OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Financial Statements

June 30, 1999 and 1998

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

TABLE OF CONTENTS

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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
Columbus, Ohio

We have reviewed the independent auditor's report of the Ohio Expositions Commission, Franklin County, prepared by KPMG LLP, for the audit period July 1, 1998 through June 30, 1999. 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.

JIM PETRO
Auditor of State

January 6, 2000

KPMG

Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300
Fax 614 249 2348

Independent Auditors' Report

Ohio Expositions Commission
Columbus, Ohio

and

Jim Petro, Auditor of State:

We have audited the balance sheets of the Ohio Expositions Commission (the Commission), a component unit of the State of Ohio, as of June 30, 1999 and 1998 and the related statements of revenues and expenses, changes in equity and cash flows for the years then ended. 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 generally accepted auditing standards and the standards applicable to 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 audits 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, 1999 and 1998, and the results of its operations, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 1999 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 grants.

The year 2000 supplementary information on page 14 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Commission is or will become year 2000 compliant, that the Commission's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commission does business are or will become year 2000 compliant.

KPMG LLP

October 22, 1999

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Balance Sheets

June 30, 1999 and 1998

Assets		**1999**	**1998**
Current assets:			
Cash and cash equivalents (note 3)	$	971,430	914,546
Accounts receivable		40,750	149,291
Intergovernmental receivable		79,757	997,366
Prepaid fair expense		177,159	201,298
Total current assets		1,269,096	2,262,501
Non-current assets:			
Restricted Cash and cash equivalents (note 3)		484,017	457,072
Property and equipment, net of accumulated depreciation (note 4)		36,886,288	35,886,975
Total non-current assets		37,370,305	36,344,047
Total assets	$	38,639,401	38,606,548

Liabilities and Equity

Current liabilities:			
Accounts payable	$	553,773	1,420,057
Accrued liabilities		922,249	873,065
Obligation under capital lease (note 5)		662,900	730,072
Deferred income		1,661,009	1,494,495
Due to others (note 3)		484,017	457,072
Total liabilities		4,283,948	4,974,761
Equity:			
Contributed capital		36,057,521	34,931,663
Accumulated deficit		(1,702,068)	(1,299,876)
Total equity		34,355,453	33,631,787
Total liabilities and equity	$	38,639,401	38,606,548

See accompanying notes to financial statements.

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Statements of Revenues and Expenses

Years ended June 30, 1999 and 1998

	1999	1998
Operating revenues:		
Fair sources	$ 7,428,753	6,925,154
Nonfair sources	5,064,658	5,277,646
Total	12,493,411	12,202,800
Operating expenses other than depreciation:		
Payroll and fringe benefits	5,450,084	5,292,686
Purchased services	2,781,023	3,313,052
Utilities	1,025,440	1,116,177
Maintenance and repair	903,675	948,408
Premiums	733,027	818,163
Supplies and materials	530,947	427,573
Printing and advertising	664,872	215,201
Rentals	229,394	236,903
Meals	207,376	225,849
Communication and postage	151,545	163,912
Motor vehicle	147,726	130,051
Contracted commissions	115,640	90,050
Travel	22,351	32,876
Equipment	22,944	30,405
Court of claims	2,285	55,083
Refunds	11,808	35,378
Miscellaneous	92,137	90,441
Total	13,092,274	13,222,208
Depreciation:		
On assets acquired with contributed capital	1,469,604	1,437,743
On assets acquired with commission equity	144,170	136,571
Total	1,613,774	1,574,314
Total operating expenses	14,706,048	14,796,522
Operating loss	(2,212,637)	(2,593,722)
Nonoperating revenues (expenses):		
Loss on disposal of fixed assets	(18,366)	—
State operating assistance	356,293	350,119
Net loss	(1,874,710)	(2,243,603)
Add depreciation expense and loss on disposal of fixed assets closed to contributed capital	1,472,518	1,437,743
Increase in accumulated deficit	$ (402,192)	(805,860)

See accompanying notes to financial statements.

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Statement of Changes in Equity

Years ended June 30, 1999 and 1998

	Contributed capital	Accumulated deficit
Balance, June 30, 1997	$ 34,922,941	(494,016)
Assets purchased with contributed capital	1,446,465	—
Net loss	—	(2,243,603)
Amortization of contributed capital – transfer to retained earnings of an amount equal to the depreciation on assets acquired with contributed capital	(1,437,743)	1,437,743
Balance, June 30, 1998	34,931,663	(1,299,876)
Assets purchased with contributed capital	2,598,376	—
Net loss	—	(1,874,710)
Amortization of contributed capital – transfer to retained earnings of an amount equal to the depreciation on assets acquired with contributed capital and net book value of disposals of assets acquired with contributed capital	(1,472,518)	1,472,518
Balance, June 30, 1999	$ 36,057,521	(1,702,068)

See accompanying notes to financial statements.

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Statements of Cash Flows

Years ended June 30, 1999 and 1998

		1999	1998
Cash flows from operating activities:			
Operating loss	$	(2,212,637)	(2,593,722)
Adjustments to reconcile to net cash used in operating activities:			
Depreciation expense		1,613,774	1,574,314
Change in:			
Receivables		1,026,150	(53,351)
Prepaid fair expenses		24,139	185,426
Accounts payable		(866,284)	216,205
Accrued liabilities		49,184	48,747
Deferred income		166,514	130,167
Due to others		26,945	(4,606)
Net adjustments		2,040,422	2,096,902
Net cash used by operating activities		(172,215)	(496,820)
Cash flows from noncapital financing activities:			
State operating assistance received		356,293	350,119
Net cash provided by noncapital financing activities		356,293	350,119
Cash flows from capital and related financing activities:			
State capital assistance received		2,598,376	1,446,465
Acquisition and construction of fixed assets		(2,631,453)	(1,510,598)
Payment on capital lease		(67,172)	(64,186)
Net cash used in capital and related financing activities		(100,249)	(128,319)
Net increase (decrease) in cash and cash equivalents		83,829	(275,020)
Cash and cash equivalents, beginning of year		1,371,618	1,646,638
Cash and cash equivalents, end of year	$	1,455,447	1,371,618
Noncash activities –			
Loss on disposal of fixed assets	$	18,366	—

See accompanying notes to financial statements.

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Notes to Financial Statements

Years ended June 30, 1999 and 1998

(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.

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

For purposes of the statement of cash flows, the Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(c) Operating Assistance

State operating assistance is recorded as revenue during the entitlement period to which the assistance applies.

(d) Capital and Building Improvement Assistance

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

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

Loss on disposal of property and equipment acquired with contributed capital is reflected as a decrease in contributed capital as the disposal occurs.

(e) Property and Depreciation

Property and equipment are stated at historical cost or estimated historical cost and include expenditures which substantially increase the useful lives of existing assets. Routine maintenance and repairs are expensed as incurred.

Property and equipment consisting of certain improvements other than buildings (including roads, curbs and gutters, and sidewalks) have not been capitalized.

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

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

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

(f) Prepaid Fair Expense

Prepaid fair expense is 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.

(g) 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.

(h) Compensated Absences

The Commission accrues vacation and sick pay benefits as earned by its employees.

(i) Budgetary Accounting and Control

The Commission's annual budget is prepared on the cash basis of accounting as provided by law. The budget is prepared by the Commission's management and subsequently approved first by the Commissioners and then by the Office of Budget and Management (OBM). After these approvals, the budget is presented to and voted on by State legislature. Finally, the budget is signed by the Governor of the State as part of the State budget.

OBM maintains budgeting control over the Commission by controlling all disbursements at the spending authority code (SAC) level. SAC's are defined within the State's appropriation accounting system for payroll, purchased personal service contracts, maintenance and supply, equipment, refunds, and capital projects. OBM approves all purchases by comparing available appropriation and available cash to the purchase. Appropriations can be transferred between SAC levels, except for payroll. However, increases in total appropriations can only occur through the Controlling Board approval process.

(j) Use of Estimates and Uncertainties of Financial Results

The accounting and reporting policies of the Commission conform to generally accepted accounting principles (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 give 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 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Commission's name.

During 1999 and 1998, the Commission complied with the provisions of these statutes.

(a) Deposits

The majority of the Commission's cash is in the State Rotary Fund which are commingled state funds invested by the Treasurer of State. At June 30, 1999, the carrying amount of the Commission's deposits with the Treasurer of State was $1,451,360. The Commission's remaining deposits with financial institutions had a carrying amount and a bank balance of $62, all of which was covered by federal depository insurance. In addition, the Commission had $4,025 of cash on hand.

At June 30, 1998, the carrying amount of the Commission's deposits with the Treasurer of State was $1,367,401. The Commission's remaining deposits with financial institutions had a carrying amount and a bank balance of $172, all of which was covered by federal depository insurance. In addition, the Commission had $4,045 of cash on hand.

(b) Restricted cash

At June 30, 1999, $484,017 was collected from harness racing participants registering for the 1999 Fair; and at June 30, 1998, $457,072 was collected from harness racing participants registering for the 1998 Fair. These monies are held in the State Rotary Fund and will be remitted to others who manage the Fair harness racing event.

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Notes to Financial Statements

Years ended June 30, 1999 and 1998

(4) Property and Equipment

The cost of property and equipment as of June 30, 1999 and 1998 is comprised of the following:

	1999	1998
Land	$ 2,480,999	2,480,999
Land improvements	3,818,661	3,255,262
Buildings and improvements	47,952,157	46,519,682
Equipment, furniture and fixtures	1,650,936	1,749,132
Construction in progress	2,029,847	1,427,345
	57,932,600	55,432,420
Less accumulated depreciation	(21,046,312)	(19,545,445)
	$ 36,886,288	35,886,975

Construction in progress at June 30, 1999 consisted of the Electric & Lighting Upgrade project. The project was completed in August 1999.

Construction in progress at June 30, 1998 consisted mainly of the Electric & Lighting Upgrade, Fire Protection and Sewer Separation, and Life-Safety, Accessibility and Energy Management projects.

(5) Capital Lease

The Commission is leasing certain equipment under a capital lease. Future minimum payments, by year, and in the aggregate, under this lease with initial or remaining terms of one year or more, consisted of the following at June 30, 1999:

	Capital lease
2000	$ 101,150
2001	101,150
2002	101,150
2003	101,150
2004 and after	404,600
Total minimum lease payments	809,200
Less amount representing interest	146,300
Present value of minimum lease payments under capitalized lease	662,900

The interest rate for capital lease is approximately 4.64% at June 30, 1999. The net book value of this equipment at June 30, 1999 was $675,119.

(6) Leased Property

In May 1998, the Commission entered into an operating lessor contract with the Crew Soccer Stadium Limited Liability Company (the Crew) for a period of twenty-five years. The Commission leased land, which has a cost and carrying value of approximately $97,000, on which the Crew designed and constructed a stadium. The stadium construction was completed in May 1999 and was used for part of the 1999 season. 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 twenty-five percent of all parking revenue collected for the Crew sponsored events at the stadium. During fiscal year 1999, this parking revenue collected by the Commission amounted to approximately $50,000.

(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 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 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. The contribution requirements of plan members and the Commission are established and may be amended by PERS Board of Trustees. The Commission's contributions to PERS for the years ended June 30, 1999, 1998 and 1997 were $587,569, $546,272 and $530,275, respectively, equal to the required contributions for each year.

(c) Other Postemployment Benefits

PERS also provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment 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 post retirement health care. The ORC provides statutory authority for employer contributions. The 1998 employer contribution rate for state employers was 13.31% of covered payroll; 4.2% was the portion that was used to fund health care for the year.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

PERS expenditures for OPEB during 1998 were $440,596,663. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were $9,447,325,318. The number of benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

(8) Contingencies

At June 30, 1999 and 1998, the Commission has been named in various public liability and property damage claims and suits, some of which seek significant damages. The ultimate outcome of these claims and suits cannot be determined; however, 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.

(9) 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, 1999 and 1998 at $14,650 and $16,486, respectively, and are recorded as nonfair revenue and maintenance and repair expense in the statement of revenues and expenses. Also, services performed relating to the 1998 and 1997 Fairs were estimated for the years ended June 30, 1999 and 1998 at $11,650 and $35,555 and are recorded as fair revenue and maintenance and repair expense in the statement of revenues and expenses.

(10) Related Party Transactions

During fiscal years 1999 and 1998, the Commission had, and expects to have in the future, transactions with other state agencies. The Commission recognized approximately $192,000 and $181,000 in rental fee revenues from other agencies of the State during fiscal years 1999 and 1998, respectively. State agencies are charged substantially 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 $193,000 and $198,000 during fiscal years 1999 and 1998, 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 free 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 financial statements do not give effect to these activities inasmuch as there is no reliable basis for determining their financial impact.

(11) Subsequent Event

In September 1999, 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 1999 or 2000 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 Commission received greater than ninety percent of the projected admission revenues for the 1999 Ohio State Fair and will not use any of the State Fair Reserve in fiscal year 2000.

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Required Supplemental Information

Years ended June 30, 1999 and 1998

This information addresses the Ohio Expositions Commission's (the Commission) preparation for the Year 2000. The Year 2000 issue is the result of the shortcomings in many electronic data processing systems and other equipment that may adversely affect the Commission. The Commission began work in January 1999 to plan a Year 2000 strategy. A committee was formed at that time to identify critical business functions that could be affected by the Year 2000 date problem. The following items are considered critical to its operation and must be Year 2000 compliant.

- Microsoft Access databases
- PC and LAN hardware
- PC, server, and network software
- Vendors, contractors and business partners who supply goods and services for scheduled events
- Building infrastructure, such as heating, telecommunications, and security

The Commission Year 2000 committee is made up of six Commission staff members representing the Marketing/Public Relations, Information Systems, Legal, and Maintenance departments. The committee reviewed essential operational and legal issues and took steps to identify problems and take necessary corrective action.

Databases
To ensure that our critical Fair and Non-Fair databases would correctly interpret Year 2000 dates, we upgraded the software and had our programmer update the source code and certify its compliance. We have been entering contracts with Year 2000 dates for the last several months without any problems.

PC and LAN Hardware
PC and LAN Hardware has been inventoried and tested with mixed results. LAN hardware is compliant, however some PC's have failed Year 2000 software tests. We are planning to replace as many of the potentially non-complaint PC's as we can before the end of the year. Those that we don't replace this year will be replaced early next year if necessary.

Software
We have tested our various software applications and have determined all to be compliant. Patches and fixes discovered by software vendors will be installed as they become available.

OHIO EXPOSITIONS COMMISSION
(a component unit of the State of Ohio)

Required Supplemental Information

Years ended June 30, 1999 and 1998

Business Partners
Each department was responsible to identify critical products and services providers and send them a letter requesting information on their Year 2000 preparations. Vendors are still responding to those requests and once received are being filed in the Information Systems department for future reference.

Building Infrastructure
Our Maintenance department committee member has called vendors in to upgrade computer controlled systems to ensure that they are compliant. Building heating, ventilation, and air conditioning, security, and telecommunications systems have all been upgraded and tested. Assurance is high that there will be no problems with our systems as long as there are no interruptions with utility companies.

In short, the Commission has done "due diligence" to ensure that we can conduct business as usual beginning January 1. Contingency efforts are under way to help minimize the effects of any unforeseen problems that might arise that are beyond the Commission's control. The plan will include alternate methods including manual options to various business functions and is scheduled to be complete by November 1999.

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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.

By: Susan Babbitt

Date: JAN 18 2000

KPMG

Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300
Fax 614 249 2348

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*

The Ohio Expositions Commission
and
The Honorable James M. Petro
Auditor of State

We have audited the financial statements of The Ohio Expositions Commission (the Commission) as of and for the year ended June 30, 1999, and have issued our report thereon dated October 22, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 over financial reporting 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 those specified parties.

KPMG LLP

October 22, 1999