



OHIO AUDITOR OF STATE
KEITH FABER



**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY
NOVEMBER 30, 2018 AND 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Basic Financial Statements:	
Statement of Receipts, Disbursements and Change in Fund Balance - (Regulatory Cash Basis) – For the Year Ended November 30, 2018.....	5
Notes to the Financial Statements – For the Year Ended November 30, 2018	6
Statement of Receipts, Disbursements and Change in Fund Balance - (Regulatory Cash Basis) – For the Year Ended November 30, 2017.....	11
Notes to the Financial Statements – For the Year Ended November 30, 2017	12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Prepared by Management:	
Summary Schedule of Prior Audit Findings	23

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Cuyahoga County Agricultural Society
Cuyahoga County
164 Eastland Road
Berea, Ohio 44017

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 Cuyahoga County Agricultural Society, Cuyahoga County, Ohio (the Society) as of and for the years ended November 30, 2018 and 2017.

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, 2018 and 2017, 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 Cuyahoga County Agricultural Society, Cuyahoga County as of November 30, 2018 and 2017, 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 September 20, 2019, 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.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State

Columbus, Ohio

September 20, 2019

This page intentionally left blank.

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

	2018
Operating Receipts	
Admissions	\$ 337,860
Privilege Fees	249,841
Rentals	859,340
Sustaining and Entry Fees	24,035
Pari-mutuel Wagering Commission	469
Other Operating Receipts	163,889
<i>Total Operating Receipts</i>	1,635,434
Operating Disbursements	
Wages and Benefits	470,309
Utilities	153,706
Professional Services	196,314
Equipment and Grounds Maintenance	178,460
Race Purse	88,117
Senior Fair	21,355
Junior Fair	25,820
Capital Outlay	25,092
Other Operating Disbursements	304,338
<i>Total Operating Disbursements</i>	1,463,511
<i>Excess (Deficiency) of Operating Receipts</i>	171,923
Non-Operating Receipts	
State Support	12,149
County Support	3,300
Donations/Contributions	30,745
Investment Income	72
<i>Net Non-Operating Receipts</i>	46,266
<i>Excess of Receipts Over Disbursements</i>	218,189
Cash Balance, Beginning of Year	297,800
<i>Cash Balance, End of Year</i>	\$ 515,989

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

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 1 – Reporting Entity

The Cuyahoga County Agricultural Society (the Society), Cuyahoga County, 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 1896 to operate an annual agricultural fair. The Society sponsors the week-long Cuyahoga County Fair during August. During the fair, harness races are held, culminating in the running of the Cuyahoga County Stake Races. Cuyahoga County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fourteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Cuyahoga County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including a weekly flea market. The reporting entity does not include any other activities or entities of Cuyahoga County, Ohio.

The Junior Fair Board and Junior Livestock Sales Committee's financial activity are reported in the Society's financial statements.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2018

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.

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

Cuyahoga County stake races are held during the Cuyahoga 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 Fair Racing Conference 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 wages 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.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2018

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:

	2018
Demand deposits	\$515,989
Total deposits	\$515,989

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Society.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money totaling \$9,257, received to supplement purse for the year ended November 30, 2018, 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.

	2018
Total Amount Bet (Handle)	\$ 7,011
Less: Payoff to Bettors	(5,438)
Parimutuel Wagering Commission	1,573
Tote Service Set Up Fee	(600)
Tote Service Commission	(509)
State Tax	(222)
Society Portion	\$ 242

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 5 – Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through November 2018.

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Cuyahoga County Commissioners provide general insurance coverage for all the buildings on the Cuyahoga County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 and \$25,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$20,000.

There have been no significant changes in coverage from the prior year.

Note 6 – 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, 2018.

Note 7 – Junior Livestock Sale Committee

The Junior Livestock Sale 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 Cuyahoga County 4-H Livestock 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 year ended November 30, 2018, follows:

	2018
Beginning Cash Balance	\$ -
Receipts	17,817
Disbursements	(17,817)
Ending Cash Balance	\$ -

This page intentionally left blank.

Cuyahoga County Agricultural Society
Cuyahoga County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2017

	2017
Operating Receipts	
Admissions	\$ 321,973
Privilege Fees	179,916
Rentals	788,420
Pari-mutuel Wagering Commission	724
Sustaining and Entry Fees	127,426
Other Operating Receipts	96,879
<i>Total Operating Receipts</i>	1,515,338
Operating Disbursements	
Wages and Benefits	464,418
Utilities	175,666
Professional Services	358,039
Equipment and Grounds Maintenance	149,780
Race Purse	106,399
Senior Fair	45,671
Junior Fair	3,630
Capital Outlay	43,773
Other Operating Disbursements	271,420
<i>Total Operating Disbursements</i>	1,618,796
<i>Excess (Deficiency) of Operating Receipts</i>	(103,458)
Non-Operating Receipts	
State Support	64,741
County Support	3,300
Donations/Contributions	11,445
Investment Income	5,370
<i>Net Non-Operating Receipts</i>	84,856
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	(18,602)
Cash Balance, Beginning of Year	316,402
<i>Cash Balance, End of Year</i>	\$ 297,800

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

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 1 – Reporting Entity

The Cuyahoga County Agricultural Society (the Society), Cuyahoga County, 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 1896 to operate an annual agricultural fair. The Society sponsors the week-long Cuyahoga County Fair during August. During the fair, harness races are held, culminating in the running of the Cuyahoga County Stake Races. Cuyahoga County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fourteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Cuyahoga County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including a weekly flea market. The reporting entity does not include any other activities or entities of Cuyahoga County, Ohio.

The Junior Fair Board and Junior Livestock Sales Committee's financial activity are reported in the Society's financial statements.

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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2017

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.

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

Cuyahoga County stake races are held during the Cuyahoga 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 Fair Racing Conference 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 wages 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.

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2017

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:

	2017
Demand deposits	\$297,800
Total deposits	\$297,800

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Society.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money totaling \$10,002, received to supplement purse for the year ended November 30, 2017, 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.

	2017
Total Amount Bet (Handle)	\$ 9,743
Less: Payoff to Bettors	(7,753)
Parimutuel Wagering Commission	1,990
Tote Service Set Up Fee	(600)
Tote Service Commission	(665)
State Tax	(281)
Society Portion	\$ 444

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 5 – Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through November 2017.

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Cuyahoga County Commissioners provide general insurance coverage for all the buildings on the Cuyahoga County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 and \$25,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$20,000.

There have been no significant changes in coverage from the prior year.

Note 6 – 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, 2017.

Note 7 – Debt

Debt outstanding at November 30, 2017, was as follows:

	Principal
Mower Lease	\$2,664
Tractor Lease	6,645
Tow Motor Lease	6,191
Total	\$15,500

The Society entered into various leases with Deere Corporation, LeaseDirect, and CNHI Industrial Corporation for a mower, tractor and tow motor. The leases were entered into on July 1, 2013 and mature June 30, 2018.

Amortization of the above debt is scheduled as follows:

Year Ending	Mower Lease	Tractor Lease	Tow Motor Lease	Total
November 30: 2018	2,664	6,645	6,191	15,500

Cuyahoga County Agricultural Society
Cuyahoga County
Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 8 – Junior Livestock Sale Committee

The Junior Livestock Sale 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 Cuyahoga County 4-H Livestock 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 year ended November 30, 2017, follows:

	<u>2017</u>
Beginning Cash Balance	\$ -
Receipts	15,398
Disbursements	<u>(15,398)</u>
Ending Cash Balance	<u>\$ -</u>

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Cuyahoga County Agricultural Society
Cuyahoga County
164 Eastland Road
Berea, Ohio 44107

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 Cuyahoga County Agricultural Society, Cuyahoga County, (the Society) as of and for the years ended November 30, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 20, 2019, 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 opinions 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 material weaknesses and a significant deficiency.

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 findings 2018-001 and 2018-002 described in the accompanying schedule of findings to be material weaknesses.

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 finding 2018-003 described in the accompanying schedule of findings 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 subject the Society's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 20, 2019

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017**

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

Financial Reporting

FINDING NUMBER 2018-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following accounting deficiencies were noted and subsequent adjustments made by management to the financial statements and, where applicable, to the Society's accounting records:

- Various line items were either overstated or understated by immaterial amounts when compared to amounts in the trial balance;
- Wages and Benefits in the 2017 statements contained \$64,178 in nonpayroll items.

Lack of review of statement amounts and failure to agree amounts directly to general ledger and trial balance totals can lead to the financial statements being materially misstated and potential fraud and noncompliance with Ohio Revised Code Sections.

We recommend the fiscal officer maintain a trial balance at fiscal year end that lists the accounts grouped together and ties that trial balance to the amounts reported on the financial statements for accuracy and completeness. Additionally management should review financial statements to help ensure errors are detected and corrected.

Official's Response:

We the Board of the Cuyahoga County Agricultural Society are fully committed to reconcile each of the findings. Over the next three months, it is our intentions and priority to make corrections to each item. Each of the recommendations presented will be processed and corrected, then shared with the Ohio Auditor of State's office and Cuyahoga County Agricultural Society Board to enact into policy.

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017**

Developing and Implementing an Effective Monitoring Control System

FINDING NUMBER 2018-002

MATERIAL WEAKNESS

Monitoring is comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions. Monitoring should assist management in identifying unexpected results and/or possible misstatements. Additionally, adequate segregation of duties is key in protecting the funds in any organization. Proper segregation of duties requires more than one set of eyes to oversee a transaction. A secondary review may catch errors or even fraud.

Some effective monitoring practices include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review and identification of large or unusual fluctuations and prompt resolution of any items noted;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results; Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non-payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists; and
- Review of monthly bank reconciliations by someone independent of their preparation.

Although the Secretary prepared monthly financial reports for the Board at each meeting, the Society failed to perform adequate monitoring over financial activities. The Society also has issues with segregation of duties in the admissions, payroll, and nonpayroll cycles:

- For admissions receipts, the person receiving cash was also the person reconciling cash receipts to the drawer and preparing the bank deposit;
- For payroll, the Secretary can modify the master file, prepare payroll, approve payroll, generate payroll checks, distribute payroll checks or initiate direct deposits;
- For nonpayroll, the Secretary can modify the vendor file, receive goods, prepare voucher packet, approve checks, sign checks, and mail checks.

The lack of effective monitoring could lead to the misappropriation or misstatement of Society funds, expenditure of funds contrary to the directives of the Board, and non-compliance with federal or state laws and regulations. This deficiency could also result in a loss of funding from various sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations and financial statements.

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017**

**FINDING NUMBER 2018-002
(CONTINUED)**

We recommend the Board review the monthly financial reports they receive at their meetings and when satisfied as to their accuracy approve them through the minute records. In addition, management should ensure that any reports required by the grantor agencies, per the terms of the grant agreements, are completed accurately and filed with the respective grantor agencies in a timely manner. Management should also ensure that proper segregation of duties exists, including an independent review of the monthly bank reconciliations.

Official's Response:

We the Board of the Cuyahoga County Agricultural Society are fully committed to reconcile each of the findings. Over the next three months, it is our intentions and priority to make corrections to each item. Each of the recommendations presented will be processed and corrected, then shared with the Ohio Auditor of State's office and Cuyahoga County Agricultural Society Board to enact into policy.

Bank Reconciliations

FINDING NUMBER 2018-003

SIGNIFICANT DEFICIENCY

Reconciling the Society's cash accounts with its ledgers is a critical control procedure to ensure cash is adequately safeguarded, and to provide accurate financial information.

We were able to confirm cash amounts through the bank with insignificant differences but noted the following discrepancies when reviewing the bank reconciliations:

- The 2017 ending cash balance reported on the statements was \$2,933 more than the reconciliation with no explanation given for the variance;
- The 2018 ending cash balance reported on the statements was \$7,387 under the amount reported on the November 30, 2018 bank reconciliation, with no explanation given for the variance;
- Bank reconciliations for the AP and Payroll accounts were not completed from June 2017 through November 2017 and were done after year end by a contracted independent public accountant (IPA) firm;
- Bank reconciliations for the Money Market and Savings were not completed at all during FY17 and were done after year end by the IPA firm;
- In FY17, the bank deposits exceeded recorded receipts in the General Ledger by \$38,816. The IPA firm could not reconcile this so it was recorded as Admissions Revenue by the IPA;

Not properly reconciling bank amounts to accounting ledgers can lead to inaccurate amounts being reported on the statements. Also, not performing proper reconciliations can lead to errors and discrepancies not being timely discovered and corrected. The Society is more at risk for fraud when not reconciling bank accounts.

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017**

**FINDING NUMBER 2018-003
(CONTINUED)**

We recommend the Society timely prepare monthly bank reconciliations that include all bank accounts and investigate any discrepancies. We also recommend all reconciliations be maintained and all bank accounts be recorded within the Society's accounting ledgers.

Official's Response:

We the Board of the Cuyahoga County Agricultural Society are fully committed to reconcile each of the findings. Over the next three months, it is our intentions and priority to make corrections to each item. Each of the recommendations presented will be processed and corrected, then shared with the Ohio Auditor of State's office and Cuyahoga County Agricultural Society Board to enact into policy.



Cuyahoga County Agricultural Society

P.O. Box 135 • Berea, Ohio 44017

Voice: 440/243-0090 • Fax: 440/243-0344

Email: Office@CuyFair.com • Web Site: www.CuyFair.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NOVEMBER 30, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Accounting records were insufficient for receipts collected, reconciliations were not done timely and were incomplete, financial reports were inaccurate and not mathematically correct.	Not Corrected	The Society is in the process of implementing procedures and controls to address these issues. The Society has hired an independent accounting firm to come in and reconcile the cash and clear up any accounting entries
2016-002	Society lacked proper oversight over accounting transactions.	Not Corrected	The Society is in the process of implementing procedures and controls to address these issues. The Society has hired an independent accounting firm to come in and reconcile the cash and clear up any accounting entries

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



CUYAHOGA COUNTY AGRICULTURAL SOCIETY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2019**