



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE _____ April 17, 2003 _____ Contact: Andy Nielsen
515/281-5515

The Office of Auditor of State today released an audit report on the Iowa State Fair Authority for the year ended October 31, 2002. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$13,368,569 for fiscal year 2002, a 25% increase from the prior year. Revenues included \$5,111,803 from Fair admissions, \$1,679,376 from Fair entertainment, \$2,015,812 from Fair concessions and \$1,532,898 from interim events. Operating expenses of the Fair Authority for fiscal year 2002 totaled \$12,819,991, an 11% increase from the prior year, which resulted in operating income of \$548,578 for the year ended October 31, 2002.

Foundation revenues were \$1,327,533, including operating grants and contributions of \$495,432, charges for service of \$272,881 and an appropriation of \$500,000 from the State of Iowa for capital improvements. The Foundation spent \$649,515 for administration and promotion, and provided capital contributions of \$2,316,906 to the Fair Authority from contributions and legislative appropriations.

A copy of the audit report is available for review in the office of the Auditor of State.

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IOWA STATE FAIR AUTHORITY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
OCTOBER 31, 2002

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Iowa State Fair Authority

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Honorable Michael L. Fitzgerald
Cynthia P. Eisenhauer
Dennis C. Prouty

Governor
Treasurer of State
Director, Department of Management
Director, Legislative Fiscal Bureau

Board Members

David Huinker
C.W. Thomas
Jerry Parkin
Honorable Patty Judge
Dr. Gregory L. Geoffroy
Don Greiman
James Romer
Paul Vaassen
Bill Neubrand
Jeanne Partlow
Randy Brown
Willard Hoskin
Robert Schultz
Gary VanAernam
Marion Lucas
Gary Slater

President/Director, Northeast District
Vice President/Director, Southwest District
Treasurer/Director, South Central District
Secretary of Agriculture
Iowa State University
Director, North Central District
Director, North Central District
Director, Northeast District
Director, Northwest District
Director, Northwest District
Director, South Central District
Director, Southeast District
Director, Southeast District
Director, Southwest District
Chief Executive Officer/Secretary (Retired Jan 2002)
General Manager/Secretary
(Appointed Secretary Jan 2002)

Iowa State Fair Authority



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Independent Auditor's Report

To the Iowa State Fair Authority Board Members:

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2002, which collectively comprise the Iowa State Fair Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Iowa State Fair Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Iowa State Fair Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities and business-type activities of the State that is attributable to the transactions of the Iowa State Fair Authority. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of October 31, 2002, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Iowa State Fair Authority as of October 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also included our report dated March 13, 2003 on our consideration of the Iowa State Fair Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iowa State Fair Authority's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information included in Schedules 1 through 4 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental information presented in Schedule 5 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

March 13, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Iowa State Fair Authority provides this Management's Discussion and Analysis of the Iowa State Fair's annual financial statements. This narrative overview and analysis of the financial activities of the Iowa State Fair is for the fiscal year ended October 31, 2002. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

FINANCIAL HIGHLIGHTS:

- Fair operating revenue increased approximately \$2.7 million from 2001 to 2002. All revenue sources showed an increase with the exception of the print shop. The majority of the increases came from interim events, grandstand entertainment, admissions and concessions. This increase in revenue contributed to operating income of \$548,578.
- Operating expenses for the Fair were approximately \$1.27 million more in 2002 than in 2001. Payroll, maintenance, public safety, fair services and entertainment accounted for the larger increases in expenses compared to 2001.
- The \$11 million Varied Industries Building renovation project, scheduled to be completed in 2002, should be completed in 2003. The Fair invested another \$2.95 million in 2002 compared to \$6.6 million in 2001.
- The Fair received a federal grant to construct a safe shelter in the campgrounds. This \$927,000 project, including federal funding of \$698,000, is expected to be completed in 2003.

USING THIS ANNUAL REPORT:

This discussion and analysis are intended to serve as an introduction to the Iowa State Fair's basic financial statements. The Fair's basic financial statements consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 through 17) provide information about the activities of the Fair Authority as a whole and present a longer-term view of the Fair Authority's finances. Governmental financial statements show the activity of the Iowa State Fair Blue Ribbon Foundation. These statements tell how the Foundation raised and used funds for the purpose of renovation projects at the Iowa State Fairgrounds. These basic financial statements also include the notes to the financial statements that explain some of the information in the statements and provide more detail. Supplemental information is also in schedule form and begins on page 31.

REPORTING THE FAIR AS A WHOLE:

The Statement of Net Assets and the Statement of Activities:

One of the most important questions asked about the Fair's finances is "is the Fair as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Fair as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The entity-wide financial statements include two statements:

The statement of net assets presents all of the Fair's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Fair's net assets may serve as a useful indicator of whether the financial position of the Fair is improving or deteriorating.

The statement of activities presents information showing how the Fair's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Both the above financial statements have separate sections for two different types of activities. These two types of activities are:

Governmental Activities – These statements present information on the Iowa State Fair Blue Ribbon Foundation's activities. The Foundation, founded in 1993, was created to launch a major capital campaign for the renovation of the Iowa State Fairgrounds. These renovation efforts are supported by money raised through contributions, in-kind services, and state appropriations. Governmental activities include administration and promotion.

Business-Type Activities – These statements present information on the Iowa State Fair's operating and non-operating activities. The Iowa State Fair is one of the leading tourist attractions in the state. The Fair is Iowa's great celebration to the best in agriculture, industry, entertainment and achievement. In 2002, it marked its largest attendance in the history of this 148-year-old event of 1 million visitors. The activities in this business-type category normally are intended to recover all or a significant portion of their costs through fees and charges from the annual Fair and other interim events. These departmental activities of the Fair include administration, admissions, concessions, entry and competitive events, fair services, grandstand and racetrack, maintenance, marketing and promotion, public safety, special entertainment, and interim events.

Fund Financial Statements:

The fund financial statements focus on individual parts of the Fair, reporting the Fair's operations in more detail than the entity-wide statements. The funds of the Fair can be divided into two categories. It is important to note that these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are:

Governmental Fund Financial Statements – The Blue Ribbon Foundation activities are reported through a governmental fund called special revenue fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements except the governmental fund financial statements focus on the near term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Fair Authority's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Fair Authority.

Because the focus of governmental funds is narrower than that of the entity-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the Fair Authority's near-term financing decisions. Both the special revenue fund balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the bottom of each governmental fund financial statement.

Proprietary Fund Financial Statements – The Iowa State Fair's activities are reported through this fund. This fund is used to show activities that operate more like those of commercial enterprises. Because this fund charges fees for service provided to outside customers including local government, it is known as an enterprise fund. Proprietary fund statements provide the same type of information as the entity-wide financial statements, only in more detail. Like the entity-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the entity-wide financial statements for business-type activities and the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found beginning on page 24.

Supplemental Information

The supplemental information begins on page 31 and provides detailed information about expenditures or expenses by object and other financial data, including revenue comparisons for the past 5 years.

GOVERNMENTAL FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Fair Authority's combined net assets (government and business-type activities) totaled \$49.4 million at the end of 2002 compared to \$47.8 million at the end of the previous year.

The largest portion of the Fair Authority's net assets (86%) reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, utilities and other immovable assets), less any related depreciation. The Fair Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. \$2.5 million of the increase in capital assets from year 2001 to year 2002 is mainly due to the newly renovated Varied Industries Building. This \$11 million project is rescheduled to be completed in year 2003.

Fair Authority Net Assets:	Governmental Activities		Business-Type Activities		Totals	
	2002	2001	2002	2001	2002	2001
Current and other assets	\$3,034,136	6,116,136	5,362,573	4,673,107	8,396,709	10,789,243
Capital assets	9,081	10,129	42,345,870	39,831,748	42,354,951	39,841,877
Total assets	<u>\$3,043,217</u>	<u>6,126,265</u>	<u>47,708,443</u>	<u>44,504,855</u>	<u>50,751,660</u>	<u>50,631,120</u>
Current liabilities	\$ 85,203	1,533,205	1,066,769	1,236,670	1,151,972	2,769,875
Long-term liabilities	2,995	2,153	194,359	79,187	197,354	81,340
Total liabilities	<u>\$ 88,198</u>	<u>1,535,358</u>	<u>1,261,128</u>	<u>1,315,857</u>	<u>1,349,326</u>	<u>2,851,215</u>
Net assets:						
Invested in capital assets	\$ 9,081	10,129	42,345,870	39,831,748	42,354,951	39,841,877
Restricted for capital improvement	1,705,000	3,814,137	-	-	1,705,000	3,814,137
Unrestricted	<u>1,240,938</u>	<u>766,641</u>	<u>4,101,445</u>	<u>3,357,250</u>	<u>5,342,383</u>	<u>4,123,891</u>
Total net assets	<u>\$2,955,019</u>	<u>4,590,907</u>	<u>46,447,315</u>	<u>43,188,998</u>	<u>49,402,334</u>	<u>47,779,905</u>

Unrestricted net assets (11%) represents assets used to meet the Fair Authority's ongoing obligations to vendors and creditors. The remaining balance (3%) represents resources that are subject to external restrictions on how they may be used. These restricted net assets will eventually be paid to the business-type activities side of the Fair for investment in capital assets.

Fair Authority Changes in Net Assets	Governmental Activities		Business-Type Activities		Totals	
	2002	2001	2002	2001	2002	2001
Revenues:						
Program revenues:						
Charges for service	\$ 272,881	242,218	12,877,509	10,241,368	13,150,390	10,483,586
Operating grants and contributions	495,432	1,283,721	491,060	464,886	986,492	1,748,607
Capital grants and contributions	-	-	506,140	-	506,140	-
General revenues:						
State appropriation	500,000	500,000	-	-	500,000	500,000
Investment earnings	59,220	61,165	54,415	106,835	113,635	168,000
Total revenues	1,327,533	2,087,104	13,929,124	10,813,089	15,256,657	12,900,193
Expenses:						
Blue Ribbon Foundation fund raising	649,515	663,134	-	-	649,515	663,134
State Fair and other events	-	-	12,819,991	11,547,377	12,819,991	11,547,377
Loss on sale of assets	-	-	164,722	-	164,722	-
Total expenses	649,515	663,134	12,984,713	11,547,377	13,634,228	12,210,511
Increase (decrease) in net assets						
Transfers	(2,313,906)	(7,055,745)	2,313,906	7,055,745	-	-
before transfers	678,018	1,423,970	944,411	(734,288)	1,622,429	689,682
Transfers	(2,313,906)	(7,055,745)	2,313,906	7,055,745	-	-
Increase (decrease) in net assets	(1,635,888)	(5,631,775)	3,258,317	6,321,457	1,622,429	689,682
Net assets beginning of year	4,590,907	10,222,682	43,188,998	36,867,541	47,779,905	47,090,223
Net assets end of year	\$2,955,019	4,590,907	46,447,315	43,188,998	49,402,334	47,779,905

The Fair Authority's net assets increased by \$1.6 million or 3%. Transfers of \$2.3 million relate to the unexpended appropriation that existed at October 31, 2001, which was spent renovating the Varied Industries Building in 2002. The Iowa State Legislature granted appropriations of \$5 million to the Fair in both 1999 and 2000 to renovate this building.

Approximately 85% of all business-type activities revenues were generated from the Fair Authority's annual 11-day event while the other 15% is from off-season rental of Fair Authority facilities and miscellaneous sources. The largest revenue source of 38% comes from admissions, while concessions and attractions contribute 21% and entertainment 13%. Revenues of \$1.5 million were from off-season rental of Fair Authority facilities.

For governmental activities, Foundation revenue consists primarily of contributions and sale of promotional items. The Fair received a \$500,000 appropriation from the Iowa State Legislature to be used for capital improvement projects.

The largest expense in total is payroll, which accounts for 38% of all expenses. The Fair employs approximately 1,500 people at various times during the year, with the majority working during the 11-day event. Contractual services account for 17% of all expenses. Examples of contractual services are utilities, including electricity and water, waste and garbage removal and contract services as needed throughout the year. Payments made to grandstand performers and other entertainment during the Fair account for 10% of all expenses.

In comparison to the prior year, the Fair Authority's total business-type revenue increased by approximately \$2.7 million. In 2002, the Fair's revenue increased primarily in admissions, entertainment and interim events. The Fair Authority's business-type activities expenses increased by \$1.27 million. The Fair's total governmental activities revenue decreased by \$670,000 or 29%. Contributions showed the greatest decrease. Contributions vary year-to-year depending on the status of large renovation projects. However, the in kind support and sale of promotional items showed an increase of 119%.

FINANCIAL ANALYSIS OF THE FAIR AUTHORITY'S INDIVIDUAL FUNDS

Governmental Fund:

The Iowa State Fair Blue Ribbon Foundation's activity is shown in the governmental activity side of the Fair Authority's total activities. The focus of the Fair Authority's governmental fund is to provide information on the inflows, outflows, and balances of spendable resources. The Foundation raises money through contributions from individuals, corporations, in-kind services, and state appropriations. Tracking such information is useful in assessing the Fair Authority's capital improvement project resources.

As of the end of the current fiscal year, the Fair's governmental fund reported net assets of \$2.95 million, a decrease of \$1.6 million in comparison with the prior year. A little over half of the net assets (58%) is reserved which indicates that it is not available for spending because it has already been committed to pay for the renovation of specific projects or is subject to other donor imposed restrictions.

Proprietary Fund:

The Fair's proprietary fund provides the information of the Fair Authority's operating and non-operating activities. The Fair's proprietary fund reported operating income of \$548,578 for the year ended October 31, 2002. Overall increase in fair attendance contributed to the increase in all aspects of fair revenue. Building rental during the off-season also contributed to the overall operating income. The proprietary fund reported a \$46.4 million net asset balance for the year, an increase of \$3.25 million from the prior year. The majority of the increase in net assets is directly attributable to the increased value of the recently renovated Varied Industries Building.

CAPITAL ASSETS

The Fair Authority's investment in capital assets for its governmental and business-type activities at October 31, 2002, was \$56.7 million, net of accumulated depreciation of \$14.4 million, leaving a net book value of \$42.3 million. This investment in capital assets includes land, buildings, infrastructures, equipment, vehicles and construction in progress. Infrastructure assets are items that are normally immovable, such as streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the Fair Authority's investment in capital assets for the current fiscal year was about \$2.5 million, with the majority used to renovate the Varied Industries Building.

The Fair Authority's fiscal year 2003 capital budget includes \$2.0 million for capital projects, principally for the completion of the Varied Industries building, a new roof for the Stock Pavillion, completion of a safe shelter in the campgrounds and continued upgrade of additional buildings and infrastructure. Funds to pay for the completion of these projects will come from the Fair Authority's revenues as well contributions and the \$500,000 state appropriation received in fiscal year 2002. More detailed information about the Fair Authority's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fair Authority's elected officials and management considered many factors when setting the 2003 fiscal year budget and fees that will be charged for the various Fair's activities. Some budgeted disbursements are expected to rise. Increased wage and cost of living adjustments, and increases in maintenance and entertainment represent the largest increments.

The Fair has added no major new programs to the 2003 budget. If these estimates are realized, the Fair Authority's fund balance is expected to increase modestly by the close of 2003.

CONTACTING THE FAIR'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, citizens of the state of Iowa and creditors with a general overview of the Fair Authority's finances and to show the Fair Authority's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the Iowa State Fair Authority, P.O. Box 57130, Des Moines, IA 50317.

Financial Statements

Iowa State Fair Authority

Iowa State Fair Authority

Statement of Net Assets

October 31, 2002

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and investments (note 2)	\$ 1,480,264	4,569,673	6,049,937
Unexpended appropriation	500,000	-	500,000
Accounts receivable	-	713,810	713,810
Interest receivable	12,071	-	12,071
Pledges receivable	351,250	-	351,250
Due from other funds	-	79,090	79,090
Inventories	190,551	-	190,551
Total current assets	2,534,136	5,362,573	7,896,709
Noncurrent assets:			
Pledges receivable	500,000	-	500,000
Capital assets (net of accumulated depreciation)(note 3):			
Land	-	3,115,336	3,115,336
Buildings	-	22,559,818	22,559,818
Equipment	9,081	589,859	598,940
Vehicles	-	55,484	55,484
Infrastructure	-	3,429,165	3,429,165
Construction in progress	-	12,596,208	12,596,208
Total noncurrent assets	509,081	42,345,870	42,854,951
Total assets	3,043,217	47,708,443	50,751,660
Liabilities			
Current liabilities:			
Accounts payable	-	771,178	771,178
Due to other funds	79,090	-	79,090
Salaries payable	3,663	58,905	62,568
Compensated absences	2,450	179,496	181,946
Refundable deposits	-	57,190	57,190
Total current liabilities	85,203	1,066,769	1,151,972
Noncurrent liabilities:			
Compensated absences	2,995	133,449	136,444
Accounts payable	-	60,910	60,910
Total noncurrent liabilities	2,295	194,359	197,354
Total liabilities	88,198	1,261,128	1,349,326
Net Assets			
Invested in capital assets	9,081	42,345,870	42,354,951
Restricted for capital improvements	1,705,000	-	1,705,000
Unrestricted	1,240,938	4,101,445	5,342,383
Total net assets	\$ 2,955,019	46,447,315	49,402,334

See notes to financial statements.

Iowa State Fair Authority
Statement of Activities
Year ended October 31, 2002

<u>Functions</u>	Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants
Governmental activities:				
Blue Ribbon Foundation fund raising	\$ 649,515	272,881	495,432	-
Business-type activities:				
State Fair and other events	12,819,991	12,877,509	491,060	506,140
Total	\$ 13,469,506	13,150,390	986,492	506,140

General revenues:
State appropriation
Investment earnings
Loss on sale of assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets beginning of year
Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Change in Net Assets		
Governmental Activities	Business-type Activities	Total
118,798	-	118,798
-	1,054,718	1,054,718
118,798	1,054,718	1,173,516
500,000	-	500,000
59,220	54,415	113,635
-	(164,722)	(164,722)
(2,313,906)	2,313,906	-
(1,754,686)	2,203,599	448,913
(1,635,888)	3,258,317	1,622,429
4,590,907	43,188,998	47,779,905
\$ 2,955,019	46,447,315	49,402,334

Exhibit C

Iowa State Fair Authority

Balance Sheet

Special Revenue Fund

October 31, 2002

Assets

Assets:

Cash and investments (note 2)	\$ 1,480,264
Unexpended appropriation	500,000
Interest receivable	12,071
Pledges receivable	851,250
Inventories	190,551
Total assets	\$ 3,034,136

Liabilities and Fund Balance

Liabilities:

Due to other funds	\$ 79,090
Salaries payable	3,663
Deferred revenue	750,584
Total liabilities	833,337

Fund balance:

Reserved for:	
Inventories	190,551
Capital improvements	1,505,000
Unreserved	505,248
Total fund balance	2,200,799

Total liabilities and fund balance**\$ 3,034,136****Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets****Fund balance - Special Revenue Fund** \$ 2,200,799

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Equipment	\$ 15,717	
Less accumulated depreciation	(6,636)	9,081

Certain Foundation revenues will be collected after year-end but will not be available soon enough to pay current period expenditures and therefore are deferred in the funds.

750,584

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of compensated absences.

(5,445)

Net assets of governmental activities**\$ 2,955,019**

See notes to financial statements.

Iowa State Fair Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund
Year ended October 31, 2002

Revenues:	
State appropriation	\$ 500,000
Contributions	674,040
Sales of promotional items	154,877
Other sales	118,004
In-kind support	117,396
Interest on investments	59,220
Total revenues	<u>1,623,537</u>
Expenditures:	
Administration	344,972
Promotion	307,106
Total expenditures	<u>652,078</u>
Excess of revenues over expenditures	971,459
Other financing uses:	
Operating transfers out	<u>(2,313,906)</u>
Net change in fund balance	(1,342,447)
Fund balance beginning of year	<u>3,543,246</u>
Fund balance end of year	<u>\$ 2,200,799</u>
Net change in fund balance - Special Revenue Fund	\$ (1,342,447)
Amounts reported for governmental activities in the statement of activities are different because:	
Contributions are reported in the statement of activities when pledged to the Foundation. They are not reported as revenues in the funds until available.	(296,004)
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Compensated absences	3,611
Depreciation expense	<u>(1,048)</u>
Change in net assets of governmental activities	<u>\$ (1,635,888)</u>

See notes to financial statements.

Exhibit E

Iowa State Fair Authority

Statement of Net Assets

Enterprise Fund

October 31, 2002

Assets

Current assets:

Cash and investments (note 2)	\$ 4,569,673
Accounts receivable	713,810
Due from other funds	79,090
Total current assets	<u>5,362,573</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation)(note 3):

Land	3,115,336
Buildings	22,559,818
Equipment	589,859
Vehicles	55,484
Infrastructure	3,429,165
Construction in progress	12,596,208
Total non-current assets	<u>42,345,870</u>

Total assets47,708,443**Liabilities**

Current liabilities:

Accounts payable	771,178
Salaries payable	58,905
Compensated absences	179,496
Refundable deposits	57,190
Total current liabilities	<u>1,066,769</u>

Noncurrent liabilities:

Compensated absences	133,449
Accounts payable	60,910
Total noncurrent liabilities	<u>194,359</u>

Total liabilities1,261,128**Net Assets**

Invested in capital assets	42,345,870
Unrestricted	<u>4,101,445</u>
Total net assets	<u>\$ 46,447,315</u>

See notes to financial statements.

Iowa State Fair Authority
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Fund
Year ended October 31, 2002

Operating revenues:	
Admissions	\$ 5,111,803
Attractions	792,350
Commercial exhibitors	520,312
Concessions	2,015,812
Entertainment	1,679,376
Entry fees	263,220
Campground fees and services	554,965
Sponsorships	491,060
Interim events	1,532,898
Printshop	17,190
Miscellaneous	389,583
Total operating revenues	<u>13,368,569</u>
Operating expenses:	
Administration	2,419,916
Admissions	377,534
Concessions	83,256
Entry and competitive events	933,353
Fair services	1,192,449
Grandstand and racetrack	1,402,684
Utilities and maintenance	3,106,033
Marketing and promotion	477,073
Public safety	583,198
Sponsorship	30,602
Special entertainment	433,519
Treasurer	18,775
Depreciation	1,608,029
Interim events	153,570
Total operating expenses	<u>12,819,991</u>
Operating income	<u>548,578</u>

Exhibit F

Iowa State Fair Authority
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Fund
Year ended October 31, 2002

Nonoperating revenues (expenses):	
Interest income	54,415
Loss on sale of assets	<u>(164,722)</u>
Net non-operating expenses	<u>(110,307)</u>
Income before contributions and transfers	438,271
Operating transfers in	2,313,906
Capital grants	<u>506,140</u>
Change in net assets	<u>3,258,317</u>
Net assets beginning of year	<u>43,188,998</u>
Net assets end of year	<u><u>\$ 46,447,315</u></u>

See notes to financial statements.

Iowa State Fair Authority
Statement of Cash Flows
Enterprise Fund
Year ended October 31, 2002

Cash flows from operating activities:		
Cash received from events	\$ 12,782,759	
Cash payments to suppliers	(6,864,387)	
Cash payments to employees	<u>(4,402,303)</u>	
Net cash provided by operating activities		<u>\$ 1,516,069</u>
Cash flows from non-capital financing activities:		
Interfund transfers in from other funds		<u>3,758,188</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment		(4,286,875)
Capital grants		<u>506,140</u>
Net cash used by capital and related financing activities		<u>(3,780,735)</u>
Cash flows from investing activities:		
Interest income		<u>54,415</u>
Net increase in cash and cash equivalents		1,547,937
Cash and cash equivalents beginning of year		<u>3,021,736</u>
Cash and cash equivalents end of year		<u><u>\$ 4,569,673</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 548,578
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 1,608,029	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(585,811)	
(Decrease) in accounts payable	(68,487)	
Increase in salaries payable	14,603	
Increase in refundable deposits	1,000	
(Decrease) in compensated absences	<u>(1,843)</u>	
Total adjustments		<u>967,491</u>
Net cash provided by operating activities		<u><u>\$ 1,516,069</u></u>

See notes to financial statements.

Iowa State Fair Authority
Notes to Financial Statements

October 31, 2002

(1) Summary of Significant Accounting Policies

The Iowa State Fair Authority, a component unit of the State of Iowa, is governed by the provisions of Chapter 173 of the Code of Iowa. The Fair Authority is mandated by statute to conduct an annual State Fair and Exposition on the Iowa State Fairgrounds and to conduct other interim events.

The Fair Authority's board consists of fifteen members. The fifteen members consist of the Governor, Secretary of Agriculture, the President of Iowa State University, or their qualified representatives; two elected directors from each of the five Iowa State Fair Board districts; and a secretary and treasurer elected by the Iowa State Fair Board. A president and vice president are elected from the ten elected directors.

The Iowa State Fair Authority includes the Iowa State Fair Blue Ribbon Foundation (Chapter 173.22 of the Code of Iowa). The Foundation may solicit or accept gifts and moneys appropriated by the Legislature to be used for administration or capital projects or major maintenance improvements at the Iowa state fairgrounds.

The financial statements of the Iowa State Fair Authority have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The more significant of the Fair Authority's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Iowa State Fair Authority has included all funds and organizations, boards, commissions and authorities. The Fair Authority has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Fair Authority are such that exclusion would cause the Fair Authority's financial statements to be misleading or incomplete. The Fair Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and Fund Financial Statements

The entity-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Iowa State Fair Authority. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants

who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The entity-wide financial statements are reported using the “economic resources measurement focus” and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “current financial resources measurement focus” and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Contributions, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the following major governmental fund:

The Foundation is used to account for the proceeds of contributions and proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The Authority reports the following major proprietary fund:

The Iowa State Fair Authority accounts for the activities of the Iowa State Fair. It includes the 11-day fair activities as well as other events during the year.

In reporting the financial activity in the entity-wide and proprietary funds financial statements, the Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Budgets, Budgetary Accounting and State Appropriations

The Iowa State Fair Authority staff prepare an annual budget for the Fair Authority's general operations. This budget is approved and monitored by the Iowa State Fair Board.

The Legislature has made appropriations from the rebuild Iowa infrastructure fund to the Iowa State Fair Foundation to be used for renovation, restoration and improvement projects including the grandstand, the cattle barn, the horse barn, the swine barn and for improvements to sewer, water, and electrical systems located on the state fairgrounds. The unencumbered or unobligated balance of the appropriation may be expended during the following fiscal year for the same purpose.

State appropriations received by the Foundation that are unexpended as of October 31, 2002 are classified as restricted net assets on the statement of net assets because their use is restricted to reimbursement to the Fair Authority for capital improvements.

E. Assets, Liabilities and Net Assets/Fund Balance

The following accounting policies are followed in preparing the basic financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balance of the Foundation is pooled and invested by the Treasurer of State.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Pledges Receivable - Pledges receivable in the Special Revenue Fund are accounted for using the modified accrual basis of accounting and are shown net of an allowance for uncollectibles.

Pledges receivable are recognized when pledged. In the fund financial statements, only the pledges received during the fiscal year and within 60 days of the end of the fiscal year are recognized as revenue. The remaining balance is reported as deferred revenue.

Inventories - Inventories are valued at cost which approximates market. The first-in/first-out (FIFO) cost flow method is used. Inventories in the Special Revenue Fund consist of items purchased and held for resale. The cost is recorded as an expenditure at the time individual inventory items are purchased. Expenditures are adjusted at fiscal year-end to correlate with the consumption method.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the Authority), are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the year ended October 31, 2002, no interest costs were capitalized since the Authority's policy is not to capitalize interest costs on assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	20-40
Equipment	5-10
Vehicles	5-10
Infrastructure	20-40

Compensated Absences - Employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death, or retirement. The cost of earned vacation, sick and compensatory pay are recorded as liabilities. These liabilities for compensated absences are based on current rates of pay.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose.

(2) Cash and Investments

The Iowa State Fair Authority's deposits in banks and with the Treasurer of State and the Trustee at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Iowa State Fair Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Iowa State Fair Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Iowa State Fair Authority's investments are categorized to give an indication of the level of risk assumed by the Fair Authority at year end. The Fair Authority's investments are all Category 1 which means that the investments are insured or registered or the securities are held by the Fair Authority or its agent in the Fair Authority's name.

Investments are stated at cost which approximates fair value.

The Iowa State Fair Authority's investments at June 30, 2002 are as follows:

Type	Cost
Commercial paper	<u>\$463,582</u>

(3) Capital Assets

Capital assets activity for the year ended October 31, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Equipment	\$ 15,717	-	-	15,717
Less accumulated depreciation	(5,588)	(1,048)	-	(6,636)
Governmental activities capital assets, net	<u>\$ 10,129</u>	<u>(1,048)</u>	<u>-</u>	<u>9,081</u>
Business-type activities:				
Land, not being depreciated	\$ 3,103,843	11,493	-	3,115,336
Buildings	33,929,666	1,006,149	(308,750)	34,627,065
Equipment	1,278,548	72,867	-	1,351,415
Vehicles	487,571	5,000	(18,269)	474,302
Infrastructure	4,153,651	420,936	-	4,574,587
Construction in progress	9,825,780	3,818,965	(1,048,537)	12,596,208
Total capital assets	<u>52,779,059</u>	<u>5,335,410</u>	<u>(1,375,556)</u>	<u>56,738,913</u>
Less accumulated depreciation:				
Buildings	(11,002,570)	(1,208,705)	144,028	(12,067,247)
Equipment	(654,950)	(106,606)	-	(761,556)
Vehicles	(423,679)	(13,408)	18,269	(418,818)
Infrastructure	(866,112)	(279,310)	-	(1,145,422)
Total accumulated depreciation	<u>(12,947,311)</u>	<u>(1,608,029)</u>	<u>162,297</u>	<u>(14,393,043)</u>
Business-type activities capital assets, net	<u>\$39,831,748</u>	<u>3,727,381</u>	<u>(1,213,259)</u>	<u>42,345,870</u>

(4) Pension and Retirement Benefits

The Iowa State Fair Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Fair Authority is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Fair Authority's contribution to IPERS for the years ended October 31, 2002, 2001, and 2000 were \$166,602, \$166,062, and \$151,834, respectively, equal to the required contributions for each year.

(5) Other Post Employment Benefits

On November 8, 2001, the Legislature passed an Early Retirement Termination Program during the special legislative session. The program required the sum of the number of years of credited service (service under the Iowa Public Employee's Retirement System or the Peace Officers' Retirement, Accident and Disability System) and age in years as of December 31, 2002, to equal or exceed seventy-five. Employees were required to sign up on or before January 31, 2002 and leave State employment on or before February 1, 2002. Participants may not accept permanent part-time or permanent full-time employment with the State, other than as an elected official, after termination.

The early retirement incentive is calculated as the total dollar value of accrued vacation and sick leave balances at the time of termination. However, the sick leave cannot exceed 2080 hours (the amount of annual salary). The vacation and sick leave will be paid out in five installments, with 10 percent paid with the last regular payroll warrant, 20 percent paid each August in 2002, 2003, and 2004, and the remaining 30 percent paid to the employee or their beneficiary in August 2005.

Early retirement costs for the year ended October 31, 2002 totaled \$36,546 for two participants. The balance remaining at October 31, 2002 of \$85,275 has been accrued in the Enterprise Fund.

(6) Contractual Commitments

The Iowa State Fair Authority has entered into contracts for planned capital improvement projects throughout the fairgrounds and has spent approximately \$8,856,000 as of October 31, 2002. The remaining contractual obligation as of October 31, 2002 for current projects already in progress totals approximately \$342,000.

(7) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage for the prior year and settlements have not exceeded coverage for the past three fiscal years.

The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts. A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

Supplemental Information

Iowa State Fair Authority

Expenditures by Object

Special Revenue Fund

Year ended October 31, 2002

	Adminis- tration	Promotion	Total
Personal services	\$ 257,542	-	257,542
Travel	3,467	-	3,467
Supplies and materials	41,822	-	41,822
Contractual services	34,353	-	34,353
Miscellaneous	2,345	-	2,345
Equipment	5,443	-	5,443
Marketing	-	234,629	234,629
Donor promotion	-	72,264	72,264
History book	-	213	213
Total	\$ 344,972	307,106	652,078

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object

Enterprise Fund

Year ended October 31, 2002

	Admin- istration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Racetrack
Personal services	\$ 1,801,348	291,654	31,026	198,534	80,330	106,284
Travel and conferences	78,607	-	-	6,016	-	-
Supplies and materials	210,420	3,336	50,670	104,246	415,178	-
Judging	-	-	-	151,741	-	-
Contractual services	188,096	50,344	1,450	54,105	690,936	198,727
Talent	-	-	-	-	-	979,688
Other grandstand events	-	-	-	-	-	115,715
Advertising	-	-	-	445	-	-
Claims and miscellaneous	141,445	32,200	110	21,160	6,005	2,270
Premiums	-	-	-	397,106	-	-
Depreciation	-	-	-	-	-	-
Total	<u>\$ 2,419,916</u>	<u>377,534</u>	<u>83,256</u>	<u>933,353</u>	<u>1,192,449</u>	<u>1,402,684</u>

See accompanying independent auditor's report.

Utilities and Maintenance	Marketing and Promotion	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
1,808,735	4,324	531,769	-	6,169	12,063	-	-	4,872,236
-	-	-	-	956	-	-	-	85,579
435,827	-	6,941	30,602	3,039	-	-	48,291	1,308,550
-	-	-	-	1,305	-	-	-	153,046
854,014	3,830	44,488	-	57,005	-	-	99,978	2,242,973
-	-	-	-	336,000	-	-	-	1,315,688
-	-	-	-	-	-	-	-	115,715
-	448,653	-	-	-	-	-	-	449,098
7,457	20,266	-	-	29,045	6,712	-	5,301	271,971
-	-	-	-	-	-	-	-	397,106
-	-	-	-	-	-	1,608,029	-	1,608,029
3,106,033	477,073	583,198	30,602	433,519	18,775	1,608,029	153,570	12,819,991

Schedule 3

Iowa State Fair Authority
Summary of Revenue and State Fair Attendance
For the Five Years ended October 31, 2002

Fiscal Year	Revenue	Operating Income (Loss)	State Fair Attendance (Unaudited)
1998	\$ 8,882,179	(1,215,928)	941,000
1999	10,473,274	36,636	969,000
2000	10,417,274	(1,205,618)	979,000
2001	10,706,254	(841,123)	986,000
2002	13,368,569	548,578	1,008,000

See accompanying independent auditor's report.

Iowa State Fair Authority
Grandstand Performances
Year ended October 31, 2002

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
Kenny Chesney	10,312	\$ 237,176	158,975	78,201
Journey	7,756	178,388	107,130	71,258
Rock 'N' Roll Reunion XXII	6,987	160,701	77,706	82,995
Toby Keith	8,599	214,975	150,479	64,496
REO Speedwagon and Styx	8,471	194,833	121,108	73,725
Sara Evans and the Rodeo	3,230	49,488	35,000	14,488
Trick Pony and the Rodeo	3,615	55,064	15,000	40,064
Alicia Keys	8,689	217,225	131,141	86,084
Brooks & Dunn	6,811	170,275	146,500	23,775
Total	<u>64,470</u>	<u>\$ 1,478,125</u>	<u>943,038</u>	<u>535,087</u>

This information is included on Exhibit F in entertainment revenue and grandstand and racetrack expenses.

See accompanying independent auditor's report.

Schedule 5

Iowa State Fair Authority

Concessionaire Sales

For the Five years ended October 31, 2002
(Unaudited)

Year Ending Oct 31,	Sales Reported by Vendor		
	Food*	Beer	Merchandise
1998	\$ 5,844,583	-	1,493,856
1999	6,235,117	-	1,639,804
2000	6,410,785	-	1,715,020
2001	5,482,493	484,000	1,764,222
2002	5,908,943	539,250	1,848,177

This information is provided for comparative purposes only. The Iowa State Fair Authority receives a varying percentage of vendor proceeds.

* For the year ended October 31, 2001, the Fair changed the method that vendors pay for beer. Vendors paid a flat rate of \$125 per keg rather than 25% of sales. Therefore, the food balance for years 1998 through 2000 includes beer sales.

See accompanying independent auditor's report.



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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Board Members of the
Iowa State Fair Authority:

We have audited the financial statements of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2002, and have issued our report thereon dated March 13, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa State Fair Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa State Fair Authority and citizens of the State of Iowa and other parties to whom the Iowa State Fair Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa State Fair Authority during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 13, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Iowa State Fair Authority

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Karen L. Brustkern, Senior Auditor
Jason R. Matter, Staff Auditor
Jill M. Bergantzel, CPA, Staff Auditor
Jodi L. Simon, Staff Auditor
Brad T. Holtan, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State