

OHIO EXPOSITIONS COMMISSION

Basic Financial Statements

June 30, 2013 and 2012

(With Independent Auditor's Report Thereon)



Dave Yost • Auditor of State

Ohio Exposition Center
717 E. 17th Avenue
Columbus, Ohio 43211

We have reviewed the *Independent Auditor's Report* of the Ohio Exposition Center, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2012 through June 30, 2013. 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 Exposition Center is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 14, 2014

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OHIO EXPOSITIONS COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Ohio Expositions Commission
Franklin County
717 East 17th Avenue
Columbus, Ohio 43211

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of Ohio Expositions Commission, Franklin County, Ohio (the Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Commission's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Expositions Commission, Franklin County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of the Commission as of and for the year ended June 30, 2012, and related notes, which are included for comparative purposes, were audited by other auditors whose report dated December 28, 2012, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2013 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

KENNEDY COTTRELL RICHARDS LLC



Columbus, Ohio
December 17, 2013

OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis As of and for the Years Ended June 30, 2013 and 2012 (Unaudited)

This discussion and analysis of the Ohio Expositions Commission (the Commission) financial performance provides an overall review of the financial activities for the years ended June 30, 2013 and 2012. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole; readers should also review the auditor's opinion page, notes to the basic financial statements, and the basic financial statements to enhance their understanding of the Commission's financial performance.

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

Using this Financial Report

This annual report consists of three parts, the MD&A, the basic financial statements, and the notes to the financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement 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 2013 and 2012 are as follows:

- Total net position decreased \$3,121,704 during 2013, which represents a 5.5% decrease from 2012. Total net position decreased \$1,132,984 during 2012 which represents a 2.0% decrease from 2011.
- Total assets decreased \$3,776,209 during 2013, which represents a 6.1% decrease from 2012. Total assets decreased \$944,015 during 2012 which represents a 1.5% decrease from 2011.
- Overall liabilities decreased \$654,505, with the largest part of this decrease coming in current liabilities, mainly due to a \$352,066 decrease in accounts payable. The large decrease in accounts payable at the end of 2013 was due to the decrease in capital projects accounts payable. Overall liabilities increased \$188,969 in 2012 with the largest increase coming in current liabilities, mainly due to \$262,598 increase in accounts payable.
- Fair revenues decreased by \$157,313 in Fiscal Year 2013 (2012 Ohio State Fair). Fair revenues increased by \$62,157 in Fiscal Year 2012 (2011 Ohio State Fair).
- Operating expenses increased \$1,314,745 during the year. The largest part of this increase was a \$1,140,714 increase in depreciation. Operating expenses increased \$377,320 during Fiscal Year 2012, the largest part of this increase was \$163,464 increase in supplies and materials.

Statement of Net Position

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.

OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2013 and 2012
(Unaudited)

Table 1 provides a summary of the Ohio Expositions Commission's net position at June 30, 2013, 2012 and 2011:

Table 1			
Net Position			
	2013	2012	2011
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current assets	\$ 2,946,166	\$ 3,720,689	\$ 3,572,014
Capital assets, net	<u>54,832,173</u>	<u>57,833,859</u>	<u>58,926,549</u>
Total assets	<u>57,778,339</u>	<u>61,554,548</u>	<u>62,498,563</u>
Liabilities:			
Current liabilities	3,506,904	4,001,372	3,724,645
Non-current liabilities	<u>1,127,932</u>	<u>1,287,969</u>	<u>1,375,727</u>
Total liabilities	<u>4,634,836</u>	<u>5,289,341</u>	<u>5,100,372</u>
Net position:			
Invested in capital assets	54,832,173	57,833,859	58,926,549
Unrestricted net assets	<u>(1,688,670)</u>	<u>(1,568,652)</u>	<u>(1,528,358)</u>
Total net position	<u>\$ 53,143,503</u>	<u>\$ 56,265,207</u>	<u>\$ 57,398,191</u>

For fiscal year 2013, current assets decreased \$774,523, which represents a 21% decrease from 2012. This consists of a decrease of \$688,882 in intergovernmental receivables, which is due to a decrease in capital project activity and a decrease in prepaid expenses of \$75,089 these were offset by increases in accounts receivable of \$60,880. Non-current assets decreased 5%. The main capital asset projects during Fiscal Year 2013 included renovations of the sheep building and paving the west side of the interior fairgrounds.

For fiscal year 2012, current assets increased \$148,675, which represents a 4% increase from 2011. This consists of an increase of \$209,640 in intergovernmental receivables, which is due to an increase in capital project activity and an increase in cash of \$188,048. These increases were offset by decreases in accounts receivable of \$111,445 and prepaid fair expenses of \$121,544. Non-current assets decreased by 2%. The main capital asset projects during 2012 included renovations of the sheep and swine buildings.

For fiscal year 2013, overall liabilities decreased \$654,505, with the largest part of this decrease coming in current liabilities, mainly due to a decrease in accounts payable which mainly consisted of payables for capital projects. For fiscal year 2012, overall liabilities increased \$188,969, with the largest part of this increase coming in current liabilities mainly due to an increase in accounts payable, which mainly consisted of payables for capital projects.

The overall effect of the above changes in assets and liabilities resulted in the net position of the Ohio Expositions Commission decreasing by \$3,121,704, which represents a 5.5% decrease from 2012. For fiscal year 2012, net position decreased by \$1,132,984, or 2.0%.

OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2013 and 2012
(Unaudited)

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows a summary of the Statements of Revenues, Expenses and Changes in Net Position for the years ended 2013, 2012 and 2011.

Table 2
Revenues, Expenses and Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues:			
Fair sources	\$ 7,861,449	\$ 8,018,762	\$ 7,956,605
Non-fair sources	5,181,289	5,091,202	5,565,307
Total	<u>13,042,738</u>	<u>13,109,964</u>	<u>13,521,912</u>
Operating expenses:			
Payroll and fringe benefits	5,329,552	5,371,030	5,294,564
Purchased services	3,115,205	3,116,289	3,145,813
Depreciation	4,181,719	3,041,005	2,887,183
Other Operating Expenses	2,292,279	2,138,732	1,986,995
Utilities	1,814,631	1,865,137	1,871,293
Maintenance and repair	1,028,313	914,761	883,786
Total operating expenses	<u>17,761,699</u>	<u>16,446,954</u>	<u>16,069,634</u>
Operating loss	(4,718,961)	(3,336,990)	(2,547,722)
Non-operating revenues - state assistance	250,001	252,122	250,929
Other sources - state capital contributions	1,347,256	1,951,884	15,201,216
Change in net position	(3,121,704)	(1,132,984)	12,904,423
Net position - beginning of fiscal year	<u>56,265,207</u>	<u>57,398,191</u>	<u>44,493,768</u>
Net position - end of fiscal year	<u>\$ 53,143,503</u>	<u>\$ 56,265,207</u>	<u>\$ 57,398,191</u>

Total operating revenues decreased \$67,226 (or 1%) from 2012 to 2013. Total operating revenues decreased \$411,948 (or 3%) from 2011 to 2012. The decrease primarily relates to a decrease in the number of non-fair events held during 2012 compared to 2011.

Operating expenses increased \$1,314,745 (or 8.0%) from 2012 to 2013 due mainly to an increase in depreciation expense. Operating expenses increased \$377,320 (2.3%) from 2011 to 2012 due mainly to an increase in supplies and materials, as well as depreciation expense.

During fiscal year 2013 State capital contributions decreased from \$1,951,884 to \$1,347,256, which is mainly a function of the completion of capital projects which are paid out of the Capital Fund 026. The Commission makes a request for these capital expenditures every two years through the capital budgeting process of the State of Ohio. The projects are then prioritized, bid out, and completed according to the State guidelines as provided by the Department of Administrative Services and the Office of Budget and Management. For similar reasons, State capital contributions decreased from \$15,201,216 to \$1,951,884 during fiscal year 2012.

OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis
As of and for the Years Ended June 30, 2013 and 2012
(Unaudited)

Management Operational Analysis

At June 30, 2013 the Ohio Expositions Commission had total assets of \$57,778,339 and total net position of \$53,143,503. 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 facility. This effort is intended to increase both participants and guests at the 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. This is consistent with the Commission's, the Governor's, and the General Assembly's fiscal goals, a concerted attempt is made to keep Fair prices affordable. In fact, the Fair is currently not designed to break even in and of itself. Fair revenue is dependent upon paid attendance, which is related to admission and midway prices, and fair revenue is also dependent upon the weather. The Ohio Expositions Commission relies on a strong non-fair operation to financially buffer these Fair revenue factors and support the total annual operation of the Commission.

The Commission continues to face challenges 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 such as Nationwide Arena and Crew Stadium, it is increasingly difficult to fill the Celeste Center with entertainment for a 12-day fair.

The Commission continues to face increasing challenges on non-fair events as well. The struggling economy in the state of Ohio has affected the Ohio Expo Center just as it has the majority of other businesses within the state. The event facility business has become extremely competitive, especially in the Columbus area. The Ohio Expo Center competes with a convention center and two arenas for events presently held at the Ohio Expo Center, as well as any new ones. Because the Commission is financially dependent on these non-fair events, we must continue to address our facility's image if we are to remain competitive in this marketplace. 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.

Contacting the Ohio Expositions Commission

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

OHIO EXPOSITIONS COMMISSION

Statements of Net Position

As of June 30, 2013 and 2012

Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 2,202,082	\$ 2,243,235
Restricted cash and cash equivalents	224,094	227,169
Accounts receivable	175,572	114,692
Intergovernmental receivable	257,610	946,492
Prepaid fair expenses	86,808	161,897
Other Prepaid expenses	-	27,204
Total current assets	<u>2,946,166</u>	<u>3,720,689</u>
Non-current assets:		
Capital assets, non-depreciable	3,072,356	3,873,922
Capital assets, net of accumulated depreciation	<u>51,759,817</u>	<u>53,959,937</u>
Total non-current assets	<u>54,832,173</u>	<u>57,833,859</u>
Total assets	<u>57,778,339</u>	<u>61,554,548</u>
Liabilities		
Current liabilities:		
Accounts payable	1,095,887	1,447,953
Accrued liabilities	372,892	287,719
Deferred income	1,806,331	2,003,531
Due to others	224,094	227,169
Workers' compensation liability	<u>7,700</u>	<u>35,000</u>
Total current liabilities	<u>3,506,904</u>	<u>4,001,372</u>
Non-current liabilities:		
Compensated absences	698,480	730,606
Workers' compensation liability	<u>429,452</u>	<u>557,363</u>
Total non-current liabilities	<u>1,127,932</u>	<u>1,287,969</u>
Total liabilities	<u>4,634,836</u>	<u>5,289,341</u>
Net Position		
Invested in capital assets	54,832,173	57,833,859
Unrestricted	<u>(1,688,670)</u>	<u>(1,568,652)</u>
Total net position	<u>\$ 53,143,503</u>	<u>\$ 56,265,207</u>

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Fair sources	\$ 7,861,449	\$ 8,018,762
Nonfair sources	<u>5,181,289</u>	<u>5,091,202</u>
Total	<u>13,042,738</u>	<u>13,109,964</u>
Operating expenses:		
Payroll and fringe benefits	5,329,552	5,371,030
Purchased services	3,115,205	3,116,289
Depreciation	4,181,719	3,041,005
Utilities	1,814,631	1,865,137
Maintenance and repair	1,028,313	914,761
Premiums	674,323	580,643
Supplies and materials	652,564	567,051
Printing and advertising	476,222	382,597
Rentals	123,685	117,729
Meals	53,596	186,648
Communication and postage	90,402	85,703
Motor vehicle	113,270	126,611
Contracted commissions	10,911	13,056
Travel	31,505	19,221
Equipment	47,299	570
Refunds	<u>18,502</u>	<u>58,903</u>
Total operating expenses	<u>17,761,699</u>	<u>16,446,954</u>
Operating gain or (loss)	<u>(4,718,961)</u>	<u>(3,336,990)</u>
Nonoperating revenues - state assistance	<u>250,001</u>	<u>252,122</u>
Loss before capital contributions	<u>(4,468,960)</u>	<u>(3,084,868)</u>
State capital contributions	<u>1,347,256</u>	<u>1,951,884</u>
Change in net position	<u>(3,121,704)</u>	<u>(1,132,984)</u>
Net position - beginning of fiscal year	<u>56,265,207</u>	<u>57,398,191</u>
Net position - end of fiscal year	<u>\$ 53,143,503</u>	<u>\$ 56,265,207</u>

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION

Statements of Cash Flows

For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Cash received from fair sources	\$ 7,682,969	\$ 8,047,647
Cash received from nonfair sources	5,115,706	5,217,214
Cash received for harness racing funds	224,094	227,169
Cash payments for harness racing funds	(227,169)	(242,954)
Cash payments for payroll and personal services	(8,279,978)	(8,461,914)
Cash payments for utilities and maintenance	(2,658,655)	(2,696,404)
Cash payments for other services and charges	(2,318,418)	(2,174,186)
Net cash used in operating activities	(461,451)	(83,428)
Cash flows from noncapital financing activities:		
State operating assistance received	250,001	252,122
Net cash provided by noncapital financing activities	250,001	252,122
Cash flows from capital and related financing activities:		
State capital assistance received	2,119,333	1,727,244
Acquisition and construction of equipment	(1,952,110)	(1,723,675)
Net cash provided by capital and related financing activities	167,223	3,569
Net increase (decrease) in cash and cash equivalents	(44,227)	172,263
Cash and cash equivalents, beginning of year	2,470,404	2,298,141
Cash and cash equivalents, end of year	\$ 2,426,177	\$ 2,470,404
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (4,718,961)	\$ (3,336,990)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,181,719	3,041,005
(Increase)/decrease in assets:		
Accounts receivable	628,002	(98,195)
Prepaid fair expenses	75,089	121,544
Other prepaid expenses	27,204	239
Increase/(decrease) in liabilities:		
Accounts payable	(352,066)	262,598
Accrued liabilities	53,048	62,792
Deferred income	(197,200)	43,452
Due to others	(3,075)	(15,785)
Workers' compensation liability	(155,211)	(164,087)
Total adjustments	4,257,510	3,253,563
Net cash used in operating activities	\$ (461,451)	\$ (83,427)

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 1 – ORGANIZATION AND REPORTING ENTITY

The Ohio Expositions Commission (the Commission), a primary government 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 under Section 501(c) (3) of the Internal Revenue Code and, accordingly, no provision for income taxes is required.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

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.

Reporting Entity – Within the State of Ohio’s Comprehensive Annual Financial Report, the Commission is included as part of the primary Government. The Commission’s management believes these financial statements present all activities for which the Commission is financially responsible. The accompanying financial statements include all accounts, activities, and functions of the Commission and are not intended to present the net position, results of operations, or cash flows of the State taken as a whole. The financial information presented herein for the Commission will be incorporated within the State’s financial statements.

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.

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

The cash and cash equivalents with the Treasurer has 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.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probably uncollectable 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, 2013 and 2012.

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 position using the straight-line method over the same lives as described for the related property and equipment as noted below.

Capital assets include property and equipment, which are stated at historical cost or estimated historical cost and include expenditures of \$5,000 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 Commissions books.

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 capital assets and depreciation on those assets is included in the statement of revenues, expenses, and changes in net position.

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 Balances – 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.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Net Position is 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 position 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 nonoperating. Operating Revenues include activities that have the characteristics of exchange transactions including fair revenues and nonfair revenues. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as state assistance.

Uses 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.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

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 2013 and 2012, 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, 2013 and 2012, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was approximately \$2,198,082 and \$2,239,235 respectively. In addition, the Commission had \$4,000 of cash on hand at June 30, 2013 and 2012.
- (b) Restricted Cash - At June 30, 2013, \$224,092 was collected from harness racing participants registering for the 2013 Fair; and at June 30, 2012, \$227,169 was collected from harness racing participants registering for the 2012 Fair. These monies are held in the State Rotary Fund and will be remitted to others who manage the Fair harness racing event.
- (c) 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, 2013.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 2,930,999	\$ -	\$ -	\$ 2,930,999
Construction in progress	942,923	593,079	1,394,645	141,357
Total capital assets not being depreciated	<u>3,873,922</u>	<u>593,079</u>	<u>1,394,645</u>	<u>3,072,356</u>
Capital assets being depreciated:				
Land improvements	18,908,083	1,070,656	-	19,978,739
Buildings and improvements	82,602,957	574,528	-	83,177,485
Equipment, furniture and fixtures	2,944,094	336,415	7,982	3,272,527
Vehicles	44,404	-	-	44,404
Total capital assets being depreciated	<u>104,499,538</u>	<u>1,981,599</u>	<u>7,982</u>	<u>106,473,155</u>
Less: Accumulated depreciation:				
Land improvements	5,410,492	996,389	-	6,406,881
Buildings and improvements	42,635,000	3,056,425	-	45,691,425
Equipment, furniture and fixtures	2,449,705	128,905	7,982	2,570,628
Vehicles	44,404	-	-	44,404
Total accumulated depreciation	<u>50,539,601</u>	<u>4,181,719</u>	<u>7,982</u>	<u>54,713,338</u>
Total capital assets being depreciated, net	53,959,937	(2,200,120)	-	51,759,817
Total capital assets, net	<u>\$ 57,833,859</u>	<u>\$ (1,607,041)</u>	<u>\$ 1,394,645</u>	<u>\$ 54,832,173</u>

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 2,930,999	\$ -	\$ -	\$ 2,930,999
Construction in progress	14,754,575	1,933,315	15,744,967	942,923
Total capital assets not being depreciated	<u>17,685,574</u>	<u>1,933,315</u>	<u>15,744,967</u>	<u>3,873,922</u>
Capital assets being depreciated:				
Land improvements	16,350,155	2,557,928	-	18,908,083
Buildings and improvements	69,415,918	13,187,039	-	82,602,957
Equipment, furniture and fixtures	2,932,774	15,000	3,680	2,944,094
Vehicles	44,404	-	-	44,404
Total capital assets being depreciated	<u>88,743,251</u>	<u>15,759,967</u>	<u>3,680</u>	<u>104,499,538</u>
Less: Accumulated depreciation:				
Land improvements	4,551,421	859,071	-	5,410,492
Buildings and improvements	40,581,425	2,053,575	-	42,635,000
Equipment, furniture and fixtures	2,325,026	128,359	3,680	2,449,705
Vehicles	44,404	-	-	44,404
Total accumulated depreciation	<u>47,502,276</u>	<u>3,041,005</u>	<u>3,680</u>	<u>50,539,601</u>
Total capital assets being depreciated, net	41,240,975	12,718,962	-	53,959,937
Total capital assets, net	<u>\$ 58,926,549</u>	<u>\$ 14,652,277</u>	<u>\$ 15,744,967</u>	<u>\$ 57,833,859</u>

Included in additions for fiscal year 2013 are approximately \$593,079 for projects in progress. These projects consisted of the initial phase of the renovation of the Cox, DiSalle and Dairy Products buildings, the final phase of the electrical and lighting upgrade. Included in additions for fiscal year 2012 are approximately \$1,933,315 of projects in progress. These projects consisted of the final phase of the renovation of the sheep and swine buildings and the paving of the west are of the fairgrounds.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

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 twenty-five 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 \$65,840 through the year ending March 31, 2014. Thereafter, rent shall be adjusted by the Consumer Price Index adjustment, effective on April 1, 2014 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 the Days Inn and McDonalds. 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 \$38,025. This lease has scheduled increases relating to the Consumer Price Index every 5 years. 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 \$32,000 and \$29,000 for the years ended June 30, 2013 and 2012, respectively.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

All full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

1. The Traditional Plan – a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interest parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Member and employer contribution rates were consistent across all three plans. For fiscal year 2013, the Commission's member and employer contribution rates were 10 percent and 14 percent, respectively. The Commission's required contributions to OPERS for the years ended June 30, 2013, 2012, and 2011 were \$561,000, \$555,000, and \$537,000, respectively. The full amount has been contributed for each year.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Plan (TP) – a cost-sharing multiple-employer defined benefit plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS(7377).

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2013, the Commission contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (Continued)

For calendar years 2013, 2012, and 2011, the employer contribution allocated to the health care plan was 1.0 percent, 4.0 percent, and 5.0 percent of covered payroll, respectively. The portion of the Commission's fiscal year 2013, 2012, and 2011 contributions that were used to fund post-employment benefits were approximately \$160,000, \$181,000, and \$192,000, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 8 – COMPENSATED ABSENCES

Commission employees can earn vacation, sick, and personal leave at various rates as specified by Ohio law. Employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum of 9.2 hours every two weeks after twenty-five 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 percent of unused vacation and personal leave. Non-overtime-exempt employees may also be paid 100 percent of any unused compensatory time.

Sick leave for all employees is accumulated at a rate of 3.1 hours every two weeks. Sick leave benefits vest after five years of credited service for AFSCME employees and after one year of continuous service for other employees. Sick leave is paid at 100 percent of the employee's pay rate when used for the first 40 hours of the benefit year, at 70 percent of the employee's pay rate when used for 40.1 through 80 hours of the benefit year, and again at 100 percent 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, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 788,991	\$ 755,216
Additions	396,888	451,741
Deductions	<u>(431,581)</u>	<u>(417,966)</u>
Ending balance	<u>754,298</u>	<u>788,991</u>
Amount due within one year (included in accrued liabilities on the statement of net position)	<u>\$ 55,818</u>	<u>\$ 58,385</u>

NOTE 9 – 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. While ultimate liability, if any from these proceedings is presently indeterminable, in the opinion of management, these matters should not have a material adverse effect on the Commission's financial statements.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 10 – RELATED PARTY TRANSACTIONS

During fiscal years 2013 and 2012, the Commission had, and expects to have in the future, transactions with other state agencies. The Commission recognized approximately \$152,000 and \$135,000 in rental fee revenues from other agencies of the State during fiscal years 2013 and 2012, respectively. State agencies are charged essentially the same rental fees as those charged to third parties.

In addition, the Commission paid other state agencies for processing of payroll, general ledger, and fixed asset ledger. The Commission expensed approximately \$238,000 and \$234,000 during fiscal years 2013 and 2012, 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.

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

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

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

NOTE 11 – 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 2013 or 2012 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, 2013 and 2012.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 12 – 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 employees 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 total monthly premiums. The IBNR claim liability was included in other prepaid expenses at June 30, 2013 and 2012 approximated \$0 and \$27,000. 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, 2013.

NOTE 13 – 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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 592,363	\$ 756,450
Deductions, net	<u>(115,211)</u>	<u>(164,087)</u>
Ending balance	<u>437,152</u>	<u>592,363</u>
Amount due within one year	<u>\$ 7,700</u>	<u>\$ 35,000</u>

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

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Years Ended June 30, 2013 and 2012

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” incorporates certain accounting and financial reporting guidance issued on or before November 30, 1989, into the GASB’s authoritative literature that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Commission’s fiscal year 2013 financial statements; however, there was no effect on beginning net position.

The implementation of these two statements did not have a significant effect on the financial statements of the Commission.

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

Ohio Expositions Commission
Franklin County
717 East 17th Avenue
Columbus, Ohio 43211

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio Expositions Commission, Franklin County, Ohio (the Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 17, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of Commission's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Commission's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether Commission's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of Commission's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KENNEDY COTTRELL RICHARDS LLC

A handwritten signature in black ink that reads "Kennedy Cottrell Richards LLC". The signature is written in a cursive, flowing style.

Columbus, Ohio
December 17, 2013

OHIO EXPOSITIONS COMMISSION

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the period July 24, 2013 through August 4, 2013



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Ohio Expositions Commission and
Dave Yost, Auditor of State
Columbus, Ohio

We have performed the procedures enumerated below, which were agreed to by the Ohio Expositions Commission (the Commission) and the Ohio Auditor of State, solely to fulfill Ohio Revised Code Section 991.06 requirements, and to assist you in evaluating whether cash collection, fair ticketing and vendor contracting procedures were in place and operating effectively for the duration of the 2013 Ohio State Fair, an event sponsored by the Commission, from July 24, 2013 through August 4, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the 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. We reconciled daily receipts to deposits made. For each day of the fair, we performed the following procedures:

a. We ascertained the arithmetic accuracy of the daily Ticket Sales Report.

With respect to procedure 1.a., we did not note any exceptions.

b. We ascertained the arithmetic accuracy of the daily Ohio State Fair Cashiers Office – Celeste Center Reports to within \$1, and agreed daily amounts to the Ticketmaster transaction summary stubs.

With respect to procedure 1.b., we did not note any exceptions.

c. We ascertained the arithmetic accuracy of the daily Ohio State Fair Amusements of America Reports to within \$1, and agreed the cash deposited to the Key Bank deposit ticket.

With respect to procedure 1.c., we did not note any exceptions.

d. We ascertained the arithmetic accuracy of the daily 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., we noted one exception totaling \$9 on July 27, 2013.

- e. We ascertained the arithmetic accuracy of ten vendors each day from the daily Balance Due Worksheet to within \$1; we agreed amounts to the daily Vendor Percentage Reconciliation Sheet; and, we agreed the cash deposited to the validated Key Bank deposit ticket.

With respect to procedure 1.e., we noted two exceptions. The first exception was \$4 on July 31, 2013 and the second exception was \$463.91 on August 3, 2013.

- f. We recalculated all computations used in the State Fair 2013 Revenue Receipts Reports.

With respect to procedure 1.f., we did not note any exceptions.

- g. We traced ticket sales by cashier from the Ticket Sales Report to the actual Ohio State Fair Seller's reports and total sales to the "Z tapes," which are tapes generated from each cash register.

With respect to procedure 1.g., we noted seven discrepancies totaling \$44 between the Z Tapes and seller's reports. The discrepancies we noted were as follows: One exception of \$4 on July 26, 2013; two exceptions totaling \$12 on July 28, 2013; two exceptions totaling \$20 on August 2, 2013; and two exceptions totaling \$8 on August 4, 2013.

- h. We agreed the total cash collected to the Revenue Receipts Reports to the validated Key Bank deposit ticket.

With respect to procedure 1.h., we did not note any exceptions.

- i. We scanned the daily Revenue Cash Receipts Reports from the State Treasurer for any bank adjustments and tied the reports to the Revenue Receipts Report.

With respect to procedure 1.i., we noted one exception totaling \$9 on July 27, 2013.

- 2. We determined that tickets used in gate receipts had been sequentially accounted for.

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

With respect to procedure 2.a., we did not note any exceptions.

- b. We selected ten sets of residual tickets on the day after the Fair had 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., we did not note any exceptions.

3. We 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 reports.

With respect to procedure 3, we did not note any exceptions.

4. We determined that the Commission, through resolutions in the minutes, approved the expenditures on contracts for the 2013 Ohio State Fair.

With respect to procedure 4, we noted formal approval for 2013 fair contract expenditures in the administrative/legislative/fiscal committee minutes.

5. We determined that total payments the Commission made against contracts per the Ohio State Fair Attraction and Entertainment Contract Payments Schedule, totaling \$1,462,355 agreed with the amounts we noted in each respective contract. We reviewed the attraction and entertainment contracts and noted that the amounts paid by the Commission per the above mentioned attraction and entertainment contracts payments schedule were in agreement with the contracts approved by the Commission.

With respect to procedure 5, we did not note any exceptions.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. 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 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.



Kennedy, Cottrell, Richards, LLC
September 3, 2013



Dave Yost • Auditor of State

OHIO EXPOSITION CENTER

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 28, 2014**