs of these audits are recouped in the form of fees paid by agricultural societies to the Auditor of State's Public Audit Expense – Local Government Fund (Fund 4220). The cost of these audits is generally determined by the overall work that is necessary to complete the financial review of county and independent agricultural societies, including funding from state and local government and other nongovernmental sources. These nongovernmental sources of income include admission fees, rental income, and contest entrance fees, among others. By allowing the Auditor of State to review only the portion of income derived from state and county subsidies, and assuming there are few complications involving a review of these subsidies, then the Auditor of State's costs will decrease. This in turn will reduce expenses charged to county and independent fairs for these services. The hourly rate that the Auditor of State charges for financial audits in FY 2010 is \$64.43. Given the \$3,000 audit cost limit in the bill, this would require any financial audits of an agricultural society to be completed in approximately 46 billable hours. Any hours worked beyond this amount would have to be absorbed by the Auditor of State.

Public notice of financial reports

Current law requires a county agricultural society annually to publish an abstract of its treasurer's account in a newspaper of the county and make a report of its proceedings during the year. The bill applies the requirement to an independent agricultural society. However, as an alternative, the bill allows county or independent agricultural societies to publish this financial information on their web sites. The option to post this information on the web would reduce public notice costs for county and independent agricultural societies that choose to do so.

Distributions from the Ohio Fairs Fund for horse races

Under the bill, horse races that are conducted by a county agricultural society or independent agricultural society in accordance with current law that governs distributions from the Ohio Fairs Fund must be conducted at the fairgrounds of the sponsoring agricultural society. Current law provides in part for distribution of these amounts in Fund 7083 to agricultural societies and the Ohio Expositions as purse money for horse races. The bill states that if the horse races conducted by an agricultural society cannot be contested due to unfavorable weather or another unavoidable cause, the races may be transferred to a suitable track with the approval of the Director of Agriculture. When such a race cannot be conducted, the bill requires that the agricultural society must allocate the remaining money in a manner established by the Director in rules adopted under the bill.