



Dave Yost • Auditor of State

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - For the Years Ended November 30, 2014 and 2013	3
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11

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Dave Yost • Auditor of State

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, (the Society) as of and for the years ended November 30, 2014 and 2013.

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 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(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, 2014 and 2013, 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 cash balances of the Cuyahoga County Agricultural Society, Cuyahoga County as of November 30, 2014 and 2013, and its 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(D) permit, 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 27, 2016, 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 27, 2016

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	2014	2013
Operating Receipts		
Admissions	\$432,889	\$402,723
Privilege Fees	237,195	208,388
Rentals	772,506	713,675
Taxes	12,783	7,645
Sustaining and Entry Fees	16,866	7,957
Pari-mutuel Wagering Commission	8,155	18,658
Other Operating Receipts	83,095	67,905
<i>Total Operating Receipts</i>	<i>1,563,489</i>	<i>1,426,951</i>
Operating Disbursements		
Wages and Benefits	452,199	452,427
Utilities	139,227	131,724
Administration Services	155,215	109,502
Professional Services	352,314	298,859
Equipment and Grounds Maintenance	197,043	126,309
Race Expenses	41,836	40,924
Senior Fair	39,171	17,961
Junior Fair	16,634	5,427
Capital Outlay	65,478	76,940
Other Operating Disbursements	45,109	47,096
<i>Total Operating Disbursements</i>	<i>1,504,226</i>	<i>1,307,169</i>
<i>Excess of Operating Receipts</i>	<i>59,263</i>	<i>119,782</i>
Non-Operating Receipts (Disbursements)		
State Support	44,307	28,974
County Support	0	3,300
Donations/Contributions	22,657	5,333
Investment Income	7,533	2,618
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>74,497</i>	<i>40,225</i>
<i>Excess of Receipts Over Disbursements</i>	<i>133,760</i>	<i>160,007</i>
Cash Balance, Beginning of Year	351,908	191,901
<i>Cash Balance, End of Year</i>	<i>\$485,668</i>	<i>\$351,908</i>

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

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**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013**

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 Cuyahoga County Agricultural Society, Cuyahoga County, (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 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 Fair Harness Race. Cuyahoga County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fifteen 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.

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 including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Cuyahoga County, Ohio.

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 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.

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.

C. Deposits and Investments

The Society maintains an interest bearing checking and savings account along with a line of credit.

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.

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.

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013**

F. Race Purse

The Cuyahoga County Fair Harness 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 Harness Horseman's Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement 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.

2. DEPOSITS

The Society maintains a deposit pool all funds use. The carrying amount of deposits at November 30, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$485,668	\$351,908
Total deposits	<u>485,668</u>	<u>351,908</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013**

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, 2014 and 2013 were \$22,240 and \$18,432, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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.

	2014	2013
Total Amount Bet (Handle)	\$ 5,854	\$ 5,177
Less: Payoff to Bettors	(4,629)	(4,111)
Parimutuel Wagering Commission	1,225	1,066
Tote Service Set Up Fee	(300)	(300)
Tote Service Commission	(440)	(366)
State Tax	(192)	(156)
Society Portion	\$ 293	\$ 244

4. RISK MANAGEMENT

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 in aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$20,000. The Society's general manager is bonded with coverage of \$20,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through November 2016.

5. CONTINGENT LIABILITIES

The Society is not currently named as a defendant in any legal matters.

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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

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

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, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated April 27, 2016 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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-001 and 2014-002 to be material weaknesses.

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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity'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

April 27, 2016

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Condition of Accounting Records

<i>Finding Number</i>	2014-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Admin. Code §117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), and document compliance with finance related legal and contractual requirements.

Management is responsible for implementing and maintaining a system of controls designed to enable management to determine the accuracy of financial transactions of the Agricultural Society. Also, management is responsible for developing and maintaining complete and accurate financial records. Instead of complete and accurate financial records, we noted the following:

- Reconciliations are generated from the Society's accounting software on a monthly basis, and are not accurate, nor are they properly reviewed;
- Checking account reconciliations contained old outstanding checks and old reconciling items with no explanation;
- Differences between the Society's bank reconciliation and cash balance at November 30, 2014 and 2013 of \$507 and \$49,284, respectively;
- The annual reports filed with the Department of Agriculture were not mathematically accurate and improperly reported line of credit balances of \$127,000 and \$31,967 at November 30, 2014 and 2013, respectively, as outstanding. Confirmation from the bank indicated there was a \$0 balance in this account at November 30, 2014 and 2013;
- For 2013 and 2014, the Society did not provide adequate documentation to support that one of seven and two of seven, respectively, of the Daily Tally Sheets selected during Admissions testing agreed to the daily deposit sheet made for that date;
- For 2013 and 2014, six of 44 and eight of 45, receipts tested, respectively, we were unable to determine the rate charged was the correct rate in force and no evidence the Board allowed for the negotiation of the rates by the Department head or Director in charge; and
- For 2013, the Society could not provide support that it had received the proper proportionate share of ride revenue for a receipt tested.

The Society's management has available numerous sources of information describing the process of internal controls, record keeping requirements and reporting procedures. It is the responsibility of management to ensure that all responsible parties have access to this information and training sessions. This deficiency could lead to inaccurate or incomplete financial statements.

We recommend the Society implement and maintain controls over accounting records and transactions to prevent these issues in the future.

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013
(CONTINUED)**

Officials' Response:

Response to findings related to the financial statements:

1. The former secretary failed to reconcile the monthly bank statements on a regular basis. The new software (Quick Books Pro) will allow us to do this on a monthly basis and give us the proper report to include in the monthly board meeting agenda.
2. Outstanding checks will be cleared up as we enter the figures in the new software.
3. This point is hard to clear-up. We feel this was due to incorrect accounting of our cash advance for opening of fair.
4. We are working with the balance from the Bank that there was a \$0 balance is correct and it was reported incorrectly.
5. The Treasurer's Department will be working very closely with the bookkeeper to make sure that all deposits during the fair are entered correctly and promptly.
6. We added to our authorization declaration the limit of 50% adjustment to a contract/agreement permitted by the director. More than 50% will need to be approved by the Board. This was introduced and passed at the March 31, 2016 Board meeting. Fair Vendors, Rentals and Campground have posted their rates and discounts.
7. The Board will require Kissel Bros. Shows to provide an accounting of number of tickets and wrist bands that make up our share of the ride receipts. We presently get an accounting of the percentage of revenue from fun houses and midway games from Kissel Bros. Shows as part of their contract.

**CUYAHOGA COUNTY AGRICULTURAL SOCIETY
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013
(CONTINUED)**

2. Developing and Implementing an Effective Monitoring Control System

<i>Finding Number</i>	2014-002
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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.

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 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 federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations and financial statements.

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 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:

See response to Finding 2014-001

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Dave Yost • Auditor of State

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
MAY 12, 2016**