

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Basic Financial Statements
(With Independent Auditors' Report Thereon)

June 30, 2003 and 2002



**Auditor of State
Betty Montgomery**

Board of Commissioners
Ohio Expositions Commission
717 E. 17th Avenue
Columbus, Ohio 43211

We have reviewed the Independent Auditor's Report of the Ohio Expositions Commission, Franklin County, prepared by Schneider Downs & Company, Inc., for the audit period July 1, 2002 through June 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Expositions Commission is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 30, 2004

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INDEPENDENT AUDITORS' REPORT

Ohio Expositions Commission and
Betty Montgomery, Auditor of State
Columbus, Ohio

We have audited the accompanying basic financial statements of the Ohio Expositions Commission (the Commission), a component unit of the State of Ohio, as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the management of the Commission. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Commission as of and for the year ended June 30, 2002. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Commission for 2002, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of June 30, 2003, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's Discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with the Government Auditing Standards, we have also issued a report dated October 29, 2003 on our consideration of the Commission's internal control over financial reporting and of its tests of compliance with

certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Schneider Downs Co Inc.

Columbus, Ohio
October 29, 2003

**Ohio Expositions Commission
Management's Discussion and Analysis
For the year ended June 30, 2003**

The discussions and analysis of the Ohio Expositions Commission (the Commission) financial performance provide an overall review of the financial activities for the year ended June 30, 2003. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the auditors' opinion page, notes to the basic financial statements, and the basic financial statements to enhance their understanding of the Commission's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information between the current and prior year is required to be presented, and is presented in the MD&A.

Using this Financial Report

This annual report consists of two parts: the MD&A and the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets and a statement of cash flows. Since the Commission uses only one fund for its operations, the entity-wide and the fund presentations information is the same.

Financial Highlights

Key financial highlights for 2003 are as follows:

- Total net assets decreased \$625,510, which represents a 2% decrease from 2002.
- Total assets decreased \$925,212, which represents a 2% decrease from 2002. This was due to a decrease in cash on hand of \$279,551, and a large decrease in intergovernmental receivable of \$626,871.
- Overall liabilities decreased \$299,702, with the largest part of this decrease coming in current liabilities, mainly due to a \$431,442 decrease in accounts payable. The large decrease in accounts payable at the end of 2003 was due in large part to a decrease in the amount of capital projects in process at the end of the year. The increase was partially offset by an increase in the workers' compensation liability of \$303,669.
- Fair revenues decreased by \$61,768 in fiscal year 2003 (2002 Ohio State Fair) mainly due to the Fair being affected by hot, humid weather during the first week and by two ride incidents. The result was a decrease in attendance, and therefore, a decrease in the related revenue sources (admissions, midway percentages, food and beverage percentages, etc.) from the previous year.

- Operating expenses increased \$262,657 during the year mainly due to increases in utility expenses, which increased \$237,566 and an increase in workers' compensation expense primarily related to the change in method of allocated as noted above. These increases were partially offset by management continually making conscious decisions to cut back on somewhat controllable expenses such as personal services, supplies and materials, and maintenance and repair.
- State assistance decreased \$448,858 mainly due to lower utilization of the State Fair Reserve Fund. Utilization was high in the prior year, resulting from inclement weather during the Ohio State Fair of 2001 (fiscal year 2002). This fund was established as a reserve that can be utilized if admission revenues from the fair are significantly affected (less than 90% of projected revenues) by either weather or other unforeseen circumstances. This fund was utilized to a much lesser extent (approximately \$125,000) based on results of the Ohio State Fair of 2002 (fiscal year 2003). As of June 30, 2003, approximately \$125,000 remained in the State Fair Reserve Fund for future use.

Statement of Net Assets

This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the Commission's net assets at June 30, 2003 and 2002:

Table 1
Net Assets

	<u>2003</u>	<u>2002</u>
Assets:		
Current assets	\$ 1,194,565	\$ 1,998,198
Capital assets, net	<u>40,825,132</u>	<u>40,946,711</u>
Total assets	<u>42,019,697</u>	<u>42,944,909</u>
Liabilities:		
Current liabilities	3,150,423	3,605,022
Non-current liabilities	<u>2,033,030</u>	<u>1,878,133</u>
Total liabilities	<u>5,183,453</u>	<u>5,483,155</u>
Net assets:		
Invested in capital assets	40,825,132	40,946,711
Restricted net assets	459,857	487,918
Unrestricted net assets	<u>(4,448,745)</u>	<u>(3,972,875)</u>
Total net assets	<u>\$ 36,836,244</u>	<u>\$ 37,461,754</u>

Current assets decreased \$803,633, which represents a 40% decrease from 2002. The main item that caused this decrease is the decrease in the amount of capital projects in process at the end of the year. The decrease in the amount of projects in process caused a decrease in the amount receivable from the Capital Fund 026, and it also coincides with a decrease in the related accounts payable to the vendor. Non-current assets decreased 0.3% due to a decrease in capital assets (new purchases were more than offset by depreciation), that are largely funded through the Capital Fund 026. The main capital asset additions during fiscal year 2003 included masonry renovations and HVAC upgrades.

Overall liabilities decreased \$299,702, with the largest part of this decrease coming in current liabilities, mainly due to a \$431,442 decrease in accounts payable. The large decrease in accounts payable at the end of 2003 was due in large part to a decrease in the amount of capital projects in process at the end of the year. The decrease was partially offset by an increase in the workers' compensation liability of \$303,669. Such increase resulted

from a change in the method of allocation utilized by the State of Ohio Bureau of Workers' Compensation to allocate the State's total workers' compensation liability among the various State agencies. This method more accurately reflects the true liability of each agency based on actual experience.

The overall effect of the above change in assets and liabilities resulted in the net assets of the Commission decreasing \$625,510, which represents a 2% decrease from 2002.

Table 2 shows a summary of the Statements of Revenues, Expenses and Changes in Net Assets for the years ended 2003 and 2002:

Table 2
Revenues, Expenses and Changes in Net Assets

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Fair sources	\$ 7,151,105	\$ 7,212,873
Non-fair sources	4,951,657	5,140,306
Total	12,102,762	12,353,179
Operating expenses:		
Payroll and fringe benefits	6,028,589	5,860,894
Purchased services	2,707,163	2,641,998
Depreciation	1,953,810	1,869,590
Utilities	1,427,342	1,189,776
Maintenance and repair	791,689	833,979
Other operating expenses	2,227,864	2,477,563
Total operating expenses	15,136,457	14,873,800
Operating loss	(3,033,695)	(2,520,621)
Non-operating revenues – state assistance	589,687	1,038,545
Other sources – state capital contributions	1,818,498	3,773,692
Change in net assets	(625,510)	2,291,616
Net assets – beginning of fiscal year	<u>37,461,754</u>	<u>35,170,138</u>
Net assets – end of fiscal year	<u>\$36,836,244</u>	<u>\$ 37,461,754</u>

Total operating revenues decreased \$250,417 (or 2%) from 2002 to 2003, mainly due to a decrease in non-Fair parking and camplots revenues from \$1,724,591 in 2002 to \$1,462,314. This decrease in non-Fair sources was caused by inclement weather during the winter of 2002-2003, which falls in fiscal year 2003.

Operating expenses increased \$262,657 during the year mainly due to increases in utility expenses, which increased \$303,669 and an increase in workers' compensation expense as discussed previously. These increases were partially offset by management continually making conscious decisions to cut back on somewhat controllable expenses such as personal services, supplies and materials, and maintenance and repair.

The operating loss for the year increased \$513,074. This increase was primarily due to the poor performance of the non-Fair parking revenues during the winter of 2002-2003 as well as the above-mentioned workers' compensation expense.

State assistance decreased by \$448,858 from 2002 to 2003; included within state assistance is revenue from the State Fair Reserve Fund. The State Fair Reserve Fund, was set up in 1999 in the amount of \$700,000 to provide additional revenues to the Commission in years when State Fair revenues do not meet certain minimum requirements. One of the main reasons this fund was established was due to the variability in revenue sources due to uncontrollable items such as weather. During fiscal year 2003, the Commission received \$125,000 from the State Fair Reserve Fund, while in fiscal year 2002 it received \$449,663.

State capital contributions decreased from \$3,773,692 to \$1,818,498 during the year, which is mainly a function of the completion of capital projects, which are paid out of the Capital Fund 026. The Commission makes a request for these capital expenditures every two years through the capital budgeting process of the State of Ohio. The projects are then prioritized, bid out, and completed according to the State guidelines as provided by the Department of Administrative Services and the Office of Budget and Management.

Management Operational Analysis

At June 30, 2003, the Commission had total assets of \$42,019,697 and total net assets of \$36,836,244. The largest portion of the Commission's assets is comprised of the capital assets that make up this large, multi-event facility. The agency mission is "to professionally operate and maintain for public benefit a year-round, service-oriented event facility and produce the annual Ohio State Fair."

Prudent management of the Commission's resources by management and the Commission is evident in the cost reduction that has taken place over the last seven years. The Commission's operating expenses, excluding depreciation, were actually less (\$13,182,647) in fiscal year 2003 than in fiscal year 1996 (\$13,403,449), because of cost reductions that have been put in place over the years. This is even in spite of the natural growth that has taken place in payroll. These cost containment thoughts and ideas continue to be looked at and analyzed. In addition to measures taken on the expense side, the Commission continues to analyze opportunities for growth on the revenue side of the equation.

The Commission has taken concerted steps to maintain financial stability on a long-term basis. The Commission's strategy is to continue to analyze pricing strategies, improve market penetration, and improve the quality of management and administration, as well as the physical facility. This effort is intended to increase not only the number of participants and guests at the Fair but also non-Fair clients and their visitors.

The annual Fair must meet all developmental, social and political expectations while being supported by a reasonable pricing system. The primary fiscal and programmatic challenge of the Ohio State Fair lies in achieving public expectations, such as providing a great deal of support to the Junior Fair, while not negatively impacting the annual operating budget of the Commission.

Many Fair visitors believe that prices for entry, admission and midway rides should be nominal. While this is not consistent with the Commission's, the governor's and the General Assembly's fiscal goals, a concerted attempt is made to keep Fair prices affordable. In fact, the Fair is currently not designed to break even in and of itself. Fair revenue is dependent upon paid attendance, which is related to admission and midway prices, and Fair revenue is also dependent upon the weather. The Commission relies on a strong non-Fair operation to financially buffer these Fair revenue factors and support the total annual operation of the Commission.

The Commission continues to face challenges in the area of featured entertainment for the Ohio State Fair. With increased local competition for big-name entertainment from other government-supported agencies (Columbus Zoo, Schottenstein Center and Cooper Stadium) and private venues (Nationwide Arena and Germain Amphitheater), it is becoming increasingly difficult to fill the Celeste Center with entertainment for a 17-day Fair. Management is currently looking into different scenarios of presenting featured entertainment to the public with the goal of providing a high level of entertainment and maintaining fiscal responsibility.

The Commission also continues to face increasing challenges on non-Fair events as well. The event facility business has become extremely competitive, especially in the Columbus area. In just the past seven years, Columbus has constructed a modern convention center and a 20,000-seat amphitheater. There are two ultra-modern arenas competing for events presently held at the Ohio Expo Center, as well as any new ones. We have already lost one of our biggest clients, the Columbus Chill hockey team, to the downtown NHL team. Because the Commission is financially dependent on these non-Fair events, we must address our facility's image if we are to remain competitive in this marketplace. Our facility is old and in need of repair, but it is imperative that we also act to improve the appearance of the Ohio Expo Center and the impression it makes on our guests and potential contractors. The facelift to improve and modernize our entire gate and access structures will continue with the capital improvements project to upgrade and modernize the 17th Avenue entrance to the Ohio Expositions Center.

Contacting the Ohio Expositions Commission

This financial report is designed to provide the citizens, taxpayers and customers of the Ohio Expositions Commission with a general overview of the Commission's finances and to show the Commission's accountability for the monies it receives. If you have any questions about this report or need additional information, contact Doug Smalley, the Commission's Finance Director, 717 E. 17th Avenue, Columbus, Ohio 43211, (614) 644-4025 or e-mail to: d.smalley@expo.state.oh.us.

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Statements of Net Assets
June 30, 2003 and 2002

Assets	2003	2002
Current assets:		
Cash and cash equivalents (Note 3)	\$ 361,510	\$ 641,061
Restricted cash and cash equivalents (Note 3)	459,857	487,918
Accounts receivable	80,842	89,529
Intergovernmental receivable	142,466	629,884
Prepaid fair expenses	149,890	149,806
Total current assets	1,194,565	1,998,198
Non-current assets:		
Capital assets, net of accumulated depreciation (Note 4)	40,825,132	40,946,711
Total non-current assets	40,825,132	40,946,711
Total assets	42,019,697	42,944,909
Liabilities		
Current liabilities:		
Accounts payable	568,663	1,000,105
Accrued liabilities	272,473	282,497
Obligation under capital leases (Note 5)	100,422	95,434
Deferred income	1,718,046	1,686,662
Due to others (Note 3)	459,857	487,918
Workers' compensation liability	30,962	52,406
Total current liabilities	3,150,423	3,605,022
Non-current liabilities:		
Compensated absences (Note 8)	536,287	606,082
Obligation under capital leases (Note 5)	292,227	392,648
Workers' compensation liability	1,204,516	879,403
Total non-current liabilities	2,033,030	1,878,133
Total liabilities	5,183,453	5,483,155
Net Assets		
Invested in capital assets	40,825,132	40,946,711
Restricted for harness racing	459,857	487,918
Unrestricted	(4,448,745)	(3,972,875)
Total net assets	\$ 36,836,244	\$ 37,461,754

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Statements of Revenues, Expenses and Changes in Net Assets
Years ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues:		
Fair sources	\$ 7,151,105	\$ 7,212,873
Nonfair sources	4,951,657	5,140,306
Total	<u>12,102,762</u>	<u>12,353,179</u>
Operating expenses:		
Payroll and fringe benefits	6,028,589	5,860,894
Purchased services	2,707,163	2,641,998
Depreciation	1,953,810	1,869,590
Utilities	1,427,342	1,189,776
Maintenance and repair	791,689	833,979
Premiums	675,075	755,729
Supplies and materials	333,756	348,215
Printing and advertising	509,031	555,123
Rentals	212,669	229,133
Meals	179,157	186,500
Communication and postage	148,691	110,745
Motor vehicle	90,164	83,815
Contracted commissions	50,959	66,028
Travel	14,031	30,401
Court of claims	-	107,107
Refunds	14,331	4,767
Total operating expenses	<u>15,136,457</u>	<u>14,873,800</u>
Operating loss	<u>(3,033,695)</u>	<u>(2,520,621)</u>
Nonoperating revenues - state assistance	589,687	1,038,545
Loss on disposal of equipment	-	-
Loss before capital contributions	<u>(2,444,008)</u>	<u>(1,482,076)</u>
State capital contributions	1,818,498	3,773,692
Change in net assets	<u>(625,510)</u>	<u>2,291,616</u>
Net assets - beginning of fiscal year, as restated (Note 14)	<u>37,461,754</u>	<u>35,170,138</u>
Net assets - end of fiscal year	<u>\$ 36,836,244</u>	<u>\$ 37,461,754</u>

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION
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Statements of Cash Flows
Years ended June 30, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
Cash received from fair sources	\$ 7,044,168	\$ 6,865,538
Cash received from nonfair sources	4,874,269	4,994,838
Cash received from other sources	214,967	283,836
Cash received for harness racing funds	459,857	487,918
Cash payments for harness racing funds	(487,918)	(490,711)
Cash payments for payroll and personal services	(8,270,304)	(8,418,930)
Cash payments for utilities and maintenance	(2,193,976)	(2,054,938)
Cash payments for other services and charges	(2,429,195)	(2,521,066)
Net cash used in operating activities	(788,132)	(853,515)
Cash flows from noncapital financing activities:		
State operating assistance received	589,687	1,038,545
Net cash provided by noncapital financing activities	589,687	1,038,545
Cash flows from capital and related financing activities:		
State capital assistance received	2,305,179	4,112,050
Acquisition and construction of equipment	(2,318,913)	(4,132,392)
Payments on capital leases	(95,433)	(90,707)
Net cash used in capital and related financing activities	(109,167)	(111,049)
Net increase (decrease) in cash and cash equivalents	(307,612)	73,981
Cash and cash equivalents, beginning of year	1,128,979	1,054,998
Cash and cash equivalents, end of year	821,367	1,128,979
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	(3,033,695)	(2,520,621)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,953,810	1,869,590
(Increase)/decrease in assets:		
Allowance for doubtful accounts	-	-
Accounts receivable	8,687	(18,038)
Intergovernmental receivable	487,418	339,628
Prepaid fair expenses	(84)	24,282
Increase/(decrease) in liabilities:		
Accounts payable	(431,442)	(394,675)
Accrued liabilities	(79,818)	92,461
Deferred income	31,384	(163,436)
Due to others	(28,061)	(2,793)
Workers' compensation liability	303,669	(79,913)
Total adjustments	2,245,563	1,667,106
Net cash used in operating activities	\$ (788,132)	\$ (853,515)

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements
June 30, 2003 and 2002

(1) Organization and Reporting Entity

(a) Organization

The Ohio Expositions Commission (the Commission), a component unit of the State of Ohio, is a state-governed body of the State of Ohio (the State). The Commission was created in 1961, pursuant to Sections 991.01 to 991.07 of the Ohio Revised Code (the Code), for the purpose of producing an annual agricultural exposition or fair and to maintain and manage the state-owned Expositions Center facilities for the purpose of conducting expositions, fairs and exhibits.

The Commission is governed by a 13-member Board of Commissioners. Nine of the members are appointed by the Governor of Ohio with the advice and consent of the Ohio Senate. The Director of Development, Director of Agriculture, and the chairs of the Ohio House and Senate Agriculture Committees fill the remaining positions on the Commission.

The Commission is not subject to federal or state income taxes.

(b) Reporting Entity

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. The Commission does not have financial accountability over any entities.

The financial statements of the Commission are included within the State's "Reporting Entity" as the State can impose its will on the Commission and there is a financial benefit or financial burden relationship between the State and the Commission.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include state appropriations. On an accrual basis, state appropriations are recognized in the period in which all eligibility requirements are met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis.

OHIO EXPOSITIONS COMMISSION
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Notes to Basic Financial Statements
June 30, 2003 and 2002

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Commission follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

(b) Cash and Cash Equivalents

The Treasurer of the State of Ohio (Treasurer) acts as the custodian of the funds for the State. Cash and cash equivalents of the Office are pooled and invested by the Treasurer. Account integrity is maintained through a series of checks and balances with the Auditor, Treasurer, and the Office of Budget and Management.

The cash and cash equivalents with the Treasurer have the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

(c) Capital and Building Improvement Assistance

The State provides financial assistance for the acquisition of property and equipment. This assistance is recorded as capital contributions as the Commission incurs the cost of the project.

Assistance for the acquisition of property and equipment is credited to capital contributions as the related qualified expenditures are incurred. Depreciation on fixed assets resulting from capital assistance is allocated to net assets using the straight-line method over the same lives as described for the related property and equipment in note 2(d).

(d) Capital Assets

Capital assets include property and equipment, which are stated at historical cost or estimated historical cost and include expenditures of \$500 or more that substantially increase the useful lives of existing assets. Routine maintenance and repairs are expensed as incurred.

Property and equipment consisting of certain improvements owned by the Ohio Department of Transportation (ODOT) other than buildings (including roads, curbs and gutters, and sidewalks) have not been capitalized by the Commission and are not recorded as assets on the Commission's books.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	20 – 45
Equipment and vehicles	3 – 10
Furniture and fixtures	5 – 15

OHIO EXPOSITIONS COMMISSION
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Notes to Basic Financial Statements
June 30, 2003 and 2002

Assets acquired with capital grants are included in capital assets and depreciation on those assets is included in the statement of revenues, expenses, and changes in net assets.

(e) *Prepaid Fair Expenses*

Prepaid fair expenses are recorded for cash disbursed prior to services being performed. These items include cash disbursed for the Ohio State Fair (the Fair) in the fiscal year prior to the Fair taking place.

(f) *Deferred Income*

Deferred income is recorded for cash received prior to services being performed. These items include deposits on rental contracts and cash received for the Fair in the fiscal year prior to the Fair taking place.

(g) *Compensated Absences*

The Commission accounts for compensated absences in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, *Accounting for Compensated Absences*. Vacation, compensatory time and personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Commission will compensate the employees for the benefits through paid time off or some other means, such as a termination or retirement payment.

Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement is accrued to the extent it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave benefits are accrued as a liability using the vesting method. The liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such cash payments. Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination.

h) *Net Assets*

Equity is displayed in three components as follows:

- ***Invested in Capital Assets*** - This consists of capital assets, net of accumulated depreciation that are attributable to the acquisition, construction or improvement of those assets.
- ***Restricted*** - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Commission's policy to use restricted resources first, then unrestricted resources when they are needed.

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements
June 30, 2003 and 2002

- **Unrestricted** - This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

(i) Classification of Revenues

The Commission has classified its revenues as either operating or nonoperating. Operating Revenues include activities that have the characteristics of exchange transactions including fair revenues and nonfair revenues. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as state assistance.

(j) Use of Estimates and Uncertainties of Financial Results

The accounting and reporting policies of the Commission conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Commission’s annual financial results are dependent upon the success of that year’s Fair. The financial results of the Fair are uncertain and vary depending on uncertainties such as weather conditions. In addition, the Commission is dependent upon the State for funding significant capital acquisitions and for operating assistance.

(3) Cash

The deposit of the Commission monies is governed by the provisions of the Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. All investing transactions are conducted by the Treasurer of State. The statutes permit the Treasurer of State to invest the Commission’s monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer’s investment pool (STAROhio), and obligations of the United States government or certain agencies thereof.

Public depositories must provide security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by specific government securities. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement.

State law does not require security for public deposits and investments maintained in the Commission’s name.

During 2003 and 2002, the Commission complied with the provisions of these statutes.

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements
June 30, 2003 and 2002

(a) Deposits

The majority of the Commission's cash is in the State Rotary Fund, which is composed of commingled state funds invested by the Treasurer of State. At June 30, 2003, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was \$817,399. In addition, the Commission had \$3,968 of cash on hand.

At June 30, 2002, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was \$1,125,016. In addition, the Commission had \$3,963 of cash on hand.

(b) Restricted Cash

At June 30, 2003, \$459,857 was collected from harness racing participants registering for the 2002 Fair; and at June 30, 2001, \$487,918 was collected from harness racing participants registering for the 2002 Fair. These monies are held in the State Rotary Fund and will be remitted to others who manage the Fair harness racing event.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2003 was as follows:

	Balance July 1, 2002	Additions	Deletions/ Transfers	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$ 2,930,999	-	-	\$ 2,930,999
Construction in progress	3,375,756	\$ 1,818,497	\$ 3,225,817	1,986,436
Total capital assets not being depreciated:	<u>6,306,755</u>	<u>1,818,497</u>	<u>3,225,817</u>	<u>4,899,435</u>
Capital assets being depreciated:				
Land improvements	3,947,960	-	-	3,947,960
Buildings and improvements	55,063,805	3,003,154	-	58,066,959
Equipment, furniture and fixtures	1,867,664	236,397	51,809	2,052,252
Vehicles	44,404	-	-	44,404
Total capital assets being depreciated	<u>60,923,833</u>	<u>3,239,551</u>	<u>51,809</u>	<u>64,111,575</u>
Less: Accumulated depreciation:				
Land improvements	1,752,649	146,538	-	1,899,187
Buildings and improvements	23,265,669	1,632,891	-	24,898,560
Equipment, furniture and fixtures	1,224,156	173,715	51,809	1,346,062
Vehicles	41,403	666	-	42,069
Total accumulated depreciation	<u>26,283,877</u>	<u>1,953,810</u>	<u>51,809</u>	<u>28,185,878</u>
Net assets – beginning of fiscal year	<u>34,639,956</u>	<u>1,285,741</u>	<u>-</u>	<u>35,925,697</u>
Net assets – end of fiscal year	<u>\$ 40,946,711</u>	<u>\$ 3,104,238</u>	<u>\$ 3,225,817</u>	<u>\$ 40,825,132</u>

OHIO EXPOSITIONS COMMISSION
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Notes to Basic Financial Statements
June 30, 2003 and 2002

(4) Capital Assets, Continued

Capital assets activity for the year ended June 30, 2002 was as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Capital assets not being depreciated:				
Land	\$ 2,930,999	-	-	\$ 2,930,999
Construction in progress	4,861,434	\$ 3,773,453	\$ 5,259,131	3,375,756
Total capital assets not being depreciated	7,792,433	3,773,453	5,259,131	6,306,755
Capital assets being depreciated:				
Land improvements	3,947,960	-	-	3,947,960
Buildings and improvements	49,915,048	5,148,757	-	55,063,805
Equipment, furniture and fixtures	1,754,084	130,954	17,374	1,867,664
Vehicles	44,404	-	-	44,404
Total capital assets being depreciated	55,661,496	5,279,711	17,374	60,923,833
Less: Accumulated depreciation:				
Land improvements	1,606,111	146,538	-	1,752,649
Buildings and improvements	21,706,976	1,558,693	-	23,265,669
Equipment, furniture and fixtures	1,077,837	163,693	17,374	1,224,156
Vehicles	40,737	666	-	41,403
Total accumulated depreciation	24,431,661	1,869,590	17,374	26,283,877
Total capital assets being depreciated, net	31,229,835	3,410,121	-	34,639,956
Total capital assets, net	\$ 39,022,268	\$ 7,183,574	\$ 5,259,131	\$ 40,946,711

Construction in progress at June 30, 2003 consisted of the Campground Renovation Project, the Electric and Lighting Upgrade Project, and the Facility Improvement Plan.

Construction in progress at June 30, 2002 consisted of the Masonry Renovation Project, the Facility Improvement Plan, the Restroom Renovation Project, the Campground Renovation Project, the Sewer Separation Project, the HVAC Planning Project, and the Facility Improvement Plan.

The construction is funded by the State of Ohio and recorded as capital contributions on the Commission's financial statements.

OHIO EXPOSITIONS COMMISSION
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Notes to Basic Financial Statements
June 30, 2003 and 2002

(5) **Capital Leases**

The Commission is leasing certain equipment under capital leases. The interest rate for the capital leases ranged between approximately 4.64% to 8.05% at June 30, 2003. The net book value of this equipment at June 30, 2002 was \$555,940.

Changes in capital leases for the years ended June 30, 2003 and 2002 were as follows:

	2003	2002
Beginning balance	\$ 488,082	\$ 578,789
Additions	-	-
Deductions	(95,433)	(90,707)
Ending balance	\$ 392,649	\$ 488,082
Amount due within one year	\$ 100,422	\$ 95,434

Future minimum payments, by fiscal year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at June 30, 2003:

	Capital Leases
2004	\$ 119,184
2005	116,598
2006	101,150
2007	101,150
Total minimum lease payments	438,082
Less amount representing interest	45,433
Present value of minimum lease payments under capital leases	\$ 392,649

(6) **Leased Property**

In May 1998, the Commission entered into an operating lease with the Crew Soccer Stadium Limited Liability Company (the Crew) for a period of 25 years. The Commission leased land, which has a cost and carrying value of approximately \$111,000, on which the Crew designed and constructed a stadium. The Commission is entitled to an annual rent payment of \$50,000 through the year ending March 31, 2004. Thereafter, rent shall be adjusted by the Consumer Price Index adjustment, effective on April 1, 2004 and every fifth anniversary thereafter during the lease term. The Commission will retain 30% of all parking revenue collected for the Crew sponsored events at the stadium.

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June 30, 2003 and 2002

The Commission also has operating leases with the Days Inn and McDonalds. The McDonald's' lease commenced in May 1996 and is for a period of 20 years. The Commission is currently entitled to an annual rent payment of \$28,752. This lease has scheduled increases relating to the Consumer Price Index every 5 years, with the next increase scheduled for 2006. The Days Inn lease commenced in December 1986 and is for a period of 30 years. The Commission is entitled to 4% of the gross room rent, which amounted to \$28,873 and \$34,703 for the years ended June 30, 2003 and 2002, respectively.

(7) Defined Benefit Pension Plan

(a) Plan Description

The Commission contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns authority to establish and amend benefit provisions to the PERS Board of Trustees. PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215 or by calling 614-466-2085.

(b) Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%, and the employer contribution rate for state employers is 13.31% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Commission's contributions to PERS for the years ended June 30, 2003, 2002 and 2001 were \$600,301, \$703,653 and \$468,229, respectively, equal to the required contributions for each year.

(c) Other Post-Employment Benefits

PERS provides postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Healthcare coverage for disability recipient and primary survivor recipients is available. The healthcare coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS. The number of active contributing participants at December 31, 2001 was 402,041.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS.

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June 30, 2003 and 2002

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The investment assumption rate for 2001 was 8.00%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

The PERS 2002 employer contribution rate to fund healthcare for the year was 5.0%. Healthcare costs were assumed to increase 4.00% annually.

The actuarially determined and statutorily required contribution requirements from the Commission to PERS for postemployment benefits for the years ended June 30, 2003 and 2002 were \$225,530 and \$227,350 respectively. The amounts are included in the Commission contribution totals in note 7(b).

(8) Compensated Absences

Employees of the Ohio Expositions Commission can earn vacation, sick, and personal leave at various rates as specified by Ohio law. Employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or separation from service, vested employees are paid at their full rate of pay for 100% of unused vacation and personal leave. Non-overtime-exempt employees may also be paid 100% of any unused compensatory time.

Sick leave for all employees is accumulated at a rate of 3.1 hours every two weeks. Sick leave benefits vest after five years of credited service for AFSCME employees and after one year of continuous service for other employees. Sick leave is paid at 100% of the employee's pay rate when used for the first 40 hours of the benefit year, at 70% of the employee's pay rate when used for 40.1 through 80 hours of the benefit year, and again at 100% of the employee's pay rate when used for any amount in excess of 80 hours of the benefit year. Annually, up to 80 hours of sick leave that was accrued in the current year and remains unused in December may be cashed out at varying rates.

OHIO EXPOSITIONS COMMISSION
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June 30, 2003 and 2002

Changes in compensated absences for the years ended June 30, 2003 and 2002 are as follows:

	2003	2002
Beginning balance	\$ 672,432	\$ 579,377
Additions	435,085	507,445
Deductions	(516,304)	(414,390)
	-	-
Ending balance	\$ 591,213	\$ 672,432
Amount due within one year (included in accrued liabilities on the statement of net assets)	\$ 54,926	\$ 66,350

(9) Contingencies

At June 30, 2003 and 2002, the Commission has been named in various public liability and property damage claims and suits. It is the opinion of management that any resulting liability to the Commission will not have a material adverse effect on the Commission's financial position as of June 30, 2003.

(10) Noncash Transactions

During the course of the year, the Commission may approve noncash transactions in which a renter will provide free service to the Commission in exchange for free or discounted rental of the Commission's facilities. These services were estimated for the years ended June 30, 2003 and 2002 at \$17,899 and \$26,975, respectively, and are recorded as nonfair revenue and maintenance and repair expenses in the statement of revenues, expenses and changes in net assets. Also, services performed relating to the 2002 and 2001 Fairs were estimated for the years ended June 30, 2003 and 2002 at \$6,705 and \$11,955, respectively, and are recorded as fair revenue and maintenance and repair expenses in the statement of revenues, expenses and changes in net assets.

(11) Related Party Transactions

During fiscal years 2003 and 2002, the Commission had, and expects to have in the future, transactions with other state agencies. The Commission recognized approximately \$184,853 and \$245,996 in rental fee revenues from other agencies of the State during fiscal years 2003 and 2002, respectively. State agencies are charged essentially the same rental fees as those charged to third parties.

In addition, the Commission paid other state agencies for processing of payroll, general ledger and fixed asset ledger. The Commission expensed approximately \$160,500 and \$179,500 during fiscal years 2003 and 2002, respectively, for these services at rates comparable to those charged to other agencies of the State for these services.

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The Commission maintains special agreements with the following three separate agencies of the State in which these state agencies rent certain buildings and space on the Commission grounds in exchange for services provided:

The Ohio Department of Transportation provides maintenance and renovation work on the roadways, curbs and parking lots of the Commission.

The State Highway Patrol operates a full-time post on the Commission's property and provides law enforcement on this property. In addition, the State Highway Patrol provides traffic control and law enforcement during the Fair. Both of these services are required by State law.

The Ohio Department of Natural Resources (ODNR) leases and maintains a large and extensive exhibit at the Fair. In addition, ODNR maintains a Civilian Conservation Corps district office on the Commission's grounds.

The basic financial statements do not give effect to these activities inasmuch as there is no reliable basis for determining their financial impact.

(12) State Fair Reserve

The Ohio Legislature passed a House Bill (Am. Sub. H.B. No. 283, Section 49), which established a State Fair Reserve of \$700,000. The reserve may be used if admission revenues for the Ohio State Fair are less than 90% of the projected admission revenues for the annual Ohio State Fair. The Commission must declare a state of fiscal exigency and request a release of funds by the Director of Budget and Management. The Director of Budget and Management then must approve the release of funds, and may make changes or stipulations before release of the funds.

The 2001 Ohio State Fair was affected by hot, humid weather during the first week of the Fair and by rain on the last weekend of the Fair. The result was a decrease in attendance, and therefore, a decrease in the related revenue sources (admissions, midway percentages, food and beverage percentages, etc.) from the previous year and from the budget. Therefore, admission revenues were less than 90% of the projected admission revenues for the 2001 Ohio State Fair, and the Commission requested a release of funds of up to \$450,000 from the appropriation line item 723-603, State Fair Reserve. This request was approved by the Director of the Office of Budget and Management and during Fiscal Year 2002 \$449,663 of these funds were used. This left a remaining balance of \$250,337 in the State Fair Reserve Fund as of June 30, 2002.

The 2002 Ohio State Fair again did not meet the attendance requirements as set forth by the Ohio Legislature, and the Commission requested and received approval from the Director of Office and Budget and Management during Fiscal Year 2003 for the use of \$125,000. The remaining balance as of June 30, 2003 was \$125,337.

(13) Risk Management

The State retains the risk associated with claims arising from vehicle liability, property loss and tort liability. The State also maintains a public employee's blanket bond through a private carrier. However, the Commission is responsible for the replacement of equipment that may be lost or damaged as a result of the operations of the Commission. In addition, employees of the Commission have the option of

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Notes to Basic Financial Statements
June 30, 2003 and 2002

participating in the Ohio Med Health Plan, a self-insured health benefit plan of the State. The Commission pays a premium each month to the State based on the number of employees opting for plan participation and the types of coverage selected by its employees. At the end of the year, the State allocates the incurred but not reported (IBNR) health benefits claim liability (actuarial determined) or refund to its departments based upon the department's percent of total monthly premiums. The IBNR claim liability was included in accrued liabilities at June 30, 2003. Additional disclosures are expected to be found in the State's CAFR for the fiscal year ended June 30, 2003.

There were no changes to the above policies during the current fiscal year. Claims experience over the past three years indicates that there were no instances of losses exceeding insurance coverage.

All other risk disclosures are expected to be found in the State's CAFR for the fiscal year ended June 30, 2003.

(14) Workers' Compensation

The Commission participates in a plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods. The Commission's pro-rata share of this estimated liability for such future payments has been calculated by the State of Ohio Office of Budget and Management and allocated among the various state agencies and state universities using a new method effective in fiscal year 2003. The table below illustrates the effect of this change in estimate.

Changes in workers' compensation liabilities for the years ended June 30, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Beginning balance	\$ 931,809	\$ 1,011,722
Change in estimate	313,130	-
Deductions, net of additions	<u>(9,461)</u>	<u>(79,913)</u>
Ending balance	<u>\$ 1,235,478</u>	<u>\$ 931,809</u>
Amount due within one year	<u>\$ 30,962</u>	<u>\$ 52,406</u>

Additions and deductions are shown net, since it is impracticable for the Commission to determine these amounts separately.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Ohio Expositions Commission and
Betty Montgomery, Auditor of State
Columbus, Ohio

We have audited the financial statements of The Ohio Expositions Commission (the Commission) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Commission and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs Co. Inc.

Columbus, Ohio
October 29, 2003

OHIO EXPOSITIONS COMMISSION
(A Component Unit of the State of Ohio)

Agreed-Upon Procedures

June 30, 2003



Ohio Expositions Commission and
Betty Montgomery, Auditor of State
Columbus, Ohio

We have performed the procedures enumerated below, which were agreed to by the management of the Ohio Expositions Commission (the Commission) to fulfill Ohio Revised Code Section 991.06 requirements, solely to assist you in evaluating whether the cash collection, fair ticketing and vendor contracting controls and procedures were in place and functioning properly for the duration of the 2003 Ohio State Fair, an event sponsored by the Commission, from August 1, 2003 through August 17, 2003. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and our findings are as follows:

- 1) Reconcile daily receipts to deposits made. For each day of the fair, we performed the following procedures:
 - a) Ascertained the arithmetic accuracy of the daily Ticket Sales Report for both day and night shifts to within \$1.

With respect to procedure 1.a., we noted one instance where credit sales were credited to the improper person on August 3rd.
 - b) Ascertained the arithmetic accuracy of the daily Ohio State Fair Cashiers Office - Celeste Center Reports to within \$1 and agreed daily amounts to Ticketmaster transaction summary stubs.

With respect to procedure 1.b., no exceptions were noted.
 - c) Ascertained the arithmetic accuracy of the daily Ohio State Fair Amusements of America Reports to within \$1.

With respect to procedure 1.c., no exceptions were noted.
 - d) Ascertained the arithmetic accuracy of the daily 2003 Ohio State Fair Sky Glider Daily Recap Reports and agreed-upon amounts to Skyfair, Inc. calculation sheet and amounts remitted to the Ohio Expo Commission from Skyfair, Inc. to within \$1.

With respect to procedure 1.d., no exceptions were noted.

- e) Ascertained the arithmetic accuracy of 10 vendors each day from the daily Balance Due Worksheet to within \$1 and agreed amounts to the daily Vendor Percentage Reconciliation Sheet.

With respect to procedure 1.e., no exceptions were noted.

- f) Recalculated all computations used in the State Fair 2003 Revenue Receipts Reports.

With respect to procedure 1.f., no exceptions were noted.

- g) Traced ticket sales by cashier from the Ticket Sales Report to the actual Ohio State Fair Seller's reports and total sales to "z" tapes, which are the tapes generated from the cash registers.

With respect to procedure 1.g., 27 instances of discrepancies between the Ohio State Fair Seller's Reports and associated "z" tapes were noted throughout the fair. The discrepancies were as follows: \$2 and \$19 on August 5th; \$2, \$2, \$4, \$11, and \$12 on August 6th; \$1, \$1, \$4, and \$4 on August 7th; \$1 and \$12 on August 8th; \$2 on August 12th; \$1, \$2, and \$2 on August 14th; \$2, \$4, and \$76 on August 15th; \$4, \$4, \$6, \$14, \$26; and \$52 on August 17th.

- h) Agreed the total cash collected from the State Fair 2003 Revenue Receipts Reports to the validated Key Bank deposit ticket.

With respect procedure 1.h., we noted one exception, as there was a \$15 discrepancy on August 4th.

- i) Scanned the validated daily Revenue Cash Receipt Reports from the State Treasurer for any bank adjustments.

With respect to procedure 1.i., we noted one exception, as there was a bank adjustment of \$15 on August 4th.

- 2) Determined that tickets used in gate receipts are sequentially accounted for.

- a) We obtained the beginning ticket inventory listings provided to us by the Commission, and noted the tickets on hand were sequentially ordered.

With respect to procedure 2.a., no exceptions were noted.

- b) We selected ten sets of residual tickets on the day after the fair ends from all types of tickets available and agreed the quantity remaining to the Commission's ending ticket inventory without exception.

With respect to procedure 2.b., no exceptions were noted.

- 3) Verified the frontage measurement for vendors with contracts based in frontage. We participated in the measurement of all vendor booth frontage and verified that our measurements were in agreement with the measurements provided by the Commission and Amusements of America.

With respect to procedure 3, no exceptions were noted.

- 4) Determined that the Commission through resolutions in the minutes, approved all contracts. We scrutinized the minutes book maintained in the General Manager's office and noted all contracts recorded therein had been properly approved by the Commission.

With respect to procedure 4., we noted that the contracts had Controlling Board approval. However, the contracts were not approved in the board minutes.

- 5) Determined that total payments made against contracts of \$1,239,675 (per the 2003 Ohio State Fair attraction and entertainment contract payments schedule) agreed with the amount in the contracts. We read the attraction and entertainment contracts and noted that the amounts paid by the Commission per the above-mentioned attraction and entertainment contract payments schedule were in agreement with the contracts approved by the Commission.

With respect to procedure 5, no exceptions were noted.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on cash collection, fair ticketing and vendor contracting controls and procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above, and is not intended to be and should not be used by anyone other than those specified parties.

Schneider Downs & Co Inc.

Columbus, Ohio
October 29, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

OHIO EXPOSITIONS COMMISSION

FRANKLIN 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
FEBRUARY 12, 2004**