

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

Basic Financial Statements
For the years ended June 30, 2007 and 2006
and Independent Auditors' Report Thereon



Mary Taylor, CPA
Auditor of State

Board of Commissioners
Ohio Expositions Commission
717 East 17th Ave.
Columbus, Ohio 43211-2698

We have reviewed the *Independent Auditor's Report* of the Ohio Expositions Commission, Franklin County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 2, 2008

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INDEPENDENT AUDITORS' REPORT

Ohio Expositions Commission and
Mary Taylor, CPA, 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 years ended June 30, 2007 and 2006, 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 audits.

We conducted our audits 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 audits provide 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, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with the *Government Auditing Standards*, we have also issued our report dated December 12, 2007 on our consideration of the Commission'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

The Management's Discussion and Analysis on Pages 2 through 6 is not a required part of the basic financial statement 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.

Columbus, Ohio
December 12, 2007

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OHIO EXPOSITIONS COMMISSION
(A COMPONENT UNIT OF THE STATE OF OHIO)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The discussions and analysis of the Ohio Expositions Commission (the Commission) financial performance provides an overall review of the financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the independent auditors' report, notes to the basic financial statements, and the basic financial statements to enhance their understanding of the Commission's financial performance.

Using this Financial Report

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

Financial Highlights

Key financial highlights for 2007 are as follows:

- Total net assets increased \$2,737,524 which represents a seven percent increase from 2006.
- Total assets increased \$2,878,509 which represents a six percent increase from 2006. This was due mainly to a net increase in capital assets of \$2,859,791. During the year the Ohio Department of Aging transferred a building to the Commission for \$2,862,972. There was also \$2,561,863 of other capital asset additions, primarily consisting of the Bricker roof renovation and additional electrical and lighting, that was offset by \$2,564,402 of depreciation expense and disposal of fixed assets with a remaining net book value of \$642.
- Overall liabilities increased \$140,985, with the largest part of this increase caused by a \$161,694 increase in deferred income. Deferred income increased at the end of 2007 due to the increase in entertainment revenue for the 2007 Ohio State Fair. The liability for compensated absences and workers' compensation also increased \$87,609 and \$78,998, respectively. These increases were partially offset by a decrease in obligations under capital leases of \$96,626 due to a lease expiring during fiscal year 2007.
- Ohio State Fair revenues decreased by \$283,329 in fiscal year 2007 (2006 Ohio State Fair) mainly due to entertainment revenue being down from the 2005 fair (fiscal year 2006).
- Operating expenses decreased \$403,845 during the year mainly due to decreases in purchased services, supplies and materials, and maintenance and repairs.
- State capital contributions increased \$4,519,593. The large increase is mainly due to a building transferred to the Commission for \$2,862,972. The rest of the increase is a result of two major capital projects commencing in fiscal year 2007: the Bricker roof renovation and additional electric and lighting.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007 and 2006:

Table 1		
Net Assets		
	<u>2007</u>	<u>2006</u>
Assets:		
Current assets	\$ 2,066,909	\$ 2,048,191
Capital assets, net	<u>47,111,999</u>	<u>44,252,208</u>
 Total Assets	 <u>\$ 49,178,908</u>	 <u>\$ 46,300,399</u>
Liabilities:		
Current liabilities	\$ 3,315,003	\$ 3,344,195
Non-current liabilities	<u>2,080,382</u>	<u>1,910,205</u>
 Total Liabilities	 <u>\$ 5,395,385</u>	 <u>\$ 5,254,400</u>
Net Assets:		
Invested in capital assets	\$ 47,111,999	\$ 44,252,208
Unrestricted net assets	<u>(3,328,476)</u>	<u>(3,206,209)</u>
 Total Net Assets	 <u>\$ 43,783,523</u>	 <u>\$ 41,045,999</u>

There were no significant changes in current assets. Non-current assets increased six percent due to an increase in capital assets. In fiscal year 2007, the Martin Janis Center, a building in which recreational programming is provided to senior citizens, was transferred to the Commission from the Ohio Department of Aging and was recorded at a cost of \$2,862,972. The remaining increase in capital assets was due to capital asset additions for the Bricker Roof renovation and electrical light upgrades. Capital asset additions were almost solely funded with capital acquisitions for projects through the Capital Fund 026.

Overall liabilities increased \$140,985, with the largest part of this increase caused by a \$161,694 increase in deferred income. Deferred income increased at the end of 2007 due to an increase in entertainment revenue for the 2007 fair. The liability for compensated absences and workers' compensation also increased approximately \$87,669 and \$78,998, respectively. These increases were partially offset by a decrease in the obligations under capital leases of \$96,626 due to the lease expiring during Fiscal Year 2007.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The overall effect of the above changes in assets and liabilities resulted in the net assets of the Ohio Expositions Commission increasing \$2,737,524, which represents a seven percent increase from 2006. Table 2 shows a summary of the Statements of Revenues, Expenses and Changes in Net Assets for the years ended 2007 and 2006.

Table 2
Revenues, Expenses and Changes in Net Assets

	<u>2007</u>	<u>2006</u>
Operating Revenues:		
Fair sources	\$ 6,575,427	\$ 6,858,756
Non-fair sources	<u>5,256,562</u>	<u>5,025,571</u>
Total	11,831,989	11,884,327
Operating Expenses:		
Payroll and fringe benefits	5,566,950	5,609,168
Purchased services	2,351,703	2,659,673
Depreciation	2,564,402	2,265,906
Other operating expenses	2,149,507	2,341,497
Utilities	1,620,015	1,669,307
Maintenance and repair	<u>789,135</u>	<u>900,006</u>
Total Operating Expenses	<u>15,041,712</u>	<u>15,445,557</u>
Operating Loss	(3,209,723)	(3,561,230)
Non-operating revenues - State assistance	396,330	399,937
Loss on disposal of equipment	(642)	(21,966)
Other Sources - State capital contributions	<u>5,551,559</u>	<u>1,031,966</u>
Change in Net Assets	2,737,524	(2,151,293)
Net Assets - Beginning of Fiscal Year	<u>41,045,999</u>	<u>43,197,292</u>
Net Assets - End of Fiscal Year	<u>\$ 43,783,523</u>	<u>\$ 41,045,999</u>

Total operating revenues decreased \$52,338 from 2006 to 2007, due to a decrease in fair revenues of \$283,329 which was partially offset by an increase in non-fair revenues of \$230,991. The decrease in fair revenues was mainly due to a decrease in entertainment revenue for the 2006 Ohio State Fair. The increase in non-fair revenues was attributable to an increase in parking revenue due to increased parking rates and more non-fair events occurring in 2007 than in 2006.

Operating expenses decreased \$403,845 during the year due to four main functions. The decrease in purchased services of \$307,970 was due to paying less for featured entertainment at the 2006 Ohio State Fair. The decreases in supplies and materials (included in other operating expenses) and maintenance and repairs of \$103,198 and \$110,871, respectively, are a result of the management staff continuing to analyze and monitor all expenses and

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

equipment purchases. These decreases were partially offset by an increase in depreciation expense of \$298,496, which is mainly due to \$3,461,895 of depreciable capital asset additions during 2007.

The operating loss for the year decreased mainly due to the above mentioned items resulting in a decrease in operating loss of \$351,507.

State capital contributions increased from \$1,031,966 to 5,551,559 during the year, which is mainly due to a building transferred to the Commission for \$2,862,062. The rest of the increase is due to 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, 2007 the Ohio Expositions Commission had total assets of \$49,178,908 and total net assets of \$43,783,523. The largest portion of the Commission's assets is comprised of the capital assets that make up this large, multi-event facility. The mission of the agency is "to professionally operate and maintain for public benefit a year-round, service-oriented event facility and produce the annual Ohio State Fair."

The Ohio Expositions 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 facilities. This effort is intended to increase both participants and guests at the Ohio State Fair as well as non-fair clients and their visitors.

The annual Ohio State 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 extensive support to the Junior Fair, while not negatively impacting the annual operating budget of the Ohio Expositions Commission.

Many fair visitors believe that prices for entry, admission and midway rides should be nominal. Accordingly, the Commission, in conjunction with the Governor's Office and the Ohio General Assembly, makes a concerted effort to keep fair prices affordable. In fact, the Ohio State Fair is currently not designed to break even in and of itself. Ohio State 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 Ohio Expositions Commission relies on a strong non-fair operation to financially buffer these Ohio State Fair revenue factors and support the total annual operation of the Commission.

The Commission continues to face marketplace challenges for the entertainment dollar. The number of entertainment options available to consumers continues to grow, increasing competition for the consumer's disposable income and available time. The Commission also continues to face challenges in the area of securing entertainment for the Ohio State Fair. With increased local competition for big-name entertainment, from other government supported agencies (Columbus Zoo and Schottenstein Center) and private venues (Nationwide Arena and Germain Amphitheater), it is increasingly difficult to fill the Celeste Center with entertainment for a 12-day fair.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

The Commission 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. Because the Commission is financially dependent on these non-fair events, we must address the facility's image if we are to remain competitive in this marketplace. Our facility is old and in need of repair, so 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 all of our facilities will continue with the capital improvements project to replace the roof on the Bricker multi-purpose building as well as the electrical upgrade project. The Commission has received funding for a new multi-purpose building in the 2007-2008 Capital Biennial Budget. Discussion is on-going as to where this building will be erected and construction is hoped to be completed in time for the 2009 Ohio State Fair.

Contacting the Ohio Expositions Commission

The 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 email to d.smalley@expo.state.oh.us.

OHIO EXPOSITIONS COMMISSION
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STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 872,596	\$ 1,022,423
Restricted cash and cash equivalents (Note 3)	412,266	408,922
Accounts receivable	230,989	139,339
Intergovernmental receivable	218,162	192,629
Prepaid fair expenses	229,188	208,589
Other prepaid expenses	103,708	76,289
Total current assets	2,066,909	2,048,191
Non-current assets:		
Capital assets, net of accumulated depreciation (Note 4)	47,111,999	44,252,208
Total non-current assets	47,111,999	44,252,208
Total assets	49,178,908	46,300,399
LIABILITIES		
Current liabilities:		
Accounts payable	437,464	495,455
Accrued liabilities	342,648	378,691
Obligation under capital leases	-	96,626
Deferred income	1,970,295	1,808,601
Due to others (Note 3)	412,266	408,922
Workers' compensation liability	152,330	155,900
Total current liabilities	3,315,003	3,344,195
Non-current liabilities:		
Compensated absences (Note 7)	628,978	541,369
Workers' compensation liability	1,451,404	1,368,836
Total non-current liabilities	2,080,382	1,910,205
Total liabilities	5,395,385	5,254,400
NET ASSETS		
Invested in capital assets	47,111,999	44,252,208
Unrestricted	(3,328,476)	(3,206,209)
Total net assets	\$ 43,783,523	\$ 41,045,999

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Fair sources	\$ 6,575,427	\$ 6,858,756
Non-fair sources	5,256,562	5,025,571
Total	<u>11,831,989</u>	<u>11,884,327</u>
Operating expenses:		
Payroll and fringe benefits	5,566,950	5,609,168
Purchased services	2,351,703	2,659,673
Depreciation	2,564,402	2,265,906
Utilities	1,620,015	1,669,307
Maintenance and repair	789,135	900,006
Premiums	735,273	753,278
Printing and advertising	461,494	496,662
Supplies and materials	310,056	413,254
Meals	235,650	207,944
Rentals	157,101	194,293
Communication and postage	107,488	114,501
Motor vehicle	111,465	112,314
Travel	19,935	21,362
Contracted commissions	9,233	27,467
Refunds	1,812	422
Total operating expenses	<u>15,041,712</u>	<u>15,445,557</u>
Operating loss	<u>(3,209,723)</u>	<u>(3,561,230)</u>
Nonoperating revenues - state assistance	396,330	399,937
Loss on disposal of equipment	(642)	(21,966)
Loss before capital contributions	<u>(2,814,035)</u>	<u>(3,183,259)</u>
State capital contributions	5,551,559	1,031,966
Change in net assets	2,737,524	(2,151,293)
Net assets - beginning of fiscal year	41,045,999	43,197,292
Net assets - end of fiscal year	<u>\$ 43,783,523</u>	<u>\$ 41,045,999</u>

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION
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STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash received from fair sources	\$ 6,539,184	\$ 6,801,289
Cash received from non-fair sources	5,119,975	5,146,755
Cash received from other sources	242,874	139,619
Cash received for harness racing funds	412,266	408,922
Cash payments for harness racing funds	(408,922)	(444,170)
Cash payments for payroll and personal services	(7,875,749)	(8,007,327)
Cash payments for utilities and maintenance	(2,290,634)	(2,513,501)
Cash payments for other services and charges	(2,311,905)	(2,490,911)
Net cash used in operating activities	<u>(572,911)</u>	<u>(959,324)</u>
Cash flows from noncapital financing activities:		
State operating assistance received	<u>396,330</u>	<u>399,937</u>
Net cash provided by noncapital financing activities	<u>396,330</u>	<u>399,937</u>
Cash flows from capital and related financing activities:		
State capital assistance received	2,688,587	1,031,966
Acquisition and construction of equipment	(2,561,863)	(813,393)
Payments on capital leases	(96,626)	(92,332)
Net cash provided by capital and related financing activities	<u>30,098</u>	<u>126,241</u>
Net decrease in cash and cash equivalents	(146,483)	(433,146)
Cash and cash equivalents, beginning of year	<u>1,431,345</u>	<u>1,864,491</u>
Cash and cash equivalents, end of year	<u>1,284,862</u>	<u>1,431,345</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	(3,209,723)	(3,561,230)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	2,564,402	2,265,906
(Increase)/decrease in assets:		
Accounts receivable	(117,183)	977,541
Prepaid fair expenses	(20,599)	(16,502)
Other prepaid expenses	(27,419)	(5,879)
Increase/(decrease) in liabilities:		
Accounts payable	(57,991)	(843,640)
Accrued liabilities	51,566	9,246
Deferred income	161,694	98,405
Due to others	3,344	(35,248)
Workers' compensation liability	78,998	152,077
Total adjustments	<u>2,636,812</u>	<u>2,601,906</u>
Net cash used in operating activities	<u>\$ (572,911)</u>	<u>\$ (959,324)</u>

SUPPLEMENTAL SCHEDULE OF NONCASH FINANCING ACTIVITIES

During 2007, Ohio Exposition Commission received a building transferred to them from the Ohio Department of Aging at a cost of \$2,862,972

During 2007 and 2006, capital asset additions of \$218,162 and \$192,629, respectively, were financed with accounts payable.

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - ORGANIZATION AND REPORTING ENTITY

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 Exposition 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 under Section 501(c) (3) of the Internal Revenue Code and, accordingly, no provision for income taxes is required.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Commission 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.

Allowance for Doubtful Accounts - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. There was no allowance for doubtful accounts deemed necessary as of June 30, 2007 and 2006.

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 as noted below.

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, which 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>
Buildings and improvements	20 - 45
Land improvements	20
Equipment and vehicles	3 - 10
Furniture and fixtures	5 - 15

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.

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Fair Expenses - The Ohio State Fair's (Fair) prepaid expenses are recorded for cash disbursed prior to services being performed. These items include cash disbursed for the Fair in the fiscal year prior to the Fair taking place.

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.

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 statement of net assets 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.

Net Assets are displayed in two 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.
- Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Classification of Revenues - The Commission has classified its revenues as either operating or non-operating. 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.

OHIO EXPOSITIONS COMMISSION
(A COMPONENT UNIT OF THE STATE OF OHIO)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 - CASH AND CASH EQUIVALENTS

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 2007 and 2006, the Commission complied with the provisions of these statutes.

Deposits - The majority of the Commission's cash is in the State Rotary Fund, which is commingled state funds invested by the Treasurer of State. At June 30, 2007 and 2006, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was approximately \$1,281,000 and \$1,427,000, respectively. In addition, the Commission had approximately \$4,000 of cash on hand at June 30, 2007 and 2006.

Restricted Cash - At June 30, 2007, approximately \$412,000 was collected from harness racing participants registering for the 2007 Fair; and at June 30, 2006, approximately \$409,000 was collected from harness racing participants registering for the 2006 Fair. These monies are held in the State Rotary Fund and will be remitted to others who manage the Fair harness racing event.

Credit Risk - All risk disclosures required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are expected to be found in the State's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007.

OHIO EXPOSITIONS COMMISSION
(A COMPONENT UNIT OF THE STATE OF OHIO)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions and</u> <u>Transfers In</u>	<u>Deletions and</u> <u>Transfers Out</u>	<u>Balance</u> <u>June 30, 2007</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,930,999	-	-	\$ 2,930,999
Construction in progress	68,434	\$ 1,962,940	-	2,031,374
Total Capital Assets Not Being Depreciated	<u>2,999,433</u>	<u>1,962,940</u>	<u>-</u>	<u>4,962,373</u>
Capital Assets Being Depreciated:				
Transfer of Martin Janis Center	-	2,862,972	-	2,862,972
Land improvements	9,600,016	515,771	-	10,115,787
Buildings and improvements	63,200,870	-	-	63,200,870
Equipment, furniture and fixtures	2,392,354	83,152	\$ 15,181	2,460,325
Vehicles	44,404	-	-	44,404
Total Capital Assets Being Depreciated	<u>75,237,644</u>	<u>3,461,895</u>	<u>15,181</u>	<u>78,684,358</u>
Less Accumulated Depreciation:				
Land improvements	1,992,013	473,568	-	2,465,581
Buildings and improvements	30,278,285	1,880,429	-	32,158,714
Equipment, furniture and fixtures	1,670,503	210,069	14,539	1,866,033
Vehicles	44,068	336	-	44,404
Total Accumulated Depreciation	<u>33,984,869</u>	<u>2,564,402</u>	<u>14,539</u>	<u>36,534,732</u>
Total Capital Assets Being Depreciated, Net	<u>41,252,775</u>	<u>897,493</u>	<u>642</u>	<u>42,149,626</u>
Total Capital Assets, Net	<u>\$ 44,252,208</u>	<u>\$ 642</u>	<u>\$ 642</u>	<u>\$ 47,111,999</u>

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 4 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended was as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions and</u> <u>Transfers In</u>	<u>Deletions and</u> <u>Transfers Out</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,930,999	-	-	\$ 2,930,999
Construction in progress	<u>8,886,184</u>	<u>\$ 1,031,966</u>	<u>\$ 9,849,716</u>	<u>68,434</u>
Total Capital Assets Not Being Depreciated	<u>11,817,183</u>	<u>1,031,966</u>	<u>9,849,716</u>	<u>2,999,433</u>
Capital Assets Being Depreciated:				
Land improvements	4,031,534	5,568,482	-	9,600,016
Buildings and improvements	59,471,854	3,759,016	30,000	63,200,870
Equipment, furniture and fixtures	2,107,003	303,645	18,294	2,392,354
Vehicles	<u>44,404</u>	<u>-</u>	<u>-</u>	<u>44,404</u>
Total Capital Assets Being Depreciated	<u>65,654,795</u>	<u>9,631,143</u>	<u>48,294</u>	<u>75,237,644</u>
Less Accumulated Depreciation:				
Land improvements	1,674,792	317,221	-	1,992,013
Buildings and improvements	28,520,446	1,766,175	8,336	30,278,285
Equipment, furniture and fixtures	1,506,652	181,843	17,992	1,670,503
Vehicles	<u>43,401</u>	<u>667</u>	<u>-</u>	<u>44,068</u>
Total Accumulated Depreciation	<u>31,745,291</u>	<u>2,265,906</u>	<u>26,328</u>	<u>33,984,869</u>
Total Capital Assets Being Depreciated, Net	<u>33,909,504</u>	<u>7,365,237</u>	<u>21,966</u>	<u>41,252,775</u>
Total Capital Assets, Net	<u>\$ 45,726,687</u>	<u>\$ 8,397,203</u>	<u>\$ 9,871,682</u>	<u>\$ 44,252,208</u>

Construction in progress at June 30, 2007 primarily consisted of the electric and lighting upgrade project, and the facility improvement plan.

Included in Additions and Transfers In for Fiscal Year 2007 is a building, the Martin Janis Center, that was transferred to the Commission on July 1, 2006 from the Ohio Department of Aging. The transfer was recorded at a cost of \$2,862,972 and is included as capital contributions on the Commission's financial statements. In connection with this transfer, a lease with the City of Columbus (the City) was assigned to the Commission. The lease commenced in December 1998 and expires in November 2013.

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 4 - CAPITAL ASSETS (Continued)

The City paid consideration of \$1 at the commencement of the lease and is responsible for maintenance, taxes, utilities and various other operating expenses through the term of the lease.

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

NOTE 5 - 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 \$56,000 through the year ending March 31, 2009. Thereafter, rent shall be adjusted by the Consumer Price Index adjustment, effective on April 1, 2009 and every fifth anniversary thereafter during the lease term. The Commission will retain thirty percent of all parking revenue collected for the Crew-sponsored events at the stadium.

The Commission also has operating leases with McDonald's and the Days Inn. The McDonald's' lease commenced in May 1996 and is for a period of twenty years. The Commission is currently entitled to an annual rent payment of approximately \$33,000. This lease has scheduled increases relating to the Consumer Price Index every 5 years with the next increase scheduled for 2011. The Days Inn lease commenced in December 1986 and is for a period of thirty years. The Commission is entitled to 4.00% of the gross room rent, which amounted to \$39,000 and \$32,000 for the years ended June 30, 2007 and 2006, respectively.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

Plan Description - The Commission contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS 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 OPERS Board of Trustees. OPERS 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 614-222-5601.

Funding Policy - The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 9.0% and the employer contribution rate for state employers is 13.70% 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 OPERS for the years ended June 30, 2007, 2006 and 2005 were \$552,000, \$544,000 and \$515,000, respectively, equal to the required contributions for each year.

Other Post-Employment Benefits - OPERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

recipients and primary survivor recipients is available. The health care 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 OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The number of active contributing participants at December 31, 2006 was 369,214.

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

The assumptions and calculations below were based on OPERS's latest Actuarial Review performed as of December 31, 2005. 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 not to exceed a 12% corridor.

The investment assumption rate for 2005 was 6.50%. 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 6.30%.

Healthcare costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years, (10 and beyond) healthcare costs were assumed to increase at 4% (the projected wage inflation rate).

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

The OPERS 2005 employer contribution rate to fund health care for the year was 4.00%. Health care costs were assumed to increase 4.00% annually.

The actuarially determined and statutorily required contribution requirements from the Commission to OPERS for postemployment benefits for the years ended June 30, 2007 and 2006 were \$183,000 and \$163,000 respectively. The amounts are included in the Commission contribution totals in note 6(b).

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 7 - COMPENSATED ABSENCES

Commission employees can earn vacation, sick and personal leave (compensatory time) 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 (American Federation of State, County and Municipal 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.

Changes in compensated absences for the years ended June 30, 2007 and 2006 are as follows:

	2007	2006
Beginning balance	\$ 606,033	\$ 611,161
Additions	610,571	547,572
Deductions	(500,511)	(552,700)
Ending balance	\$ 716,093	\$ 606,033
Amount due within one year (included in accrued liabilities on the statement of net assets)	\$ 87,115	\$ 64,664

NOTE 8 - CONTINGENCIES

From time to time, the Commission has been named in various public liability and property damage claims and suits arising in the ordinary course of business. At June 30, 2007 there are no outstanding claims.

NOTE 9 - RELATED PARTY TRANSACTIONS

During fiscal years 2007 and 2006, the Commission had, and expects to have in the future, transactions with other state agencies. The Commission recognized approximately \$133,000 and \$161,000 in rental fee revenues from other agencies of the State during fiscal years 2007 and 2006, respectively. State agencies are charged essentially the same rental fees as those charged to third parties.

OHIO EXPOSITIONS COMMISSION
(A COMPONENT UNIT OF THE STATE OF OHIO)

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

In addition, the Commission paid other State agencies for processing of payroll, general ledger, and fixed asset ledger. The Commission expensed approximately \$199,000 and \$196,000 during fiscal years 2007 and 2006, respectively, for these services at rates comparable to those charged to other agencies of the State for these services.

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 grounds.

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 in as much as there is no reliable basis for determining their financial impact.

NOTE 10 - 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 ninety percent of the projected admission revenues for the 2007 or 2006 Ohio State Fairs. 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 outstanding balance of available funds was approximately \$125,000 at June 30, 2007 and 2006.

NOTE 11 - 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 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

OHIO EXPOSITIONS COMMISSION
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 11 - RISK MANAGEMENT (Continued)

total monthly premiums. The IBNR claim refund was included in other prepaid expenses at June 30, 2007 and 2006 in the amount of \$103,708 and \$76,289, respectively. Additional disclosures are expected to be found in the State's CAFR.

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, 2007.

NOTE 12 - 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 (Bureau) 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.

Changes in workers' compensation liabilities for the years ended June 30, 2007 and 2006 are as follows:

	2007		2006
Beginning balance	\$ 1,524,736	\$	1,372,659
Additions (deductions), net	78,998		152,077
Ending balance	1,603,734		1,524,736
Amount due within one year	\$ 152,330	\$	155,900

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



INSIGHT ■ INNOVATION ■ EXPERIENCE

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

Ohio Expositions Commission and
Mary Taylor, CPA, Auditor of State
Columbus, Ohio

We have audited the accompanying financial statements of The Ohio Expositions Commission (the Commission) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting, which is identified as Significant Deficiency Number 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of the Commission, in a separate letter dated December 12, 2007.

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

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 - B Am.

Columbus, Ohio
December 12, 2007

OHIO EXPOSITION COMMISSION
(A COMPONENT UNIT OF THE STATE OF OHIO)

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2007

Significant Deficiency No. 07-1, Management Review over Accounts Receivable

Criteria: Effective internal controls over accounts receivable includes management oversight and review of year end reconciliations.

Condition: While conducting our audit, we noted that no management review of the accounts receivable year end reconciliation was performed.

Effect: The lack of review resulted in voided contracts being recorded as outstanding receivables at year end, which resulted in overstating non-fair revenue. The review function is critical to accurate financial reporting and the lack of management review of the accounts receivable detail could potentially lead to a material misstatement of the year end financial statements.

Management Response: The management of the Ohio Expo Center understands the ramifications of the finding of Schneider Downs and the weaknesses of that finding. Management recognizes the oversight in the review of the recording of accounts receivable at June 30, 2007 and it will be emphasized that the review of accounts receivable at fiscal year end should be done in a diligent manner.

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

Agreed-Upon Procedures

August 1, 2007 through August 12, 2007



INSIGHT ■ INNOVATION ■ EXPERIENCE

Ohio Expositions Commission and
Mary Taylor, CPA, Ohio 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) and the Ohio Auditor of State 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 2007 Ohio State Fair, an event sponsored by the Commission, from August 1, 2007 through August 12, 2007. 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) Reconciled 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., no exceptions were noted.

- 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 2007 Ohio State Fair Sky Glider Daily Recap Reports to within \$1 and agreed the cash deposited to the Key Bank deposit ticket.

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.

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- f) Recalculated all computations used in the State Fair 2007 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., 8 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: \$6 on August 1st; \$4 on August 2nd; \$6 and \$2 on August 7th; \$6 on August 9th; \$ 4, \$4 and \$22 on August 12th.

- h) Agreed the total cash collected from the State Fair 2007 Revenue Receipts Reports to the validated Key Bank deposit ticket.

With respect procedure 1.h., no exceptions were noted.

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

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

- 2) Determined that tickets used in gate receipts were 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 ended from all types of tickets available and agreed the quantity remaining to the Commission's ending ticket inventory.

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

- 3) Verified the frontage measurement for vendors with contracts based on frontage. We participated in the measurement of all vendor booth frontages 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 \$1,634,000 to be spent on contracts for the 2007 Ohio State Fair.

With respect to procedure 4., no exceptions were noted.

- 5) Determined that total payments made against contracts of \$1,038,546 (per the 2007 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.

Schmider Downs - C.P.A.

Columbus, Ohio
December 12, 2007



Mary Taylor, CPA
Auditor of State

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
JANUARY 15, 2008**