

**OHIO EXPOSITIONS COMMISSION**

Basic Financial Statements  
June 30, 2015  
(With Independent Auditor's Report Thereon)





# Dave Yost • Auditor of State

Commission Members  
Ohio Expositions Commission  
717 East 17th Avenue  
Columbus, Ohio 43211

We have reviewed the *Independent Auditor's Report* of the Ohio Expositions Commission, Franklin County, prepared by Kennedy Cottrell Richards LLC, for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 23, 2015

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# OHIO EXPOSITIONS COMMISSION

## Table of Contents

	<b>Page</b>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position, June 30, 2015	9
Statement of Revenues, Expenses and Changes in Net Position, Year ended June 30, 2015	10
Statement of Cash Flows, Year ended June 30, 2015	11
Notes to Basic Financial Statements	12
Required Supplementary Information Schedules:	
Schedule of Ohio Expositions Commission Proportionate Share of Net Pension Liability	28
Schedule of Ohio Expositions Commission Contributions	29
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	30

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## INDEPENDENT AUDITOR'S REPORT

Ohio Expositions Commission  
Franklin County  
717 East 17<sup>th</sup> Avenue  
Columbus, Ohio 43215

To the Board of Directors:

### ***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, 2015, 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 the overall financial statement presentation.

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

### ***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, 2015, 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.

***Emphasis of Matter***

As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, the Commission adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27*. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions, 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 11, 2015, 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 11, 2015

## OHIO EXPOSITIONS COMMISSION

### Management's Discussion and Analysis As of and for the Year Ended June 30, 2015 (Unaudited)

The discussion and analysis of the Ohio Expositions Commission (the Commission) financial performance provides an overall review of the financial activities for the year ended June 30, 2015. 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 new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information between the current and prior year is required to be presented, and is presented in the MD&A.

#### **Using this Financial Report**

This annual report consists of two parts, the MD&A and the basic financial statements. The basic financial statements include a statement of net 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 2015 are as follows:

- Total net position increased \$18,007,374, which represents a 35.5% increase from 2014.
- Total assets increased \$22,304,783 which represents a 37.6% increase from 2014.
- Overall liabilities increased \$4,381,801, with the largest part of this increase coming in current liabilities, mainly due to \$3,524,172 increase in accounts payable. The large increase in accounts payable at the end of 2015 was due to the increase in capital projects accounts payable.
- Fair revenues increased by \$396,733 in Fiscal Year 2015 (2014 Ohio State Fair).
- Operating expenses increased \$574,263 during the fiscal year. The largest increase was in payroll, \$205,478.

#### **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.

Table 1 provides a summary of the Ohio Expositions Commission's net position at June 30, 2015.

## OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2015  
(Unaudited)

**Table 1**  
**Net Position**

	<b>2015</b>	<b>2014 (Restated)</b>
<b>Assets:</b>		
Current assets	\$ 8,628,169	\$ 3,614,120
Capital assets, net	73,059,966	55,769,232
Total assets	81,688,135	59,383,352
<b>Deferred Outflows</b>		
Pension	377,263	223,568
Total Deferred Outflows of Resources	377,263	223,568
<b>Liabilities:</b>		
Current liabilities	8,000,208	3,852,086
Non-current liabilities	5,250,121	5,016,442
Total Liabilities	13,250,329	8,868,528
<b>Deferred Inflows of Resources</b>		
Pension	69,303	-
Total Deferred Inflows of Resources	69,303	-
<b>Net position:</b>		
Invested in capital assets	73,059,966	55,769,232
Unrestricted net assets	(4,314,200)	(5,030,840)
Total net position	\$ 68,745,766	\$ 50,738,392

For fiscal year 2015, current assets increased \$5,014,049 which represents a 138.7% increase from 2014. This consists of an increase of \$3,494,325 in intergovernmental receivable, which is due to two large capital projects in process at the end of the fiscal year. Non-current assets increased \$17,290,734 which represents a 31.0% increase from 2014. The main capital projects during Fiscal Year 2015 were the construction of the new Buckeye Agricultural Center and the new exhibit hall north of 17<sup>th</sup> Avenue.

For fiscal year 2015, overall liabilities increased \$4,381,801, with the largest increase being \$3,524,172 in accounts payable.

During fiscal year 2015, the Commission adopted GASB Statement 68 "Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Commission's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law

## OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2015  
(Unaudited)

governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Commission's proportionate share of OPERS Traditional plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange"- that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the Commission, part of a bargained-for benefit to the employee, and should accordingly be reported by the Commission as a liability since they received the benefit of the exchange. However, the Commission is not responsible for certain key factors affecting the balance of the liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by state statute. A change in these caps requires action of both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long- term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the Commission. In the event that contributions, investment returns and other changes are insufficient to keep up with required pension payments, state statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension is satisfied, this liability is separately identified within the long- term liability section of the statement of net position. In accordance with GASB 68, the Commission's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of the OPERS plan's change in net pension liability.

As a result of implementing GASB 68, the Commission is reporting a net pension liability, deferred outflows of resources and deferred inflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014 from \$54,370,553 to \$50,738,392.

The overall effect of the above change in assets and liabilities resulted in the net position of the Ohio Expositions Commission increasing \$18,007,374 which represents a 35.5% increase from 2014.

**OHIO EXPOSITIONS COMMISSION**

Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2015  
(Unaudited)

Table 2 shows a summary of the Statements of Revenues, Expenses and Changes in Net Position for the year ended 2015.

**Table 2  
Revenues, Expenses and Changes in Net Position**

	<b>2015</b>	<b>2014 (Restated)</b>
Operating revenues:		
Fair sources	\$ 8,515,962	\$ 8,119,229
Non-fair sources	5,696,867	5,335,903
Total	<u>14,212,829</u>	<u>13,455,132</u>
Operating expenses:		
Payroll and fringe benefits	5,677,640	5,472,162
Purchased services	2,887,648	2,880,853
Depreciation	4,094,074	3,945,747
Other Operating Expenses	2,356,966	2,213,099
Utilities	1,927,542	1,765,012
Maintenance and repair	1,009,202	1,101,935
Total operating expenses	<u>17,953,072</u>	<u>17,378,808</u>
Operating loss	(3,740,243)	(3,923,676)
Non-operating revenues - state assistance	255,193	250,000
Loss on disposal of equipment	(584,993)	-
Other sources - state capital contributions	22,077,417	4,900,726
Change in net assets	18,007,374	1,227,050
Net position - beginning of fiscal year	<u>50,738,392</u>	<u>53,143,503</u>
Change with Accounting Principle (Note 15)	-	(3,632,161)
Net position - end of fiscal year	<u><u>\$ 68,745,766</u></u>	<u><u>\$ 50,738,392</u></u>

## OHIO EXPOSITIONS COMMISSION

### Management's Discussion and Analysis As of and for the Year Ended June 30, 2015 (Unaudited)

Total operating revenues increase \$757,697 (or 5.6%) from 2014 to 2015. The main factor in this was an increase in non-fair events and an increase in attendance at the Fair.

Operating expenses increased \$574,264 during the fiscal year. The largest increases were in payroll, \$205,478 and utilities, \$162,530.

State capital contributions increased from \$4,900,726 to \$22,077,417 during Fiscal Year 2015, which is mainly a function of the commencement of new capital projects which are paid out of the Capital Fund 7026. The Commission makes a request for these capital expenditures every two years through the capital budgeting process of the State of Ohio. The projects are then prioritized, bid out, and completed according to the State guidelines as provided by the Department of Administrative Services and the Office of Budget and Management.

#### **Management Operational Analysis**

At June 30, 2015 the Ohio Expositions Commission had total assets of \$81,688,135 and total net position of \$68,745,766. 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 as well as the increase in music festivals, 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

## **OHIO EXPOSITIONS COMMISSION**

Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2015  
(Unaudited)

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. 17<sup>th</sup> Avenue, Columbus, Ohio 43211, (614) 644-4025 or e-mail to: [d.smalley@expo.state.oh.us](mailto:d.smalley@expo.state.oh.us).

# OHIO EXPOSITIONS COMMISSION

## Statement of Net Position

June 30, 2015

<b>Assets</b>	<b>2015</b>
Current assets:	
Cash and cash equivalents (note 3)	\$ 4,329,000
Restricted cash and cash equivalents (note 3)	272,749
Accounts receivable	182,858
Intergovernmental receivable	3,709,046
Prepaid fair expenses	134,516
Total current assets	<u>8,628,169</u>
Non-current assets:	
Capital assets, non-depreciable	23,436,218
Capital assets, net of accumulated depreciation (note 4)	49,623,748
Total non-current assets	<u>73,059,966</u>
Total assets	<u>\$ 81,688,135</u>
Deferred Outflows of Resources	
Pension	377,263
Total Deferred Outflows of Resources	<u>\$ 377,263</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 4,479,249
Accrued liabilities	342,018
Unearned income	2,900,160
Due to others (note 3)	272,749
Workers' compensation liability	6,032
Total current liabilities	<u>8,000,208</u>
Non-current liabilities:	
Compensated absences (note 8)	740,596
Net Pension Liability	3,944,829
Workers' compensation liability	564,696
Total non-current liabilities	<u>5,250,121</u>
Total liabilities	<u>\$ 13,250,329</u>
Deferred Inflows of Resources	
Pension	69,303
Total Deferred Inflows of Resources	<u>\$ 69,303</u>
<b>Net Position</b>	
Invested in capital assets	\$ 73,059,966
Unrestricted	(4,314,200)
Total net position	<u><u>\$ 68,745,766</u></u>

See accompanying notes to basic financial statements.

## OHIO EXPOSITIONS COMMISSION

### Statement of Revenues, Expenses and Changes in Net Position

For the Fiscal Year ended June 30, 2015

	<u>2015</u>
Operating revenues:	
Fair sources	\$ 8,515,962
Nonfair sources	5,696,867
Total	<u>14,212,829</u>
Operating expenses:	
Payroll and fringe benefits	5,677,640
Purchased services	2,887,648
Depreciation	4,094,074
Utilities	1,927,542
Maintenance and repair	1,009,202
Premiums	670,315
Supplies and materials	807,077
Printing and advertising	344,302
Rentals	225,526
Meals	49,875
Communication and postage	88,928
Motor vehicle	115,586
Contracted commissions	12,692
Travel	12,093
Equipment	-
Refunds	30,572
Total operating expenses	<u>17,953,072</u>
Operating gain or (loss)	<u>(3,740,243)</u>
Nonoperating revenues - state assistance	255,193
Loss on disposal of asset	(584,993)
Loss before capital contributions	<u>(4,070,043)</u>
State capital contributions	<u>22,077,417</u>
Change in net position	18,007,374
Net position - beginning of fiscal year - Restated See Note 15	<u>50,738,392</u>
Net position - end of fiscal year	<u><u>\$ 68,745,766</u></u>

See accompanying notes to basic financial statements.

**OHIO EXPOSITIONS COMMISSION**

Statement of Cash Flows

For the Fiscal Year ended June 30, 2015

	<b>2015</b>
Cash flows from operating activities:	
Cash received from fair sources	\$ 9,056,016
Cash received from nonfair sources	5,780,881
Cash received for harness racing funds	272,749
Cash payments for harness racing funds	(229,317)
Cash payments for payroll and personal services	(8,356,736)
Cash payments for utilities and maintenance	(2,930,235)
Cash payments for other services and charges	(2,598,470)
Net cash provided by (used in) operating activities	994,888
Cash flows from noncapital financing activities:	
State operating assistance received	255,193
Net cash provided by noncapital financing activities	255,193
Cash flows from capital and related financing activities:	
State capital assistance received	22,077,417
Acquisition and construction of equipment	(21,969,801)
Net cash provided by capital and related financing activities	107,616
Net increase (decrease) in cash and cash equivalents	1,357,697
Cash and cash equivalents, beginning of year	3,244,052
Cash and cash equivalents, end of year	\$ 4,601,749
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (3,740,243)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,094,074
(Increase)/decrease in assets:	
Accounts receivable	(3,619,471)
Prepaid fair expenses	(36,881)
Other prepaid expenses	—
Deferred Outflow of Resources - Pension	(153,695)
Increase/(decrease) in liabilities:	
Accounts payable	3,524,171
Accrued liabilities	(33,146)
Unearned income	644,124
Due to others	43,432
Net Pension Liability	89,100
Workers' compensation liability	114,120
Deferred Inflow of Resources - Pension	69,303
Total adjustments	4,735,131
Net cash provided by (used in) operating activities	\$ 994,888

See accompanying notes to basic financial statements.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

### 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.

**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, 2015.

**OHIO EXPOSITIONS COMMISSION**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

<b>Description</b>	<b>Years</b>
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.

Unearned Income - Unearned 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.

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.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The OPERS pension system reports investments at fair value.

Deferred Outflows/Inflows of Resources - In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Commission, deferred outflows of resources are reported on the statement of net position for pension and are explained in Note 6.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the Commission, deferred inflows of resources are reported on the statement of net position for pension and are explain in Note 6.

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.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

### NOTE 3 – CASH AND CASH EQUIVALENTS

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

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

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

During 2015, 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, 2015, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was approximately \$4,325,000. In addition, the Commission had approximately \$4,000 of cash on hand at June 30, 2015.
- (b) Restricted Cash - At June 30, 2015, \$272,749 was collected from harness racing participants registering for the 2015 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, 2015.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

### NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>
Capital assets not being depreciated:				
Land	\$ 2,930,999	\$ -	\$ -	\$ 2,930,999
Construction in progress	4,317,988	22,077,417	5,890,186	20,505,219
Total capital assets not being depreciated	<u>7,248,987</u>	<u>22,077,417</u>	<u>5,890,186</u>	<u>23,436,218</u>
Capital assets being depreciated:				
Land improvements	20,038,283	3,041,051	-	23,079,334
Buildings and improvements	83,396,170	2,487,512	1,301,313	84,582,369
Equipment, furniture and fixtures	3,700,473	254,007	25,465	3,929,015
Vehicles	44,404	-	-	44,404
Total capital assets being depreciated	<u>107,179,330</u>	<u>5,782,570</u>	<u>1,326,778</u>	<u>111,635,122</u>
Less: Accumulated depreciation:				
Land improvements	7,445,191	1,114,401	-	8,559,592
Buildings and improvements	48,438,004	2,785,449	716,320	50,507,133
Equipment, furniture and fixtures	2,731,486	194,224	25,465	2,900,245
Vehicles	44,404	-	-	44,404
Total accumulated depreciation	<u>58,659,085</u>	<u>4,094,074</u>	<u>741,785</u>	<u>62,011,374</u>
Total capital assets being depreciated, net	48,520,245	1,688,496	584,993	49,623,748
Total capital assets, net	<u>\$ 55,769,232</u>	<u>\$ 23,765,913</u>	<u>\$ 6,475,179</u>	<u>\$ 73,059,966</u>

Included in additions for fiscal year 2015 are approximately \$22,077,417 for projects in progress. These projects include the construction of the Buckeye Agricultural Center and a new exhibition hall. Included in the additions for land improvements and buildings for fiscal year 2015 are Cox Fine Arts Building and the Electrical Upgrade Project.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

### 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 \$72,000 through the year ending March 31, 2019. Thereafter, rent shall be adjusted by the Consumer Price Index adjustment, effective on April 1, 2019 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 \$44,000 for the year ended June 30, 2015.

### NOTE 6 – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

#### Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions- between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Commission's proportionate share of the Traditional plan's collective actuarial present value of projected benefit payments attributable to past periods of services, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting the estimate annually.

Ohio Revised Code limits the Commission's obligation for this liability to annually required payments. The Commission cannot control benefit terms or the manner in which pensions are financed; however, the Commission does receive the benefit of employees service in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of the Traditional plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually required pension contribution outstanding at the end of the year is included in intergovernmental payable on the accrual basis of accounting.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

Plan Description - The Commission participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan. While members (e.g. Auditor employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

For retirement calculation purposes, members are divided into three groups. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan:

Group A	Group B	Group C
Eligible to Retire on January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>Age and Service Requirements</b>		
Age 60 with 60 months of service credit Age 55 with 25 year os service credit	Age 60 with 60 months of service credit Age 55 with 25 year of service credit	Age 57 with 25 years of service credit Age 62 with 5 years of service credit
<b>Formula</b>		
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

Once a benefit recipient retiring under the traditional plan has received benefits for 12 months, an annual 3 percent cost-of-living adjustment is provided on the member's base benefit.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For fiscal year 2015, members in state and local classifications contributed 10 percent of covered payroll.

For fiscal year 2015, the employer contribution rate was 14 percent. The portion of the employer's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 2 percent for fiscal year 2015. Employer contribution rates are actuarially determined.

The Commission's contractually required contribution was \$567,171 for fiscal year 2015.

# OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

## **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's portion of the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to the Traditional pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>Traditional</u>
Proportionate Share of the Net Pension Liability- Traditional Plan	\$3,944,829
Proportion of the Net Pension Liability	0.03270700%
Pension Expense	\$414,035

At June 30, 2015, the Commission reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	<u>Traditional</u>
<b>Deferred Outflows of Resources</b>	
Differences between expected and actual experience	\$210,484
Payments subsequent to December 31, 2014 measurement date	<u>166,779</u>
Total Deferred Outflows of Resources	<u><u>\$377,263</u></u>
<b>Deferred Inflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$69,303

\$ 166,779 reported as deferred outflows of resources related to pension resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

	Traditional
Fiscal Year Ending June 30:	
2016	\$20,644
2017	20,644
2018	47,271
2019	52,621
Total	\$141,180

### *Actuarial Assumptions*

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8. percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

**OHIO EXPOSITIONS COMMISSION**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Commission’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the Commission’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Commission's proportionate share of the net pension liability- Traditional	\$7,257,356	\$3,944,829	\$1,154,884

**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

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

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 2015, 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 1.0% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remained at 2% 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.

For calendar year 2015, the employer contribution allocated to the health care plan was 2.0 percent of covered payroll. The portion of the Commission's fiscal year 2015 contributions that were used to fund post-employment benefits were approximately \$83,000.

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 2 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.

# OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

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, 2015 are as follows:

	<u>2015</u>
Beginning balance	\$ 770,505
Additions	452,277
Deductions	<u>(423,002)</u>
Ending balance	<u>799,780</u>
Amount due within one year (included in accrued liabilities on the statement of net position)	<u>\$ 59,184</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.

## NOTE 10 – RELATED PARTY TRANSACTIONS

During fiscal years 2015, the Commission had, and expects to have in the future, transactions with other state agencies. The Commission recognized approximately \$100,000 in rental fee revenues from other agencies of the State during fiscal year 2015. 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 \$234,000 during fiscal year 2015 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.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

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 2014 or 2013 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, 2015.

### 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, 2015 approximated \$98,000. 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, 2015.

### 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.

## OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

Changes in workers' compensation liabilities for the years ended June 30, 2015 are as follows:

	<u>2015</u>
Beginning Balance	\$456,608
(Deductions) additions, net	<u>114,120</u>
Ending Balance	<u><u>\$570,728</u></u>
Amount due within one year	<u><u>\$6,032</u></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 Year Ended June 30, 2015

## (14) Contractual Commitments

At June 30, 2015 The Ohio Expositions Commission had the following outstanding contractual commitments:

### Exhibition Hall

Vendor	Contract	Contract Amount	Amount Outstanding
Moody Nolan	Design Services	\$ 1,324,263.59	\$ 440,833.23
Smoot Construction	Construction Services	22,195,166.72	21,555,718.34
OFCC	Design Services	293,674.73	-
		\$ 23,813,105.04	\$ 21,996,551.57

### Agricultural Complex

Vendor	Contract	Contract Amount	Amount Outstanding
Ruscilli Construction	Design Phase	\$ 703,198.40	\$ 62,057.12
Ruscilli Construction	Construction Services	14,517,606.88	2,744,869.21
OFCC	Design Services	226,009.85	-
		\$ 15,446,815.13	\$ 2,806,926.33

### Gilligan Complex Renovation Phase 3

Vendor	Contract	Contract Amount	Amount Outstanding
Robertson Construction	Construction Services	\$ 1,905,920.97	\$ 1,585,816.66
OFCC	Design Services	73,546.91	-
		\$ 1,979,467.88	\$ 1,585,816.66

The outstanding balance noted above represents the difference between the contract amount and the total services completed and stored to-date through the end of the year.

**OHIO EXPOSITIONS COMMISSION**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

**(15) Change in Accounting Principle**

For fiscal year 2015, the Commission implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net Position June 30, 2014	\$	54,370,553
Adjustments:		
Net Pension Liability		(3,855,729)
Measurement Date		<u>223,568</u>
Restated Net Position June 30, 2014	\$	<u><u>50,738,392</u></u>

Other than employer contributions subsequent to the measurement date, the Commission made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**OHIO EXPOSITIONS COMMISSION**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

**OHIO EXPOSTIONS COMMISSION**

**SCHEDULE OF COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

*Public Employees Retirement System of Ohio - Traditional Plan  
Last Two Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>
Commission's Proportion of the Net Pension Liability	0.032707%	0.032707%
Commission's Proportionate Share of the Net Pension Liability	\$ 3,944,829	\$ 3,855,729
Commission's Covered-Employee Payroll	\$ 4,051,221	\$ 4,011,350
Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	97.37%	96.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

**OHIO EXPOSITIONS COMMISSION**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 2015

**OHIO EXPOSTIONS COMMISSION  
SCHEDULE OF COMMISSION'S CONTRIBUTIONS**

*Public Employees Retirement System of Ohio - Traditional Plan  
Last Three Fiscal Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 567,171.00	\$ 561,589.00	\$ 560,800.00
Contributions in Relation to the Contractually Required Contribution	<u>567,171.00</u>	<u>561,589.00</u>	<u>560,800.00</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commision's Covered-Employee Payroll	\$ 4,051,221	\$ 4,011,350	\$ 4,005,714
Contributions as a Percentage of Covered-Employee Payroll	14%	14%	14%

(1) Information prior to 2013 is not available.

**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 Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio Expositions Commission, Franklin County, Ohio (the Commission) as of and for the year ended June 30, 2015, 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 11, 2015, wherein we noted the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

***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 the 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

Ohio Expositions Commission  
Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards*

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 the 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 11, 2015

**OHIO EXPOSITIONS COMMISSION**

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the period July 29, 2015 through August 9, 2015



## 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 to fulfill Ohio Revised Code Section 991.06 requirements, solely 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 2015 Ohio State Fair, an event sponsored by the Commission, from July 29, 2015 through August 9, 2015. 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 noted one exception on August 2, 2015 totaling \$5.00. On this day, the arithmetic accuracy of the daily Ticket Sales Report was correct; however, the deposit was \$5.00 more than the supporting documentation.

- 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 noted two exceptions on the Ohio State Fair Cashiers Office-Celeste Center Reports; however, the deposit for each day was correct and each deposit agreed with the amount of cash collected in comparison to the Ticketmaster transaction summary stubs.

On August 1, 2015 total cash sales was understated by \$20 in comparison to the Ticketmaster transaction summary stubs. However, as noted above, total cash sales and total cash deposited were in agreement and we reconciled the total cash received to the deposit made.

On August 2, 2015 total cash sales was overstated by \$20 in comparison to the Ticketmaster transaction summary stubs. However, as noted above, total cash sales and total cash sales and total cash deposited were in agreement and reconciled the total cash received to the deposit made.

- 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., no exceptions were noted.

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

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

- f. We recalculated all computations used in the State Fair 2014 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 fourteen discrepancies totaling \$106 between the “z” tapes and seller’s reports. Discrepancies noted were as follows:

	<b>Date</b>	<b>Amount</b>	
	7/30/2015	\$ 4	
	8/1/2015	34	
	8/4/2015	4	
	8/5/2015	20	
	8/6/2015	4	
	8/7/2015	28	
	8/8/2014	4	
	8/9/2014	8	
		<b>\$ 106</b>	

- 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 to the Revenue Receipts Report.

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

- 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 10 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 2015 Ohio State Fair.

With respect to procedure 4, formal approval for 2015 fair contract expenditures was noted in the administrative/legislative/fiscal committee minutes on October 24, 2014 in Resolution 14-07.

5. We determined that total payments made against contracts per the Ohio State Fair Attraction and Entertainment Contract Payments Schedule, totaling \$1,359,896, agreed with the amounts noted in each respective contract. We reviewed the attraction and entertainment contracts and noted 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

August 27, 2015



# Dave Yost • Auditor of State

**OHIO EXPOSITIONS COMMISSION**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 5, 2016**