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

Basic Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

Auditor of State
Betty Montgomery

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Ohio Expositions Commission

We have reviewed the Independent Auditor's Report of the Ohio Expositions Commission, Franklin County, prepared by KPMG LLP for the audit period July 1, 2001 through June 30, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 10, 2003

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

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KPMG

191 West Nationwide Boulevard
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Telephone 614 249 2300
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Independent Auditors' Report

Ohio Expositions Commission
Columbus, Ohio

and

Jim Petro, Auditor of State:

We have audited the accompanying basic financial statements of the Ohio Expositions Commission (the Commission), a component unit of the State of Ohio, as of and for the years ended June 30, 2002 and 2001, as listed in the table of contents. These financial statements are the responsibility of the management of the Commission. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2002 and 2001, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the Commission adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus;* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* during the year ended June 30, 2002.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2002 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

KPMG LLP

October 18, 2002

Ohio Expositions Commission
Management's Discussion and Analysis
For the year ended June 30, 2002

The discussions and analysis of the Ohio Expositions Commission (the Commission) financial performance provides an overall review of the financial activities for the year ended June 30, 2002. 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 assets, statement of revenues, expenses and changes in net assets 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 2002 are as follows:

- Total net assets increased $2,291,616, which represents a 7% increase from 2001.

- Total assets increased $1,652,552, which represents a 4% increase from 2001. This was due to an increase in net book value of capital assets of $1,924,444, partially offset by smaller fluctuations including a decrease in intergovernmental receivable of $339,628.

- Overall liabilities decreased $639,064, with the largest part of this increase coming in current liabilities, mainly due to a $394,675 decrease in accounts payable. The large decrease in accounts payable at the end of 2002 was due in large part to a decrease in the amount of capital projects in process at the end of the year.

- Fair revenues decreased by $738,098 in Fiscal Year 2002 (2001 Ohio State Fair) mainly due to the Fair being affected by hot, humid weather during the first week and by rain on the last weekend. The result was a decrease in attendance, and therefore, a decrease in the related revenue sources (admissions, midway percentages, food and beverage percentages, etc.) from the previous year.

- Operating expenses decreased $238,198 during the year mainly due to management making a conscious decision to cut back on controllable expenses such as personal services, supplies and materials, and maintenance and repair.

- State assistance increased $514,906 mainly due to the utilization of the State Fair Reserve Fund, due to the inclement weather during the Ohio State Fair mentioned above. This fund was established as a reserve that can be utilized if admission revenues from the fair are significantly affected (less than 90% of projected revenues) by either weather or other unforeseen circumstances. This fund was utilized during Fiscal Year 2002 in the amount of $449,663.

Statement of Net Assets

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

Table 1 provides a summary of the Ohio Expositions Commission's net assets at June 30, 2002 and 2001:

Table 1
Net Assets

		2002	2001
Assets:			
Current assets	$	1,998,198	2,270,089
Capital assets, net		40,946,711	39,022,268
Total assets		42,944,909	41,292,357
Liabilities:			
Current liabilities		3,605,022	4,183,489
Non-current liabilities		1,878,133	1,938,730
Total liabilities		5,483,155	6,122,219
Net assets:			
Invested in capital assets		40,946,711	39,022,268
Restricted net assets		487,918	490,711
Unrestricted net assets		(3,972,875)	(4,342,841)
Total net assets	$	37,461,754	35,170,138

Current assets decreased $271,891, which represents a 12% decreased from 2001. The main item that caused this decreased is the decrease in the amount of capital projects in process at the end of the year. The decrease in the amount of projects in process caused a decrease in the amount receivable from the Capital Fund 026, and it also coincides with a decrease in the related accounts payable to the vendor. Non-current assets increased 5% due to an increase in capital assets, which is almost solely funded with capital acquisitions for projects through the Capital Fund 026. The main capital asset additions during Fiscal Year 2002 included electric and lighting upgrades and the completion of major renovation work done to the coliseum.

Overall liabilities decreased $639,064, with the largest part of this increase coming in current liabilities, mainly due to a $394,675 decrease in accounts payable. The large decrease in accounts payable at the end of 2002 was due in large part to a decrease in the amount of capital projects in process at the end of the year (as noted above).

The overall effect of the above change in assets and liabilities resulted in the net assets of the Ohio Expositions Commission increasing $2,291,616, which represents a 7% increase from 2001.

Table 2 shows a summary of the Statements of Revenues, Expenses and Changes in Net Assets for the years ended 2002 and 2001.

Table 2
Revenues, Expenses and Changes in Net Assets

		2002	2001
Operating revenues:			
Fair sources	$	7,212,873	7,950,971
Non-fair sources		5,140,306	5,327,354
Total		12,353,179	13,278,325
Operating expenses:			
Payroll and fringe benefits		5,860,894	4,928,918
Purchased services		2,641,998	3,000,061
Depreciation		1,869,590	1,756,439
Utilities		1,189,776	1,287,178
Maintenance and repair		833,979	1,102,227
Other operating expenses		2,477,563	2,560,779
Total operating expenses		14,873,800	14,635,602
Operating loss		(2,520,621)	(1,357,277)
Non-operating revenues - state assistance		1,038,545	523,639
Other sources - state capital contributions		3,773,692	4,138,618
Change in net assets		2,291,616	3,304,980
Net assets - beginning of fiscal year		35,170,138	31,865,158
Net assets - end of fiscal year	$	37,461,754	35,170,138

Total operating revenues decreased $925,146 (or 7%) from 2001 to 2002, mainly due to a decrease in fair sources from $7,950,971 in 2001 to $7,212,873. This decrease in fair sources was caused by inclement weather during the 2001 Ohio State Fair, which falls in Fiscal Year 2002. This inclement weather resulted in a decrease in attendance, and therefore, a decrease in the related revenue sources such as admissions, midway percentages, food and beverage percentages, etc.

Having an uncontrollable item such as weather providing such variability in the revenue sources is one of the main reasons that the State Fair Reserve Fund was set up in 1999 in the amount of $700,000. The above-mentioned decrease in fair revenues sources caused the Ohio Expositions Commission to request (and receive) a utilization of this fund of up to $450,000 in Fiscal Year 2002. The total amount of $449,663 was actually utilized, helping maintain the cash position of the Commission. This is also one of the main reasons the amount of state assistance increased from $523,639 in 2001 to $1,038,545 in 2002 (another factor in the increase was a $105,500 loss of a slip-and-fall court case which was paid out of Controlling Board emergency funds).

Operating expenses increased $238,198 during the year mainly due to two main functions. Increases in mainly uncontrollable expense items such as payroll and fringe benefits and depreciation were partially offset by management making a conscious decision to cut back on somewhat controllable expenses such as personal services, supplies and materials, and maintenance and repair.

The operating loss for the year increased almost solely due to the poor performance of the 2001 Ohio State Fair, with the decrease in Fair revenues sources, as noted above. The effect of the decrease in Fair revenue sources and the slight increase in operating expenses was an increase of $1,163,344 in the operating loss.

State capital contributions decreased from $4,138,618 to $3,773,692 during the year, which is mainly a function of the completion of capital projects which are paid out of the Capital Fund 026. The Commission makes a request for these capital expenditures every two years through the capital budgeting process of the State of Ohio. The projects are then prioritized, bid out, and completed according to the State guidelines as provided by the Department of Administrative Services and the Office of Budget and Management.

Management Operational Analysis

At June 30, 2002 the Ohio Expositions Commission had total assets of $42,944,909 and total net assets of $37,461,754. The largest portion of the Commission's assets is comprised of the capital assets that make up this large, multi-event facility. The agency mission is "to professionally operate and maintain for public benefit a year-round, service oriented event facility and produce the annual Ohio State Fair."

Prudent management of the Ohio Expositions Commission's resources by Management and the Commission is evident in the cost reduction that has taken place over the last seven years. The Commission's operating expenses, excluding depreciation, are actually less ($13,004,210) in Fiscal Year 2002 than in Fiscal Year 1996 ($13,403,449), because of cost reductions that have been put in place over the years. This is even in spite of the natural growth that has taken place in payroll. These cost containment thoughts and ideas continue to be looked at and analyzed. In addition to measures taken on the expense side, the Commission continues to analyze opportunities for growth on the revenue side of the equation.

The 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 and 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 a great deal of support to the Jr. 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. While this is not consistent with the Commission's, the Governor's, and the General Assembly's fiscal goals, a concerted attempt is made to keep Fair prices affordable. In fact, the Fair is currently not designed to break even in and of itself. Fair revenue is dependent upon paid attendance, which is related to admission and midway prices, and fair revenue is also dependent upon the weather. The 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 in the area of featured entertainment for the Ohio State Fair. With increased local competition for big name entertainment, from other government supported agencies (Columbus Zoo, Schottenstein Center and Cooper Stadium) and private venues (Nationwide Arena and Polaris Amphitheater), it is becoming increasingly difficult to fill the Celeste Center with entertainment for a 17 day fair. Management is currently looking into different scenarios of presenting featured entertainment to the public with the goal of providing a high level of entertainment and maintaining fiscal responsibility.

The Commission also continues to face increasing challenges on non-fair events as well. The event facility business has become extremely competitive, especially in the Columbus area. In just the past seven years, Columbus has constructed a modern convention center and a 20,000 seat amphitheater. There are two ultra-modern arenas competing for events presently held at the Ohio Expo Center, as well as any new ones. We have already lost one of our biggest clients, the Columbus Chill hockey team, to the downtown NHL team. Because the Commission is financially dependent on these non-fair events, we must address our facility's image if we are to remain competitive in this marketplace. Our facility is old and in need of repair, but it is imperative that we also act to improve the appearance of the Ohio Expo Center and the impression it makes on our guests and potential contractors. The first step in this facelift is to improve and modernize our entire gate and access structures, and this has already begun with the completion of the new 11th Avenue entrance just prior to the 2002 Ohio State Fair.

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 David J. Gruber, the Commission's Finance Director, 717 E. 17th Avenue, Columbus, Ohio 43211, (614) 644-4025 or e-mail to: d.gruber@expo.state.oh.us.

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

Statements of Net Assets

June 30, 2002 and 2001

Assets	**2002**	**2001**
Current assets:		
Cash and cash equivalents (note 3)	$ 641,061	564,287
Restricted cash and cash equivalents (note 3)	487,918	490,711
Accounts receivable	89,529	71,491
Intergovernmental receivable	629,884	969,512
Prepaid fair expenses	149,806	174,088
Total current assets	1,998,198	2,270,089
Non-current assets:		
Capital assets, net of accumulated depreciation (note 4)	40,946,711	39,022,268
Total non-current assets	40,946,711	39,022,268
Total assets	42,944,909	41,292,357
Liabilities		
Current liabilities:		
Accounts payable	1,000,105	1,394,780
Accrued liabilities	282,497	284,439
Obligation under capital leases (note 5)	95,434	90,707
Deferred income	1,686,662	1,850,098
Due to others (note 3)	487,918	490,711
Workers' compensation liability	52,406	72,754
Total current liabilities	3,605,022	4,183,489
Non-current liabilities:		
Compensated absences (note 8)	606,082	511,680
Obligation under capital leases (note 5)	392,648	488,082
Workers' compensation liability	879,403	938,968
Total non-current liabilities	1,878,133	1,938,730
Total liabilities	5,483,155	6,122,219
Net Assets		
Invested in capital assets	40,946,711	39,022,268
Restricted for harness racing	487,918	490,711
Unrestricted	(3,972,875)	(4,342,841)
Total net assets	$ 37,461,754	35,170,138

See accompanying notes to basic financial statements.

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

Statements of Revenues, Expenses and Changes in Net Assets

Years ended June 30, 2002 and 2001

		2002	2001
Operating revenues:			
Fair sources	$	7,212,873	7,950,971
Nonfair sources		5,140,306	5,327,354
Total		12,353,179	13,278,325
Operating expenses:			
Payroll and fringe benefits		5,860,894	4,928,918
Purchased services		2,641,998	3,000,061
Depreciation		1,869,590	1,756,439
Utilities		1,189,776	1,287,178
Maintenance and repair		833,979	1,102,227
Premiums		755,729	800,252
Supplies and materials		348,215	419,398
Printing and advertising		555,123	569,522
Rentals		229,133	231,468
Meals		186,500	185,796
Communication and postage		110,745	121,375
Motor vehicle		83,815	126,096
Contracted commissions		66,028	66,694
Travel		30,401	30,151
Court of claims		107,107	1,888
Refunds		4,767	8,139
Total operating expenses		14,873,800	14,635,602
Operating loss		(2,520,621)	(1,357,277)
Nonoperating revenues - state assistance		1,038,545	523,639
Loss before capital contributions		(1,482,076)	(833,638)
State capital contributions		3,773,692	4,138,618
Change in net assets		2,291,616	3,304,980
Net assets - beginning of fiscal year, as restated (note 14)		35,170,138	31,865,158
Net assets - end of fiscal year	$	37,461,754	35,170,138

See accompanying notes to basic financial statements.

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

Statements of Cash Flows

Years ended June 30, 2002 and 2001

		2002	2001
Cash flows from operating activities:			
Cash received from fair sources	$	6,865,538	7,600,535
Cash received from nonfair sources		4,994,838	5,197,119
Cash received from other sources		283,836	326,019
Cash received for harness racing funds		487,918	490,711
Cash payments for harness racing funds		(490,711)	(484,106)
Cash payments for payroll and personal services		(8,418,930)	(8,815,945)
Cash payments for utilities and maintenance		(2,054,938)	(2,314,408)
Cash payments for other services and charges		(2,521,066)	(2,624,028)
Net cash used in operating activities		(853,515)	(624,103)
Cash flows from noncapital financing activities:			
State operating assistance received		1,038,545	523,639
Net cash provided by noncapital financing activities		1,038,545	523,639
Cash flows from capital and related financing activities:			
State capital assistance received		4,112,050	3,782,751
Acquisition and construction of equipment		(4,132,392)	(3,806,840)
Payments on capital leases		(90,707)	(86,230)
Net cash used in capital and related financing activities		(111,049)	(110,319)
Net increase (decrease) in cash and cash equivalents		73,981	(210,783)
Cash and cash equivalents, beginning of year		1,054,998	1,265,781
Cash and cash equivalents, end of year	$	1,128,979	1,054,998
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	$	(2,520,621)	(1,357,277)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation		1,869,590	1,756,439
(Increase)/decrease in assets:			
Allowance for doubtful accounts		—	2,089
Accounts receivable		(18,038)	80,836
Intergovernmental receivable		339,628	(404,233)
Prepaid fair expenses		24,282	8,189
Increase/(decrease) in liabilities:			
Accounts payable		(394,675)	343,992
Accrued liabilities		92,461	(38,806)
Deferred income		(163,436)	(223,449)
Due to others		(2,793)	6,605
Workers' compensation liability		(79,913)	(798,488)
Total adjustments		1,667,106	733,174
Net cash used in operating activities	$	(853,515)	(624,103)

See accompanying notes to basic financial statements.

(1) Organization and Reporting Entity

(a) Organization

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

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

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

(b) Reporting Entity

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

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

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

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

(b) Cash and Cash Equivalents

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

The cash and cash equivalents with the Treasurer 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.

(c) Capital and Building Improvement Assistance

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

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

(d) Capital Assets

Capital assets include property and equipment, which are stated at historical cost or estimated historical cost and include expenditures of $500 or more 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 assets.

(e) Prepaid Fair Expenses

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

(f) Deferred Income

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

(g) Compensated Absences

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

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

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

(h) Net Assets

Equity is displayed in three components as follows:

- ***Invested in Capital Assets*** - This consists of capital assets, net of accumulated depreciation that are attributable to the acquisition, construction, or improvement of those assets.
- ***Restricted*** - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Commission's policy to use restricted resources first, then unrestricted resources when they are needed.
- **Unrestricted** - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(i) Classification of Revenues

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

(j) Use of Estimates and Uncertainties of Financial Results

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

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

(k) New Accounting Pronouncements

During the year ended June 30, 2002, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus,* effective July 1, 2000. These Statements significantly changed the format and content of the Commission's financial statements including the presentation of net assets, the preparation of these statements of cash flows on the direct method, and the inclusion of management's discussion and analysis. These statements were implemented effective July 1, 2000.

During the year ended June 30, 2002, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures,* effective July 1, 2000. This Statement modifies, establishes, and rescinds certain financial statement note disclosures. The financial statements have been prepared in conformance with this Statement. This statement was implemented effective July 1, 2000.

(l) Reclassifications

Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

(3) Cash

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

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

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

During 2002 and 2001, 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, 2002, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was $1,125,016. In addition, the Commission had $3,963 of cash on hand.

At June 30, 2001, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was $1,050,973. In addition, the Commission had $4,025 of cash on hand.

(b) Restricted Cash

At June 30, 2002, $487,918 was collected from harness racing participants registering for the 2002 Fair; and at June 30, 2001, $490,711 was collected from harness racing participants registering for the 2001 Fair. These monies are held in the State Rotary Fund and will be remitted to others who manage the Fair harness racing event.

(4) Capital Assets

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

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

(Continued)

(4) Capital Assets, Continued

Capital assets activity for the year ended June 30, 2001 was as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Capital assets not being depreciated:				
Land	$ 2,930,999	-	-	2,930,999
Construction in progress	933,335	4,138,577	210,478	4,861,434
Total capital assets not being depreciated	3,864,334	4,138,577	210,478	7,792,433
Capital assets being depreciated:				
Land improvements	3,938,225	9,735	-	3,947,960
Buildings and improvements	49,755,714	159,334	-	49,915,048
Equipment, furniture and fixtures	1,706,420	61,540	13,876	1,754,084
Vehicles	40,404	4,000	-	44,404
Total capital assets being depreciated	55,440,763	234,609	13,876	55,661,496
Less: Accumulated depreciation:				
Land improvements	1,459,816	146,295	-	1,606,111
Buildings and improvements	20,264,009	1,442,967	-	21,706,976
Equipment, furniture and fixtures	931,278	160,435	13,876	1,077,837
Vehicles	33,995	6,742	-	40,737
Total accumulated depreciation	22,689,098	1,756,439	13,876	24,431,661
Total capital assets being depreciated, net	32,751,665	(1,521,830)	-	31,229,835
Total capital assets, net	$ 36,615,999	2,616,747	210,478	39,022,268

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

Construction in progress at June 30, 2001 consisted of the Electric & Lighting Upgrade Project, the Facility Improvement Plan, the Coliseum Seating Project, the Stairtower Project, the HVAC Planning Project and the Coliseum Compression Project.

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

(5) Capital Leases

The Commission is leasing certain equipment under capital leases. The interest rate for the capital leases ranged between approximately 4.64% to 8.05% at June 30, 2002. The net book value of this equipment at June 30, 2002 was $595,653.

Changes in capital leases for the years ended June 30, 2002 and 2001, were as follows:

		2002	2001
Beginning balance	$	578,789	665,019
Additions		—	—
Deductions		(90,707)	(86,230)
Ending balance		488,082	578,789
Amount due within one year	$	95,434	90,707

Future minimum payments, by fiscal year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at June 30, 2002:

		Capital leases
2003	$	119,184
2004		119,184
2005		116,598
2006		101,150
2007		101,150
Total minimum lease payments		557,266
Less amount representing interest		69,184
Present value of minimum lease payments under capital leases	$	488,082

(6) Leased Property

In May 1998, the Commission entered into an operating lease with the Crew Soccer Stadium Limited Liability Company (the Crew) for a period of 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 $50,000 through the year ending March 31, 2004. Thereafter, rent shall be adjusted by the Consumer Price Index adjustment, effective on April 1, 2004 and every fifth anniversary thereafter during the lease term. The Commission will retain 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 $28,752. This lease has scheduled increases relating to the Consumer Price Index every 5 years with the next increase scheduled for 2006. The Days Inn lease commenced in December 1986 and is for a period of thirty years. The Commission is entitled to 4% of the gross room rent which amounted to $34,703 and $38,071 for the years ended June 30, 2002 and 2001, respectively.

(7) Defined Benefit Pension Plan

(a) Plan Description

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

(b) Funding Policy

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5% and the employer contribution rate for state employers is 13.31% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Commission's contributions to PERS for the years ended June 30, 2002, 2001 and 2000 were $703,653, $468,229 and $589,795, respectively, equal to the required contributions for each year.

(c) Other Post-employment Benefits

PERS provides postretirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipient and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The number of active contributing participants at December 31, 2000 was 411,076.

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

(Continued)

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%.

The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000 is $11,735,900. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used, were $14,364,600 and $2,628,700, respectively.

The PERS 2001 employer contribution rate to fund health care for the year was 4.3%. Health care costs were assumed to increase 4.75% annually.

The actuarially determined and statutorily required contribution requirements from the Commission to PERS for postemployment benefits for the years ended June 30, 2002 and 2001 were $227,350 and $189,071, respectively. The amounts are included in the Commission contribution totals in note 7(b).

(8) Compensated Absences

Employees of the Ohio Expositions Commission can earn vacation, sick, and personal leave at various rates as specified by Ohio law. Employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum of 9.2 hours every two weeks after 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, 2002 and 2001, are as follows:

		2002	2001
Beginning balance	$	579,377	607,737
Additions		507,445	590,417
Deductions		(414,390)	(618,777)
Ending balance		672,432	579,377
Amount due within one year (included in accrued liabilities on the statement of net assets)	$	66,349	67,697

(9) Contingencies

At June 30, 2002 and 2001, the Commission has been named in various public liability and property damage claims and suits. It is the opinion of management that any resulting liability to the Commission will not have a material adverse effect on the Commission's financial position as of June 30, 2002.

(10) Noncash Transactions

During the course of the year, the Commission may approve noncash transactions in which a renter will provide free service to the Commission in exchange for free or discounted rental of the Commission's facilities. These services were estimated for the years ended June 30, 2002 and 2001 at $26,975 and $4,675, respectively, and are recorded as nonfair revenue and maintenance and repair expenses in the statement of revenues, expenses, and changes in net assets. Also, services performed relating to the 2001 and 2000 Fairs were estimated for the years ended June 30, 2002 and 2001 at $11,955 and $14,415 and are recorded as fair revenue and maintenance and repair expenses in the statement of revenues, expenses, and changes in net assets.

(11) Related Party Transactions

During fiscal years 2002 and 2001, the Commission had, and expects to have in the future, transactions with other state agencies. The Commission recognized approximately $245,996 and $288,500 in rental fee revenues from other agencies of the State during fiscal years 2002 and 2001, 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 $179,500 and $141,000 during fiscal years 2002 and 2001, 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.

(12) State Fair Reserve

The Ohio Legislature passed a House Bill (Am. Sub. H.B. No. 283, Section 49) which established a State Fair Reserve of $700,000. The reserve may be used if admission revenues for the Ohio State Fair are less than ninety percent of the projected admission revenues for the 2001 or 2002 Ohio State Fairs. The Commission must declare a state of fiscal exigency and request a release of funds by the Director of Budget and Management. The Director of Budget and Management then must approve the release of funds, and may make changes or stipulations before release of the funds. The Commission received greater than 90% of the projected revenues for the 2000 Fair and did not use any of the State Fair Reserve in fiscal year 2001.

The 2001 Ohio State Fair was affected by hot, humid weather during the first week of the Fair and by rain on the last weekend of the Fair. The result was a decrease in attendance, and therefore, a decrease in the related revenue sources (admissions, midway percentages, food and beverage percentages, etc.) from the previous year and from the budget. Therefore, admission revenues were less than 90% of the projected admission revenues for the 2001 Ohio State Fair and the Commission requested a release of funds of up to $450,000 from the appropriation line item 723-603, State Fair Reserve. This request was approved by the Director of the Office of Budget and Management and during Fiscal Year 2002 $449,663 of these funds were used. The usage of $449,663 during fiscal year 2002, leaves a remaining balance of $250,337 in this State Fair Reserve Fund as of June 30, 2002, which has not been released as of the date of this report.

(13) Risk Management

The State retains the risk associated with claims arising from vehicle liability, property loss and tort liability. The State also maintains a public 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 accrued liabilities at June 30, 2002. Additional disclosures are expected to be found in the State's CAFR for the fiscal year ended June 30, 2002.

(Continued)

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, 2002.

(14) Workers' Compensation

The Commission participates in a plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods. The Commission's pro-rata share of this estimated liability for such future payments has been calculated by the State of Ohio Office of Budget and Management on the basis of the Commissions' share of actual cash payments paid to the Bureau in the preceding fiscal year divided by such payments made by all participating entities. In previous years, this liability was recorded in the State's General Long-Term Obligations Account Group. As a result of implementing GASB No. 34 in fiscal year 2002, the Commission accrued its share of the State's Bureau of Workers' Compensation liability.

As a result of these changes, the beginning net asset changed as follows:

Net assets, July 1, 2000	$	33,675,368
Reduction as a result of BWC liability		(1,810,210)
Net assets, July 1, 2000 (restated)	$	31,865,158

Changes in workers' compensation liabilities for the years ended June 30, 2002 and 2001 were as follows:

		2002	2001
Beginning balance	$	1,011,722	1,810,210
Additions		-	-
Deductions		(79,913)	(798,488)
Ending balance	$	931,809	1,011,722
Amount due within one year	$	52,406	72,754

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

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Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Ohio Expositions Commission

and

The Honorable James M. Petro
Auditor of State

We have audited the financial statements of The Ohio Expositions Commission (the Commission) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 18, 2002. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

KPMG LLP

October 18, 2002

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Telephone 614 249 2300
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The Honorable Jim Petro
Auditor of State

and

The Ohio Expositions Commission:

We have performed the procedures enumerated below, which were agreed to by the management of the Ohio Expositions Commission (the Commission) to fulfill Ohio Revised Code Section 991.06 requirements, solely to assist you in evaluating whether the cash collection, fair ticketing and vendor contracting controls and procedures were in place and functioning properly for the duration of the 2002 Ohio State Fair, an event sponsored by the Commission, from August 2, 2002 through August 18, 2002. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and our findings are as follows:

1. Reconciled daily receipts to deposits made. For each day of the fair, we performed the following procedures:

   a. Ascertained the arithmetic accuracy of the daily Ticket Sales Reports for both day and night shifts to within $1.

      With respect to procedure 1.a., three instances of miscalculation in the daily Ticket Sales reports were noted as “shortages” for sellers in the amounts of $2, $19, and $4 on August 14th, August 16th and August 18th, respectively.

   b. Ascertained the arithmetic accuracy of the daily Ohio State Fair Cashier’s Office – Celeste Center Reports to within $1 and agreed daily amounts to Ticketmaster transaction summary stubs.

      With respect to procedure 1.b., two instances of miscalculation in the Celeste Center Reports were noted of ($160) on August 2nd and $160 on August 3rd, and one instance of misclassification of revenue type of $40 on August 5th.

   c. Ascertained the arithmetic accuracy of the daily Ohio State Fair Amusements of America Reports to within $1.

      With respect to procedure 1.c., no exceptions noted.

   d. Ascertained the arithmetic accuracy of the daily 2002 Ohio State Fair Sky Glider Daily Recap Reports and agreed amounts to Skyfair, Inc calculation sheet and amounts remitted to the Ohio Expo Commission from Skyfair, Inc. to within $1.

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

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

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

f. Recalculated all computations used in the State Fair 2002 Revenue Receipts Reports.

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

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

   With respect to procedure 1.g., eighteen instances of discrepancies between the Ohio State Fair Seller's reports and associated "z" tapes were noted throughout the fair. The discrepancies were as follows: $5 on August 3rd, $10 and $25 on August 4th, $15 on August 6th, $1 and $10 on August 7th, $25 on August 9th, $8 on August 13th, $2, $2 and $1 on August 14th, $2 and $7 on August 15th, $2 on August 16th, $1, $2 and $5 on August 17th, and $5 on August 18th. Additionally, three "z" tapes were unable to be verified on August 7th (two "z" tapes) and August 13th (one "z" tape).

h. Agreed the total cash collected from the State Fair 2002 Revenue Receipts Reports to the validated Key Bank deposit ticket.

   With respect to procedure 1.h., one instance of non-agreement existed on August 18th as Key Bank did not provide a validated deposit slip for that day.

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

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

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

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

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

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

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

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

   With respect to procedure 3., no exceptions noted.

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

With respect to procedure 4., no exceptions noted.

5. Determined that payments made against contracts agreed with the amount in the contract. We read the attraction and entertainment contracts and noted all amounts paid by the Commission were in agreement with the contracts approved by the Commission.

   With respect to procedure 5., no exceptions noted.

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

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

KPMG LLP

October 7, 2002

Auditor of State
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OHIO EXPOSITIONS COMMISSION

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 20, 2003