OHIO EXPOSITIONS COMMISSION

Basic Financial Statements
June 30, 2018
(With Independent Auditor's Report Thereon)

Dave Yost • Auditor of State

Board of Commissioners
Ohio Expositions Commission
717 East 17th Avenue
Columbus, OH 43211-2698

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, 2017 through June 30, 2018. 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.

Dave Yost

Dave Yost
Auditor of State

December 14, 2018

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OHIO EXPOSITIONS COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Ohio Expositions Commission
Franklin County
717 East 17th Avenue
Columbus, Ohio 43215

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio Expositions Commission, Franklin County, Ohio (the Commission), as of and for the year ended June 30, 2018, 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 such 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio Expositions Commission, Franklin County, Ohio, as of June 30, 2018, 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 2 to the financial statements, during the year ended June 30, 2018, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to 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 and other postemployment benefit liabilities, and schedules of pension and other postemployment benefit 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 5, 2018, 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
Kennedy Cottrell Richards LLC

Gahanna, Ohio
December 5, 2018

OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018
(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, 2018. 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 2018 are as follows:

- Total net position decreased $188,415, which represents a .2% decrease from 2017.
- Total assets increased $304,202 which represents a .3% increase from 2017.
- Overall liabilities decreased $2,232,476 with the largest part of this decrease coming due to a decrease of $2,222,754 in net pension liability.
- Fair revenues decreased by $1,018,966 in Fiscal Year 2018 (2017 Ohio State Fair).
- Operating expenses increased $796,365 during the fiscal year. The largest increase was in depreciation, $459,865.

Statement of Net Position

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

OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018
(Unaudited)

Table 1 provides a summary of the Ohio Expositions Commission's net position at June 30, 2018 and 2017.

Table 1
Net Position

	2018	Restated 2017
Assets:		
Current Assets	$ 7,853,295	$ 8,550,424
Capital Assets, net	93,082,897	92,081,566
Total Assets	100,936,192	100,631,990
Deferred Outflows		
OPEB	276,703	15,853
Pension	872,704	2,602,726
Total Deferred Outflows of Resources	1,149,407	2,618,579
Liabilities:		
Current Liabilities	5,406,276	5,753,944
Non-Current Liabilities	9,616,332	11,501,140
Total Liabilities	15,022,608	17,255,084
Deferred Inflows of Resources		
OPEB	251,905	-
Pension	1,242,138	238,122
Total Deferred Inflows of Resources	1,494,043	238,122
Net Position:		
Invested in capital assets	93,058,228	92,081,566
Unrestricted net assests	(7,489,280)	(6,324,203)
Total net position	$ 85,568,948	$ 85,757,363

For fiscal year 2018, current assets decreased $697,129 which represents a 8.2% increase from 2017. This consists of a decrease of $776,249 in cash and cash equivalents, which is due to an underperforming 2017 fair. Non-current assets increased $1,001,331 which represents a 1.1% increase from 2017. The main capital project during Fiscal Year 2018 was the renovation Celeste Center.

For fiscal year 2018, overall liabilities decreased $2,232,476, with the largest decrease being $2,222,754 in net pension liability.

The net pension liability (NPL) is the largest single liability reported by the Commission at June 30, 2018 and is reported pursuant to GASB 68 "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27." For fiscal year 2018, the Commission adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting, however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 requires the net pension liability to equal the Commission's share of the 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 the pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of these promises 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 liabilities since they received the benefit of the exchange. However, the Commission is not responsible for certain key factors affecting the balance of these liabilities. 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 the Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 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 and GASB 75, the Commission's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in the net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Commission is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from $88,845,583 to $85,757,363.

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior fiscal year-end. These fluctuations are primarily the result of changes in benefit terms, changes in actuarial assumptions, and greater than expected returns on pension plan investments.

Statement of Revenues, Expenses and Changes in Net Position

While the Statement of Net Position provides information about the financial status of the Commission at year end, the Statement of Revenues, Expenses, and Changes in Net Position presents the results of the business activities over the course of the fiscal year and information as to how the Net Position changed during the year. This change, combined with the prior year net asset total reconciles to the total Net Position at the end of the fiscal year.

Table 2 shows a summary of the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2018 and 2017.

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OHIO EXPOSITIONS COMMISSION

Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018
(Unaudited)

Table 2

Statement of Revenues, Expenses and Change in Net Position

	2018	2017
Operating revenues:		
Fair sources	$ 8,024,120	$ 9,043,086
Nonfair sources	6,973,963	6,930,812
Total	14,998,083	15,973,898
Operating expenses:		
Payroll and fringe benefits	7,111,004	6,732,883
Purchased services	3,380,267	3,231,339
Depreciation	5,883,052	5,423,187
Other Operating Expenses	2,393,877	2,306,902
Utilities	2,294,572	2,591,853
Maintenance and repair	1,363,484	1,343,727
Total operating expenses	22,426,256	21,629,891
Operating loss	(7,428,173)	(5,655,993)
Nonoperating revenues - state assistance	363,750	372,998
Loss on disposal of asset	(5,000)	-
Loss before capital contributions	(7,069,423)	(5,282,995)
State capital contributions	6,881,008	4,438,430
Change in net position	(188,415)	(844,565)
Net position - beginning of fiscal year, restated	85,757,363	N/A
Net position - end of fiscal year	$ 85,568,948	$ 85,757,363

Total operating revenues decreased $975,815 (or 6.1%) from 2017 to 2018. The main factor in this was an underperforming 2017 fair.

Operating expenses increased $796,365 (or 3.6%) during the fiscal year. The largest increases were in depreciation, $459,865 and payroll, $378,121. The increase in payroll was related to a significant increase in GASB 68 related to pension expense plus negotiated 2018 wage increases, step and longevity increases.

State capital contributions increased from $4,438,430 to $6,881,008 during Fiscal Year 2018, which is mainly a function of the completion 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.

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $15,853 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of $268,557. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 operating expenses under GASB 75	$	22,426,256
OPEB expense under GASB 75		(268,557)
2018 contractually required contribution		22,468
Adjusted 2018 operating expenses		22,180,167
Total 2017 operating expenses under GASB 45		21,629,891
Increase in operating expenses not related to OPEB	$	550,276

This increase is primarily the result of a $459,865 increase in depreciation expense. There was also a significant increase in payroll as a result of negotiated 2018 wage, step and longevity increases, but this increase was offset by a significant decrease in pension expense, as reported by the pension system.

Management Operational Analysis

At June 30, 2018 the Ohio Expositions Commission had total assets of $100,936,192 and total net position of $85,568,948. 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 Mapfre 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 we also act to improve the appearance of the Ohio Expo Center and the impression it makes on our guests and potential contractors.

Contacting the Ohio Expositions Commission

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

OHIO EXPOSITIONS COMMISSION

Statement of Net Position

As of June 30, 2018

Assets		2018
Current assets:		
Cash and cash equivalents (note 3)	$	6,551,278
Restricted cash and cash equivalents (note 3)		344,976
Accounts receivable		151,042
Intergovernmental receivable		662,913
Prepaid fair expenses		143,086
Total current assets		7,853,295
Non-current assets:		
Net Pension Asset		24,669
Capital assets, non-depreciable		8,547,576
Capital assets, net of accumulated depreciation (note 4)		84,510,652
Total non-current assets		93,082,897
Total assets	$	100,936,192
Deferred Outflows of Resources		
OPEB		276,703
Pension		872,704
Total Deferred Outflows of Resources	$	1,149,407
Liabilities		
Current liabilities:		
Accounts payable	$	1,485,788
Accrued liabilities		464,879
Unearned income		3,057,923
Due to others (note 3)		344,976
Workers' compensation liability		52,710
Total current liabilities		5,406,276
Non-current liabilities:		
Compensated absences (note 8)		799,703
Net Pension Liability		5,085,912
Net OPEB Liability		3,381,575
Workers' compensation liability		349,142
Total non-current liabilities		9,616,332
Total liabilities	$	15,022,608
Deferred Inflows of Resources		
OPEB		251,905
Pension		1,242,138
Total Deferred Inflows of Resources	$	1,494,043
Net Position		
Invested in capital assets	$	93,058,228
Unrestricted		(7,489,280)
Total net position	$	85,568,948

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION

Statement of Revenues, Expenses and Change in Net Position

For the Fiscal Year ended June 30, 2018

		2018
Operating revenues:		
Fair sources	$	8,024,120
Nonfair sources		6,973,963
Total		14,998,083
Operating expenses:		
Payroll and fringe benefits		7,111,004
Purchased services		3,380,267
Depreciation		5,883,052
Utilities		2,294,572
Maintenance and repair		1,363,484
Premiums		898,329
Supplies and materials		696,955
Printing and advertising		354,057
Rentals		186,579
Meals		21,848
Communication and postage		109,354
Motor vehicle		80,448
Travel		22,625
Equipment		13,650
Refunds		10,032
Total operating expenses		22,426,256
Operating loss		(7,428,173)
Nonoperating revenues - state assistance		363,750
Loss on disposal of asset		(5,000)
Loss before capital contributions		(7,069,423)
State capital contributions		6,881,008
Change in net position		(188,415)
Net position - beginning of fiscal year, restated		85,757,363
Net position - end of fiscal year	$	85,568,948

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION

Statement of Cash Flows

For the Fiscal Year ended June 30, 2018

		2018
Cash flows from operating activities:		
Cash received from fair sources	$	7,682,504
Cash received from nonfair sources		6,816,719
Cash received for harness racing funds		344,976
Cash payments for harness racing funds		(353,502)
Cash payments for payroll and personal services		(9,631,953)
Cash payments for utilities and maintenance		(3,658,744)
Cash payments for other services and charges		(2,364,819)
Net cash provided by (used in) operating activities		(1,164,819)
Cash flows from noncapital financing activities:		
State operating assistance received		363,750
Net cash provided by noncapital financing activities		363,750
Cash flows from capital and related financing activities:		
State capital assistance received		6,881,008
Acquisition and construction of equipment		(6,864,714)
Net cash provided by capital and related financing activities		16,294
Net increase (decrease) in cash and cash equivalents		(784,775)
Cash and cash equivalents, beginning of year		7,681,029
Cash and cash equivalents, end of year	$	6,896,254
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$	(7,428,173)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		5,883,052
(Increase)/decrease in assets:		
Accounts receivable		(96,111)
Prepaid fair expenses		8,465
Net Pension Asset		(24,669)
Deferred Outflow of Resources - OPEB		(260,850)
Deferred Outflow of Resources - Pension		1,730,022
Increase/(decrease) in liabilities:		
Accounts payable		123,363
Accrued liabilities		16,566
Unearned income		(518,521)
Due to others		(8,526)
Net Pension Liability		(2,222,754)
Net OPEB Liability		277,502
Workers' compensation liability		99,894
Deferred Inflow of Resources - OPEB		251,905
Deferred Inflow of Resources - Pension		1,004,016
Total adjustments		6,263,354
Net cash provided by (used in) operating activities	$	(1,164,819)

See accompanying notes to basic financial statements.

OHIO EXPOSITIONS COMMISSION

Notes to the Financial Statements
As of and for the Year Ended June 30, 2018

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, 2018.

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:

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

Assets acquired with capital grants are included in capital assets and depreciation on those assets is included in the statement of revenues, expenses, and changes in net position.

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

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.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net 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) until then. For the Commission, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the statement of net position reports 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 include pension and OPEB. The deferred inflows of resources related to pension and OPEB are explained in Notes 6 and 7.

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

NOTE 3 – CASH AND CASH EQUIVALENTS

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

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

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

During 2018, 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, 2018, the carrying amount and bank balance of the Commission's deposits with the Treasurer of State was $6,547,278. In addition, the Commission had $4,000 of cash on hand at June 30, 2018.

(b) Restricted Cash - At June 30, 2018, $344,976 was collected from harness racing participants registering for the 2018 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, 2018.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	July 1, 2017	Additions	Deletions	June 30, 2018
Capital assets not being depreciated:				
Land	$ 2,930,999	$ -	$ -	$ 2,930,999
Construction in progress	24,046,259	6,864,714	25,294,396	5,616,577
Total capital assets not being depreciated	26,977,258	6,864,714	25,294,396	8,547,576
Capital assets being depreciated:				
Land improvements	23,188,393	453,742	-	23,642,135
Buildings and improvements	109,202,813	24,336,248	-	133,539,061
Equipment, furniture and fixtures	4,507,541	504,406	204,728	4,807,219
Vehicles	44,404	-	-	44,404
Total capital assets being depreciated	136,943,151	25,294,396	204,728	162,032,819
Less: Accumulated depreciation:				
Land improvements	10,888,503	1,096,744	-	11,985,247
Buildings and improvements	57,707,284	4,572,260	-	62,279,544
Equipment, furniture and fixtures	3,198,652	214,048	199,728	3,212,972
Vehicles	44,404	-	-	44,404
Total accumulated depreciation	71,838,843	5,883,052	199,728	77,522,167
Total capital assets being depreciated, net	65,104,308	19,411,344	5,000	84,510,652
Total capital assets, net	$ 92,081,566	$ 26,276,058	$25,299,396	$ 93,058,228

Included in additions for fiscal year 2018 are $6,864,714 for projects in progress. These projects include the renovation of the Celeste Center.

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 was for a period of twenty years. The Commission extended the term of the lease for a period of five years expiring in 2021. The Commission is currently entitled to an annual rent payment of $43,730. The Days Inn lease commenced in December 1986 and was for a period of thirty years. The Commission extended the term of the lease for an additional twenty years in 2016. The Commission is entitled to 4.00% of the gross room rent which amounted to $50,000 for the year ended June 30, 2018.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

The net pension (asset)/liability reported on the statement of net position represents a (asset)/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 (asset)/liability represents the Commission's proportionate share of each pension 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 (asset)/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 Revise Code limits the Commission's obligation for this (asset)/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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long –term net pension (asset)/liability on the accrual basis of accounting. Any (asset)/liability for the contractually required pension contribution outstanding at the end of the year is included in accrued liabilities on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – Commission employees participate 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 with contribution features.

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 OPERS' 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.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. 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 as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

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 Janurary 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
Age and Service Requirements		
Age 60 with 60 months of service credit	Age 60 with 60 months of service credit	Age 57 with 25 years of service credit
Age 55 with 25 year os service credit	Age 55 with 25 year of service credit	Age 62 with 5 years of service credit
Formula		
2.2% of FAS multipled by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multipled by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multipled by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. For members retiring under the Combined Plan, an annual COLA will be provided on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

FY 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
FY 2018 Actual Contribution Rates	
Employer - July 1, 2017 through December 31, 2017:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employer - January 1, 2018 through June 30, 2018:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Commission's contractually required contribution was $606,643 for fiscal year 2018.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension (asset)/liability was measured as of December 31, 2017 and the total pension (asset)/liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension (asset)/liability was based on the Commission's share of contributions to the pension plans relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

	Traditional Plan	Combined Plan
Proportion of the Net Pension (Asset)/Liability:		
Current Measurement Date	0.03241900%	0.01812100%
Prior Measurement Date	0.03218500%	0.01005400%
Change in Proportionate Share	0.00023400%	0.00806700%
Proportionate Share of the Net Pension (Asset)/Liability	$5,085,912	($24,669)
Pension Expense	$729,695	($11,671)

At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

	Traditional Plan	Combined Plan	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 5,194	$ -	$ 5,194
Changes of assumptions	607,800	2,157	609,957
Changes in proportion and differences between Commission contributions and proportionate share of contributions	26,144	-	26,144
Commission contributions subsequent to the measurement date	231,409	-	231,409
Total Deferred Outflows of Resources	$ 870,547	$ 2,157	$ 872,704
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 100,227	$ 7,350	$ 107,577
Net difference between projected and actual earnings on pension plan investments	1,091,879	3,891	1,095,770
Changes in proportion and differences between Commission contributions and proportionate share of contributions	34,878	3,913	38,791
Total Deferred Inflows of Resources	$1,226,984	$ 15,154	$1,242,138

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

$231,409 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, 2019. Other amounts reported as deferred inflows of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows:

	Traditional Plan	Combined Plan	Total
Fiscal Year Ending June 30:			
2019	$ 437,605	$ (1,706)	$ 435,899
2020	(95,979)	(1,814)	(97,793)
2021	(480,804)	(2,686)	(483,490)
2022	(448,668)	(2,592)	(451,260)
2023	-	(1,227)	(1,227)
Thereafter	-	(2,972)	(2,972)
Total	$ (587,846)	$ (12,997)	$ (600,843)

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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67.

Wage Inflation	3.25 percent
Projected Salary Increases	
Traditional Plan	3.25 to 10.75 percent (includes wage inflation at 3.25 percent)
Member-Directed and Combined Plans	3.25 to 8.25 percent (includes wage inflation at 3.25 percent)
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

The most recent experience study was completed for the five-year period ended December 31, 2015.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio, was 16.82 percent for 2017.

NOTE 6 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability for the current measurement period was 7.5 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 (asset)/liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate The following table presents the Commission's proportionate share of the net pension (asset)/liability calculated using the current period discount rate assumption of 7.5 percent, and the expected net pension liability or asset if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Commission's proportionate share of the net pension (asset)/liability			
Traditional Plan	$ 9,031,285	$ 5,085,912	$ 1,796,661
Combined Plan	(13,410)	(24,669)	(32,437)

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NOTE 7 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions- between an employer and its employees- of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred**.**

The net OPEB liability represents the Commission's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the OPEB plan's fiduciary net position. The net OPEB 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 Revise Code limits the Commission's obligation for this liability to annually required payments. The Commission cannot control benefit terms or the manner in which OPEB are financed; however, the Commission does receive the benefit of employees service in exchange for compensation including pension**.**

GASB 75 assumes the liability is solely the obligation of employer, because (1) they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the plan's unfunded benefits is presented as a long –term net OPEB liability on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the year is included in accrued liabilities on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description The Ohio Public Employees Retirement System (OPERS). OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (Continued)

The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115T trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2018, the Foundation contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care.

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of employer contributions allocated to healthcare was 1.0% for calendar year 2017. As recommended by OPERSs actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2018 decrease to 0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Commission's contractually required contribution to health care for fiscal year 2018 was $22,468.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was measured as of December 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net OPEB liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the Commission's proportionate share and pension expense:

	OPERS Health Care Plan
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.03114000%
Prior Measurement Date	0.03073200%
Change in Proportionate Share	0.00040800%
Proportionate Share of the Net OPEB Liability	$3,381,575

At June 30, 2017, the Commission reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Differences between expected and actual experience	$ 2,634
Changes of assumptions	246,214
Changes in proportion and differences between Commission contributions and proportionate share of contributions	27,855
Total Deferred Outflows of Resources	$ 276,703
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 251,905
Total Deferred Inflows of Resources	$ 251,905

NOTE 7 – DEFINED BENEFIT OPEB PLAN (Continued)

Amounts reported as deferred inflows of resources and deferred inflow of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	
2019	$ 69,317
2020	69,317
2021	(50,858)
2022	(62,978)
Total	$ 24,798

Actuarial Methods and Assumptions - OPERS

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 health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017.

The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028
Actuarial Cost Method	Individual entry age normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses, and adjusted for the changing amounts actually invested, for the Health Care portfolio, was 15.2 percent for 2017.

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE 7 – DEFINED BENEFIT OPEB PLAN (Continued)

Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following table presents the Commission's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.85 percent, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Commission's proportionate share of the net OPEB liability	$ 4,492,568	$ 3,381,575	$ 2,482,792

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (6.50%)	Current Trend Rate (7.50%)	1% Increase (6.50%)
Commission's proportionate share of the net OPEB liability	$ 3,235,446	$ 3,381,575	$ 3,532,522

NOTE 8 – COMPENSATED ABSENCES

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

Sick leave for all employees is accumulated at a rate of 3.1 hours every two weeks. Sick leave benefits vest after five years of credited service for AFSCME employees and after one year of continuous service for other employees. Sick leave is paid at 100 percent of the employee's pay rate when used for the first 40 hours of the benefit year, at 70 percent of the employee's pay rate when used for 40.1 through 80 hours of the benefit year, and again at 100 percent of the employee's pay rate when used for any amount in excess of 80 hours of the benefit year. Annually, up to 80 hours of sick leave that was accrued in the current year and remains unused in December may be cashed out at varying rates.

Changes in compensated absences for the years ended June 30, 2018 are as follows:

	2018
Beginning balance	$ 866,668
Additions	436,470
Deductions	(439,528)
Ending balance	863,610
Amount due within one year (included in accrued liabilities on the statement of net position)	$ 63,907

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 2018, the Commission had, and expects to have in the future, transactions with other state agencies. The Commission recognized approximately $76,000 in rental fee revenues from other agencies of the State during fiscal year 2018. 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 $301,000 during fiscal year 2018 for these services at rates comparable to those charged to other agencies of the State for these services.

NOTE 10 – RELATED PARTY TRANSACTIONS (Continued)

The Commission maintains special agreements with the following three separate agencies of the State in which these state agencies rent certain buildings and space on the Commission grounds in exchange for services provided:

The Ohio Department of Transportation provides maintenance and renovation work on the roadways, curbs and parking lots of the Commission.

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

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

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

NOTE 11 – STATE FAIR RESERVE

The Ohio Legislature passed a House Bill (Am. Sub. H.B. No. 283, Section 49) which established a State Fair Reserve of $700,000. The reserve may be used if admission revenues for the Ohio State Fair are less than ninety percent of the projected admission revenues. 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 $625,000 at June 30, 2018.

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 accounts payable at June 30, 2018 approximated $6,622. 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, 2018.

NOTE 13 – WORKERS' COMPENSATION

The Commission participates in a plan that pays workers' compensation benefits to beneficiaries who have been injured on the job with any of certain state agencies and state universities. The Ohio Bureau of Workers' Compensation (Bureau) calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from these participating state agencies and universities in that subsequent one-year period. As these already-injured workers' claims will be paid out over a period of time, the Bureau also actuarially calculates estimated amounts that will be paid in future periods.

Changes in workers' compensation liabilities for the years ended June 30, 2018 are as follows:

	2018
Beginning Balance	$301,958
(Deductions) additions, net	99,894
Ending Balance	$401,852
Amount due within one year	$52,710

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

NOTE 14 - CONTRACTUAL COMMITMENTS

At June 30, 2018, the Ohio Expositions Commission had the following outstanding contractual commitments:

Celeste Center Renovation

Vendor	Contract	Contract Amount	Amount Outstanding
Davis Wince	Design Services	$ 712,625.00	$ 153,598.43
OFCC	Design Services	69,600.00	2,560.00
Robertson Construction	Construction Services	7,862,000.00	2,976,709.00
		$ 8,644,225.00	$ 3 ,132,867.43

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.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year ending June 30, 2018, the Commission has implemented the following:

GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB) and improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities by establishing new accounting and financial reporting requirements for OPEB plans. The implementation of this statement had the following effect on net position as reported June 30, 2017:

Net Position June 30, 2017	88,845,583
Adjustments:	
Net OPEB Liability	(3,104,073)
Deferred Outflows - Payments Subsequent to Measurement Date	15,853
Restated Net Position June 30, 2017	85,757,363

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.

Other GASB Statements implemented in fiscal year 2018 are as follows:

GASB Statement No. 85 "Omnibus 2017" addresses practice issues that have been identified during implementation and application of certain GASB Statements. Specific issues discussed relate to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The implementation of this statement did not have a significant effect on the financial statements of the Commission.

GASB Statement No. 86 "Certain Debt Extinguishment Issues" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have an effect on the financial statements of the Commission.

OHIO EXPOSITIONS COMMISSION
Required Supplementary Information
Schedule of Commission's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System

Last Five Fiscal Years (1)

	2018	2017	2016	2015	2014
Proportion of the Net Pension (Asset)/Liability					
Traditional Plan	0.03241900%	0.03211850%	0.03297400%	0.03270700%	0.03270700%
Combined Plan	0.01812100%	0.01005400%	0.00987000%	0.01027100%	0.01027100%
Proportionate Share of the Net Pension (Asset)/Liability					
Traditional Plan	$ 5,085,912	$ 7,308,666	$ 5,711,512	$ 3,944,829	$ 3,855,729
Combined Plan	$ (24,669)	$ (5,596)	$ (4,803)	$ (3,955)	$ (1,078)
Covered Payroll	$ 4,411,369	$ 4,247,093	$ 4,176,307	$ 4,050,921	$ 4,007,143
Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of Covered Payroll	114.73%	171.95%	136.64%	97.28%	96.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability					
Traditional Plan	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	137.28%	116.55%	116.90%	114.83%	104.56%

(1) Information prior to 2014 is not available.

Amounts presented as of the Commission's measurement date, which is December 31.

OHIO EXPOSITIONS COMMISSION
Required Supplementary Information
Schedule of Commission's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System

Last Two Fiscal Years (1)

	2018	2017
Proportion of the Net OPEB Liability		
Health Care Plan	0.03114000%	0.03073200%
Proportionate Share of the Net OPEB Liability		
Health Care Plan	$ 3,381,575	$ 3,104,073
Covered Payroll	$ 4,411,369	$ 4,247,093
Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	76.66%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		
Health Care Plan	54.14%	68.52%

(1) Information prior to 2017 is not available.

Amounts presented as of the Commission's measurement date, which is December 31.

OHIO EXPOSITIONS COMMISSION

Required Supplementary Information

Schedule of Contributions

Ohio Public Employees Retirement System

Last Six Fiscal Years (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution						
Pension	$ 606,643	$ 542,807	$ 506,960	$ 497,643	$ 501,419	$ 460,657
OPEB	22,468	65,137	84,493	82,940	60,170	100,143
Contributions in relation to the contractually required contribution	(629,111)	(607,944)	(591,453)	(580,583)	(561,589)	(560,800)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,493,650	$ 4,342,457	$ 4,224,664	$ 4,147,021	$ 4,011,350	$ 4,005,714
Contributions as a percentage of covered payroll						
Pension	13.50%	12.50%	12.00%	12.00%	12.50%	11.50%
OPEB	0.50%	1.50%	2.00%	2.00%	1.50%	2.50%

(1) Information prior to 2013 is not available.

Ohio Public Employees Retirement System

Changes of benefit terms. There were no significant changes of benefit terms in 2018.

Changes of assumptions. There were no significant changes in assumption in 2018.

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

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

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Ohio Expositions Commission, Franklin County, Ohio (the Commission) as of and for the year ended June 30, 2018, 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 5, 2018, wherein we noted the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

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 the 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 the 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 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 the Commission's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

KENNEDY COTTRELL RICHARDS LLC

Kennedy Cottrell Richards LLC

Gahanna, Ohio
December 5, 2018

OHIO EXPOSITIONS COMMISSION

Independent Accountant's Report on Applying Agreed-Upon Procedures

For the period July 25, 2018 through August 5, 2018

Kennedy
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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 2018 Ohio State Fair (the Fair), an event sponsored by the Commission, from July 25, 2018 through August 5, 2018. 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 for both day and night shifts within $1.00.

       With respect to procedure 1.a., we noted one exception on the Ohio State Fair Daily Ticket Sales Report.

       On July 28, 2018, the arithmetic accuracy of the daily Ticket Sales Report was correct; however, the deposit was $10.95 less than the supporting documentation. This was due to one of the bins in the cash room missing $10.95 when the cash for the day was being deposited.

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

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

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

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

d. We ascertained the arithmetic accuracy of the daily Ohio State Fair Sky Glider Daily Recap Reports to within $1, and agreed the cash deposited to the Key Bank deposit ticket.

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

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 2018 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 nine discrepancies totaling $110 between the "z" tapes and seller's reports. Discrepancies noted were as follows:

Date	Amount
7/27/2018	$ 8
7/28/2018	76
7/29/2018	4
8/1/2018	22
	$ 110

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 validated daily Revenue Cash Receipts Reports from the State Treasurer for any bank adjustments and agreed the report 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 by performing the following procedures.

   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 agreed 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 2018 Ohio State Fair.

   With respect to procedure 4, formal approval for 2018 fair contract expenditures was noted in the administrative/legislative/fiscal committee minutes on October 19, 2017 in Resolution 17-09.

5. We determined that total payments made against contracts per the Ohio State Fair Attraction and Entertainment Contract Payments Schedule, totaling $1,478,161 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 agreed with the contracts approved by the Commission.

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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

Kennedy Cottrell Richards LLC

Gahanna, Ohio
August 20, 2018

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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
DECEMBER 27, 2018

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