



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

May 4, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa State Fair Authority for the year ended October 31, 2010. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$18,832,776 for fiscal year 2010, an increase of 4.8% over the prior year. Revenues included \$6,513,591 from Fair admissions, \$2,969,209 from Fair concessions, \$2,573,158 from Fair entertainment and \$1,760,752 from interim events. Operating expenses of the Fair Authority for fiscal year 2010 totaled \$18,113,160, an 8.2% increase over the prior year. The Fair Authority reported operating income of \$719,616 for the year ended October 31, 2010 compared to operating income of \$1,224,121 for the prior year.

Foundation revenues were \$4,635,510 for fiscal year 2010, a 138.3% increase over the prior year. Revenues included operating grants and contributions of \$893,299, capital grants and contributions of \$650,000, charges for service of \$586,469 and an appropriation of \$2,500,000 from the State of Iowa for capital improvements. The Foundation had administration and promotion expenses of \$1,408,481 during fiscal year 2010, a 21.3% increase over the prior year. The Foundation also provided capital contributions of \$4,907,439 to the Fair Authority from contributions and the appropriation from the State of Iowa.

A copy of the audit report is available for review in the Iowa State Fair Authority's Office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1160-0110-0000.pdf>.

###



**IOWA STATE FAIR AUTHORITY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**OCTOBER 31, 2010**

## Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor's Report			5-6
Management's Discussion and Analysis			7-12
Basic Financial Statements:	<u>Exhibit</u>		
Entity-wide Financial Statements:			
Statement of Net Assets	A		15
Statement of Activities	B		16-17
Fund Financial Statements:			
Balance Sheet – Special Revenue Fund	C		18
Statement of Revenues, Expenditures and Changes in Fund Balance – Special Revenue Fund	D		19
Statement of Net Assets – Enterprise Fund	E		20
Statement of Revenues, Expenses and Changes in Fund Net Assets – Enterprise Fund	F		21
Statement of Cash Flows – Enterprise Fund	G		22
Notes to Financial Statements			23-31
Supplementary Information:	<u>Schedule</u>		
Expenditures by Object – Special Revenue Fund	1		35
Expenses by Object – Enterprise Fund	2		36-37
Summary of Operating Revenues and State Fair Attendance	3		38
Grandstand Performances	4		39
Concessionaire Sales	5		40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>			41-42
Schedule of Findings			43
Staff			44

**Iowa State Fair Authority**

**Officials**

Name

Title

**Governor**

Honorable Chester J. Culver  
(Ended during January 2011)

Honorable Terry E. Branstad  
(Began during January 2011)

**Treasurer of State**

Honorable Michael L. Fitzgerald

**Director, Department of Management**

Richard C. Oshlo, Jr.  
(Ended during January 2011)

David Roederer  
(Began during January 2011)

**Director, Legislative Services Agency**

Glen P. Dickinson

**Board Members**

Randy Brown  
Gary McConnell  
Jeanne Partlow

Jackie Ackerman  
Honorable Bill Northey  
Dr. Gregory L. Geoffroy  
Alan Brown  
James Romer  
John Harms  
Paul Vaassen  
Dave Hoffman  
Bill Neubrand  
Jerry Parkin  
Bob Schlutz  
C.W. Thomas  
Gary VanAernam  
Gary Slater

President/Director, South Central District  
Vice President/Director, Southeast District  
Treasurer, Director, Northwest District  
(Ended during Jan. 2011)  
Treasurer (Began during Jan. 2011)  
Secretary of Agriculture  
President, Iowa State University  
Director, North Central District  
Director, North Central District  
Director, Northeast District  
Director, Northeast District  
Director, Northwest District (Began during Jan. 2011)  
Director, Northwest District  
Director, South Central District  
Director, Southeast District  
Director, Southwest District  
Director, Southwest District  
Chief Executive Officer/Manager

**Iowa State Fair Authority**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Board Members of the  
Iowa State Fair Authority:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2010, which collectively comprise the Iowa State Fair Authority's basic financial statements 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 our audit provides a reasonable basis for our opinions.

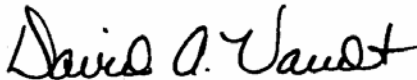
As discussed in Note 1, the financial statements of the Iowa State Fair Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business type activities and each major fund of the State of Iowa 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, 2010, 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, the business type activities and each major fund of the Iowa State Fair Authority as of October 31, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 13, 2011 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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. 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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information included in Schedules 1 through 4 has been subjected to the auditing procedures applied in our 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 supplementary information presented in Schedule 5 has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 13, 2011



---

## **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, 2010. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- Fair operating revenue increased 4.8% from 2009 to 2010. All departments increased, with the majority of the increase coming from Grandstand entertainment.
- Operating expenses increased in all departments and increased 8.19% for the Fair overall from 2009 to 2010. Most of the increases were due to the completion of the Jacobson Exhibition Center and the utilization of this new facility. Grandstand expenses increased due to the related increase in ticket sales for entertainment events. These Grandstand expenses vary from year to year depending on the strength of the entertainment schedule. It affects the cost of the show as well as the concession expense. A significant increase occurred in the marketing department due to advertising for the first time in the Omaha market.
- The Richard O. Jacobson Exhibition Center was completed and opened its doors on the first day of the 2010 Iowa State Fair. This multi-use facility includes an indoor arena, practice arena and seating for 3,500. Other projects in 2010 include new electrical service in the horse barn, renovations to the old school house and infrastructure for a new admissions system.

### **USING THIS ANNUAL REPORT**

This discussion and analysis are intended to serve as an introduction to the Iowa State Fair Authority'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. The business type financial statements show the activity of the Iowa State Fair itself. These basic financial statements also include the Notes to Financial Statements that explain some of the information in the statements and provide more detail. Supplementary information is also in schedule form and begins on page 35.

### **REPORTING THE FAIR AUTHORITY 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 years.

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

**Governmental Activities** – These statements represent information on the Iowa State Fair Blue Ribbon Foundation activities. The Foundation, founded in 1993, was established by the Fair Board to conduct a major capital campaign for the renovation and preservation of the historic Iowa State Fairgrounds. These renovation efforts are supported by money raised through contributions, in-kind services, sale of promotional items and state appropriations. Governmental expenses include administration and promotion.

**Business-Type Activities** – These statements present information of the Iowa State Fair's operating and non-operating activities. The Iowa State Fair is internationally acclaimed and annually attracts nearly a million or more fun-lovers from around the world. It is one of the leading tourist attractions in the state. The Fair is Iowa's great celebration of the best in agriculture, industry, entertainment and achievement. Special features include one of the world's largest livestock shows, the country's largest state fair food department (approx 900 classes), the state's largest arts show, hundreds of competitive events and wacky contests, 600 plus exhibitors and concessionaires selling quality and tasty treats and 160 rolling acres of campgrounds. A proud tradition since 1854, the Fair inspired the novel, "State Fair", three motion pictures, plus Rodgers and Hammerstein's Broadway musical. 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, utilities and maintenance, marketing and promotion, public safety, sponsorship, special entertainment, treasurer 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 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 a 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 statements, 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 balances provide a reconciliation to facilitate this comparison between governmental funds and 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 services provided to outside customers, including local government, it is known as an Enterprise Fund. Proprietary fund financial 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 Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the basic financial statements. The Notes to Financial Statements can be found beginning on page 23.

#### Supplementary Information

The supplementary schedules begin on page 35 and provide 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 approximately \$84.3 million at the end of 2010 compared to approximately \$80.3 million at the end of the previous year.

Fair Authority Net Assets	Governmental Activities		Business Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,472,981	6,190,255	11,586,426	13,236,658	16,059,407	19,426,913
Capital assets	68,359	27,703	70,500,878	63,363,077	70,569,237	63,390,780
Total assets	\$ 4,541,340	6,217,958	82,087,304	76,599,735	86,628,644	82,817,693
Current liabilities	\$ 22,397	19,105	1,513,372	1,733,201	1,535,769	1,752,306
Long-term liabilities	53,968	53,468	766,730	714,529	820,698	767,997
Total liabilities	\$ 76,365	72,573	2,280,102	2,447,730	2,356,467	2,520,303
Net Assets:						
Invested in capital assets	\$ 68,359	27,703	70,500,878	63,363,077	70,569,237	63,390,780
Restricted for:						
Capital improvements	4,000,000	4,600,000	-	-	4,000,000	4,600,000
Other purposes	396,616	1,517,682	-	-	396,616	1,517,682
Unrestricted	-	-	9,306,324	10,788,928	9,306,324	10,788,928
Total net assets	\$ 4,464,975	6,145,385	79,807,202	74,152,005	84,272,177	80,297,390

The largest portion of the Fair Authority's net assets (84%) reflects its investment in capital assets, such as land, buildings, equipment, vehicles and infrastructure (road, utilities and other immovable assets), less any related depreciation. The Fair Authority uses these capital assets to provide services. Consequently, these assets are not available for future spending.

Unrestricted net assets (11%) represents assets used to meet the Fair Authority's ongoing obligations to vendors and creditors. The remaining balance (5%) represents resources subject to external restrictions on how they may be used. These restricted net assets will eventually be paid to the business side of the Fair for more investment in its capital assets.

Fair Authority Changes in Net Assets	Governmental Activities		Business Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
Program revenues:						
Charges for service	\$ 586,469	539,137	17,929,267	17,157,698	18,515,736	17,696,835
Operating grants and contributions	893,299	290,440	903,509	808,906	1,796,808	1,099,346
Capital grants and contributions	650,000	600,000	-	296,233	650,000	896,233
General revenues:						
State appropriation	2,500,000	500,000	-	-	2,500,000	500,000
Investment earnings	5,742	15,739	27,792	114,857	33,534	130,596
Gain on sale of capital assets	-	-	350	-	350	-
Total revenues	<u>4,635,510</u>	<u>1,945,316</u>	<u>18,860,918</u>	<u>18,377,694</u>	<u>23,496,428</u>	<u>20,323,010</u>
<b>Expenses:</b>						
Blue Ribbon Foundation fund raising	1,408,481	1,161,444	-	-	1,408,481	1,161,444
State Fair and other events	-	-	18,113,160	16,763,361	18,113,160	16,763,361
Total expenses	<u>1,408,481</u>	<u>1,161,444</u>	<u>18,113,160</u>	<u>16,763,361</u>	<u>19,521,641</u>	<u>17,924,805</u>
Increase in net assets before transfers	3,227,029	783,872	747,758	1,614,333	3,974,787	2,398,205
Transfers	(4,907,439)	(3,920,514)	4,907,439	3,920,514	-	-
Increase (decrease) in net assets	<u>(1,680,410)</u>	<u>(3,136,642)</u>	<u>5,655,197</u>	<u>5,534,847</u>	<u>3,974,787</u>	<u>2,398,205</u>
Net assets beginning of year	<u>6,145,385</u>	<u>9,282,027</u>	<u>74,152,005</u>	<u>68,617,158</u>	<u>80,297,390</u>	<u>77,899,185</u>
Net assets end of year	<u>\$ 4,464,975</u>	<u>6,145,385</u>	<u>79,807,202</u>	<u>74,152,005</u>	<u>84,272,177</u>	<u>80,297,390</u>

The Fair Authority's net assets increased approximately \$4.0 million, or 5%. The net assets of the business type activities increased approximately \$5.7 million and the net assets of the governmental activities decreased approximately \$1.7 million. The majority of the increase comes from the increase in capital assets. The business type activities completed construction of the Richard O. Jacobson Exhibition Center. This was phase 3 of the multi year project. In governmental activities, contributors paid towards their pledges, reducing the pledges receivable balance from 2009 to 2010.

The Fair Authority showed an overall increase in revenue of approximately \$3.2 million. The majority of the increase came from governmental activities. The Foundation received an appropriation from the Iowa State Legislature to be used for the construction of the Richard O. Jacobson Exhibition Center. The amount received in 2010 was \$2.5 million in comparison to only \$500,000 in 2009.

The Fair Authority's business type activities revenues increased in all departments. The majority of the increase came from Grandstand entertainment sales, concessions, sponsorships and interim events.

Approximately 90% of all business type activities revenues were generated from the Fair Authority's annual 11-day event, while the other 10% is from off-season rental of Fair Authority facilities and other miscellaneous sources. The largest revenue source of 35% comes from admissions, while concessions and attractions contribute 29% and entertainment 14%. Revenues of approximately \$1.76 million, or 9%, were from off-season rental of our facilities.

The Fair Authority's overall expenses increased approximately \$1.6 million. The majority of the increase came from business type activities. The Fair completed construction on the Richard O. Jacobson Exhibition Center in 2010. This multi use facility was used for a concert and horse shows during the Fair as well as by various individuals who rented the building for various off season events. The expenses associated with these events were new to the Fair in 2010. Also, Grandstand expenses were up due to a strong lineup of entertainment and increased ticket sales. We also entered the Omaha market for the first time and, therefore, overall advertising expenses increased.

The largest business type activities expense is payroll, which accounts for 34% of all expenses. The Fair employs approximately 1,500 people at different times during the year, with the majority working during the 11-day event. Contractual services account for 19.6% 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 12.6% of all expenses.

## **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 activities 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 an ending fund balance of approximately \$1.6 million, an increase over the prior year. 86% of the fund balance is reserved, which indicates 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 information on the Fair Authority's operating and non-operating activities. For the year ended October 31, 2010, the Fair's proprietary fund reported an ending net asset balance of approximately \$79.8 million, an increase of approximately \$5.7 million over the prior year. The majority of the increase in net assets is directly attributable to the investment in capital assets.

## **CAPITAL ASSETS**

The Fair Authority's investment in capital assets for its governmental and business type activities at October 31, 2010 was approximately \$102.6 million, net of accumulated depreciation of approximately \$32.1 million, leaving a net book value of approximately \$70.5 million. This investment in capital assets includes land, buildings, infrastructure, equipment, vehicles and construction in progress. Infrastructure assets are items which are normally immovable, such as streets and sidewalks, drainage systems, lighting systems and similar items.

The net increase in the Fair Authority's investment in capital assets for the current fiscal year was approximately \$7.1 million. The major portion of this increase is the Richard O. Jacobson Exhibition Center.

The Fair Authority's fiscal year 2011 capital budget significantly drops to approximately \$1.2 million. One major project started in 2010 was the infrastructure for a new admissions system. In 2011 the Fair Authority plans to complete the installation and purchase the software and equipment which will be used to sell our admission tickets for the 2011 Fair. Another major project for 2011 is new electrical service for the sheep barn. Funds to pay for the completion of these projects will come from the Fair Authority's revenues as well as some contributions. 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 BUDGET AND RATES**

The Fair Authority's elected officials and management considered many factors when setting the fiscal year 2011 budget and fees charged for the various Fair activities. Operating expenses are expected to increase somewhat due to the Richard O. Jacobson Exhibition Center being in full operation for the whole year. Revenues are expected to be similar in comparison to 2010 due to no price increases budgeted. With the depressed economy still looming, the Fair Authority's net assets for fiscal year 2011 are expected to have only a minimal change.

Today the Fair is an 11-day economic boom for the city and state. It annually attracts nearly one million people or more who enjoy the Fair and its neighboring attractions, events and restaurants during their visit, resulting in more than an estimated \$150 million total economic impact to central Iowa.

## **CONTACTING THE FAIR AUTHORITY'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.

## **Basic Financial Statements**

**Iowa State Fair Authority**



## Iowa State Fair Authority

## Statement of Net Assets

October 31, 2010

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 1,380,120	9,156,204	10,536,324
Unexpended appropriation	599,443	-	599,443
Accounts receivable	-	496,144	496,144
Interest receivable	1,156	-	1,156
Pledges receivable	2,990,424	-	2,990,424
Internal balances	(1,934,078)	1,934,078	-
Inventories	305,916	-	305,916
<b>Total current assets</b>	<b>3,342,981</b>	<b>11,586,426</b>	<b>14,929,407</b>
Noncurrent assets:			
Pledges receivable	1,130,000	-	1,130,000
Capital assets (net of accumulated depreciation):			
Land	-	5,629,654	5,629,654
Buildings	-	42,399,088	42,399,088
Equipment	68,359	930,305	998,664
Vehicles	-	65,575	65,575
Infrastructure	-	5,761,135	5,761,135
Construction in progress	-	15,715,121	15,715,121
<b>Total noncurrent assets</b>	<b>1,198,359</b>	<b>70,500,878</b>	<b>71,699,237</b>
<b>Total assets</b>	<b>4,541,340</b>	<b>82,087,304</b>	<b>86,628,644</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	902,827	902,827
Salaries payable	12,202	246,559	258,761
Compensated absences and OPEB	10,195	306,176	316,371
Refundable deposits	-	57,810	57,810
<b>Total current liabilities</b>	<b>22,397</b>	<b>1,513,372</b>	<b>1,535,769</b>
Noncurrent liabilities:			
Accounts payable	-	11,216	11,216
Compensated absences and OPEB	53,968	755,514	809,482
<b>Total noncurrent liabilities</b>	<b>53,968</b>	<b>766,730</b>	<b>820,698</b>
<b>Total liabilities</b>	<b>76,365</b>	<b>2,280,102</b>	<b>2,356,467</b>
<b>Net Assets</b>			
Invested in capital assets	68,359	70,500,878	70,569,237
Restricted for:			
Capital improvements	4,000,000	-	4,000,000
Other purposes	396,616	-	396,616
Unrestricted	-	9,306,324	9,306,324
<b>Total net assets</b>	<b>\$ 4,464,975</b>	<b>79,807,202</b>	<b>84,272,177</b>

See notes to financial statements.

---

Iowa State Fair Authority

Statement of Activities

Year ended October 31, 2010

<b>Functions</b>	Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Blue Ribbon Foundation	\$ 1,408,481	586,469	893,299	650,000
Business type activities:				
State Fair and other events	18,113,160	17,929,267	903,509	-
Total	<u>\$ 19,521,641</u>	<u>18,515,736</u>	<u>1,796,808</u>	<u>650,000</u>

General revenues and transfers:

State appropriation  
Investment earnings  
Gain 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
721,287	-	721,287
-	719,616	719,616
721,287	719,616	1,440,903
2,500,000	-	2,500,000
5,742	27,792	33,534
-	350	350
(4,907,439)	4,907,439	-
(2,401,697)	4,935,581	2,533,884
(1,680,410)	5,655,197	3,974,787
6,145,385	74,152,005	80,297,390
\$ 4,464,975	79,807,202	84,272,177

## Iowa State Fair Authority

Balance Sheet  
Special Revenue Fund

October 31, 2010

**Assets**

## Assets:

Cash and investments	\$ 1,380,120
Unexpended appropriation	599,443
Interest receivable	1,156
Pledges receivable	4,120,424
Inventories	<u>305,916</u>
<b>Total assets</b>	<b><u><u>\$ 6,407,059</u></u></b>

**Liabilities and Fund Balance**

## Liabilities:

Internal balances	\$ 1,934,078
Salaries payable	12,202
Deferred revenue	<u>2,819,009</u>
Total liabilities	<u><u>4,765,289</u></u>

## Fund balance:

Reserved for:	
Inventories	305,916
Capital improvements	1,100,000
Unreserved	<u>235,854</u>
Total fund balance	<u><u>1,641,770</u></u>

**Total liabilities and fund balance** **\$ 6,407,059****Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets****Fund balance - Special Revenue Fund** **\$ 1,641,770**

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 governmental fund. These assets consist of:

Equipment	\$ 105,683	
Less accumulated depreciation	<u>(37,324)</u>	68,359

Certain Foundation revenues will be collected after year-end but will not be available soon enough to pay current year expenditures and, therefore, are deferred in the governmental fund. 2,819,009Certain liabilities are not due and payable in the current year and, therefore, are not reported in the governmental fund. These liabilities consist of compensated absences and OPEB. (64,163)**Net assets of governmental activities** **\$ 4,464,975**

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, 2010

Revenues:		
State appropriation		\$ 2,500,000
Contributions		3,319,481
Sales of promotional items		387,281
Other sales		199,188
In-kind support		114,183
Interest on investments		5,742
Total revenues		<u>6,525,875</u>
Expenditures:		
Administration		552,896
Promotion		892,712
Total expenditures		<u>1,445,608</u>
Excess of revenues over expenditures		5,080,267
Other financing uses:		
Transfers out		<u>(4,907,439)</u>
Net change in fund balance		172,828
Fund balance beginning of year		<u>1,468,942</u>
Fund balance end of year		<u>\$ 1,641,770</u>

**Reconciliation of the Governmental Fund Statement of Revenues,  
Expenditures and Changes in Fund Balance to the Statement of Activities  
Net change in fund balance - Special Revenue Fund**

\$ 172,828

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 fund until available.

(1,890,366)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over the life of the assets as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 47,871	
Depreciation expense	<u>(7,215)</u>	40,656

Compensated absences and OPEB 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 fund.

(3,528)

**Change in net assets of governmental activities**

\$ (1,680,410)

See notes to financial statements.

**Exhibit E**

## Iowa State Fair Authority

Statement of Net Assets  
Enterprise Fund

October 31, 2010

**Assets**

Current assets:	
Cash and investments	\$ 9,156,204
Accounts receivable	496,144
Internal balances	<u>1,934,078</u>
Total current assets	<u>11,586,426</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	5,629,654
Buildings	42,399,088
Equipment	930,305
Vehicles	65,575
Infrastructure	5,761,135
Construction in progress	<u>15,715,121</u>
Total noncurrent assets	<u>70,500,878</u>
<b>Total assets</b>	<u>82,087,304</u>

**Liabilities**

Current liabilities:	
Accounts payable	902,827
Salaries payable	246,559
Compensated absences and OPEB	306,176
Refundable deposits	<u>57,810</u>
Total current liabilities	<u>1,513,372</u>
Noncurrent liabilities:	
Accounts payable	11,216
Compensated absences and OPEB	<u>755,514</u>
Total noncurrent liabilities	<u>766,730</u>
<b>Total liabilities</b>	<u>2,280,102</u>

**Net Assets**

Invested in capital assets	70,500,878
Unrestricted	<u>9,306,324</u>
<b>Total net assets</b>	<u>\$ 79,807,202</u>

See notes to financial statements.

Iowa State Fair Authority

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Enterprise Fund

Year ended October 31, 2010

Operating revenues:	
Admissions	\$ 6,513,591
Attractions	1,061,913
Commercial exhibitors	1,344,991
Concessions	2,969,209
Grandstand and racetrack entertainment	2,573,158
Entry fees	381,705
Campground fees and services	1,195,827
Sponsorships	903,509
Interim events	1,760,752
Miscellaneous	128,121
Total operating revenues	<u>18,832,776</u>
Operating expenses:	
Administration	2,760,280
Admissions	469,519
Concessions	389,402
Entry and competitive events	1,247,230
Fair services	1,226,753
Grandstand and racetrack	2,271,648
Utilities and maintenance	4,652,568
Marketing and promotion	749,695
Public safety	723,999
Sponsorship	26,685
Special entertainment	650,359
Treasurer	36,260
Depreciation	2,644,366
Interim events	264,396
Total operating expenses	<u>18,113,160</u>
Operating income	<u>719,616</u>
Non-operating revenues:	
Interest income	27,792
Gain on sale of capital assets	350
Total non-operating revenues	<u>28,142</u>
Income before transfers	747,758
Operating transfers in	<u>4,907,439</u>
Change in net assets	5,655,197
Net assets beginning of year	<u>74,152,005</u>
Net assets end of year	<u>\$ 79,807,202</u>

See notes to financial statements.

**Exhibit G**

## Iowa State Fair Authority

Statement of Cash Flows  
Enterprise Fund

Year ended October 31, 2010

Cash flows from operating activities:		
Cash received from events	\$ 18,778,159	
Cash paid to suppliers	(9,625,339)	
Cash paid to employees	(5,879,563)	
Net cash provided by operating activities		\$ 3,273,257
Cash flows from non-capital financing activities:		
Transfers in from other funds	3,039,715	
Bid bond deposit	(131,520)	
Net cash provided by non-capital financing activities		2,908,195
Cash flows from capital financing activities:		
Acquisition of property and equipment	(9,782,167)	
Proceeds from sale of capital assets	350	
Net cash used by capital financing activities		(9,781,817)
Cash flows from investing activities:		
Interest on investments	27,792	
Proceeds from sale and maturities of investments	6,634,000	
Purchase of investments	(5,441,468)	
Net cash provided by investing activities		1,220,324
Net decrease in cash and cash equivalents		(2,380,041)
Cash and cash equivalents beginning of year		9,968,702
Cash and cash equivalents end of year		7,588,661
Investments		1,567,543
Cash and investments		\$ 9,156,204
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income		\$ 719,616
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 2,644,366	
Changes in assets and liabilities:		
Increase in accounts receivable	(54,617)	
Decrease in accounts payable	(188,622)	
Increase in salaries payable	52,961	
Increase in refundable deposits	500	
Increase in compensated absences and OPEB	99,053	
Total adjustments		2,553,641
Net cash provided by operating activities		\$ 3,273,257

See notes to financial statements.



Iowa State Fair Authority

Notes to Financial Statements

October 31, 2010

**(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 may conduct other interim events.

The Fair Authority's Board consists of fifteen members. The fifteen members consist of the Governor, the Secretary of Agriculture and 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 twelve 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 prescribed by the Governmental Accounting Standards Board. 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, 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 Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Fair Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Fair Authority. 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 Activities) 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 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 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 the Fair Authority's governmental fund and proprietary fund.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Fair Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. 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 year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Fair Authority.

The Fair Authority reports the following major governmental fund:

A Special Revenue Fund is used to account for the activities of the Foundation, including contributions and specific revenue sources restricted to expenditures for specified purposes.

The Fair Authority reports the following major proprietary fund:

An Enterprise Fund is used to account 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 fund financial statements, the Fair 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.

The proprietary fund distinguishes operating revenues and expenses from non-operating 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 non-operating 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 appropriated funds from the Revenue Bonds Capitals Fund to the Iowa State Fair Blue Ribbon Foundation to be used for construction of the Agricultural Exhibition Center on the state fairgrounds.

State appropriations received by the Foundation which are unexpended as of October 31, 2010 are classified as restricted net assets in 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, 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 collected 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 Fair Authority), are reported in the applicable governmental or business type activities columns in the entity-wide financial statements. Capital assets are defined by the Fair 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 repair which 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, 2010, no interest costs were capitalized since the Fair 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 and Other Postemployment Benefits (OPEB) – Employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use, for payment of the employer portion of insurance premiums upon retirement or for payment upon termination, death or retirement. The liabilities recorded for compensated absences are based on current rates of pay and current insurance rates.

The State of Iowa provides access to postretirement medical benefits to all retirees as required by Chapter 509A.13 of the Code of Iowa. Although the retirees generally must pay 100% of the premium rate, GASB Statement No. 45 requires employers recognize the implicit rate subsidy in postretirement medical plans provided by governmental employers.

Fund Balance – In the fund financial statements, the governmental fund reports reservations of fund balance for amounts legally restricted by outside parties for use for a specific purpose.

**(2) Cash, Cash Equivalents and Investments**

The Fair Authority's deposits in banks and with the Treasurer of State throughout the year and at October 31, 2010 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 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.

Investments are stated at fair value.

At October 31, 2010, the Fair Authority had the following investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Risk</u>
HSBC Bank PLC	\$ 782,540	March 15, 2011	A2
Countrywide Home Loans, Inc.	<u>785,003</u>	March 22, 2011	A2
Total	<u>\$ 1,567,543</u>		

In addition, the Blue Ribbon Foundation had an investment in a money market account held by Merrill Lynch which is valued at an amortized cost of \$229,432 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The Fair Authority's investment policy states each investment will typically have a short term maturity of six to nine months.

Credit risk. The Fair Authority's credit risk ratings were determined by Moody's, except for the investment held by Merrill Lynch which is unrated.

Concentration of credit risk. The Fair Authority places no limit on the amount which may be invested in any one issuer. More than 5% of the Fair Authority's cash and investments are in HSBC Bank PLC (8.55%) and Countrywide Home Loans, Inc. (8.57%).

**(3) Capital Assets**

Capital assets activity for the year ended October 31, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental activities:</b>				
Equipment	\$ 57,812	47,871	-	105,683
Less accumulated depreciation	(30,109)	(7,215)	-	(37,324)
Governmental activities capital assets, net	<u>\$ 27,703</u>	<u>40,656</u>	<u>-</u>	<u>68,359</u>
<b>Business type activities:</b>				
Land, not being depreciated	\$ 5,556,909	72,745	-	5,629,654
Buildings	65,048,224	3,210,699	-	68,258,923
Equipment	2,281,450	238,335	-	2,519,785
Vehicles	694,890	-	(8,500)	686,390
Infrastructure	9,786,152	-	-	9,786,152
Construction in progress, not being depreciated	9,454,733	9,577,240	(3,316,852)	15,715,121
Total capital assets	<u>92,822,358</u>	<u>13,099,019</u>	<u>(3,325,352)</u>	<u>102,596,025</u>
Less accumulated depreciation for:				
Buildings	(23,861,788)	(1,998,047)	-	(25,859,835)
Equipment	(1,463,400)	(126,080)	-	(1,589,480)
Vehicles	(592,921)	(36,394)	8,500	(620,815)
Infrastructure	(3,541,172)	(483,845)	-	(4,025,017)
Total accumulated depreciation	<u>(29,459,281)</u>	<u>(2,644,366)</u>	<u>8,500</u>	<u>(32,095,147)</u>
Business type activities capital assets, net	<u>\$63,363,077</u>	<u>10,454,653</u>	<u>(3,316,852)</u>	<u>70,500,878</u>

**(4) Operating Leases**

The future minimum lease payments for operating leases is as follows:

Year Ending October 31,	Amount
2011	\$ 17,868
2012	17,868
2013	17,868
2014	1,489
Total	<u>\$ 55,093</u>

Rental expense for the year ended October 31, 2010 for all operating leases, except those with terms of a month or less which were not renewed, totaled \$17,868.

**(5) Pension and Retirement Benefits**

The 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 4.50% of their annual covered salary and the Fair Authority is required to contribute 6.95% of annual covered payroll, effective July 1, 2010. Between July 1, 2009 and June 30, 2010, plan members were required to contribute 4.30% and the Fair Authority was required to contribute 6.65%. For the year ended October 31, 2008, plan members were required to contribute 4.10% and the Fair Authority was required to contribute 6.35%. Contribution requirements are established by state statute. The Fair Authority's contributions to IPERS for the years ended October 31, 2010, 2009 and 2008 were \$261,684, \$250,696 and \$251,580, respectively, equal to the required contributions for each year.

**(6) Compensated Absences and Other Postemployment Benefits (OPEB)**

Changes in compensated absences and other postemployment benefit obligations for the year ended October 31, 2010 are summarized as follows:

	Governmental Activities			Business Type Activities		
	Compensated Absences	OPEB	Total	Compensated Absences	OPEB	Total
Beginning balance	\$ 56,753	3,882	60,635	889,608	73,029	962,637
Additions	28,959	1,980	30,939	522,956	36,960	559,916
Deletions	27,411	-	27,411	460,863	-	460,863
Ending balance	\$ 58,301	5,862	64,163	951,701	109,989	1,061,690
Due within one year	\$ 10,195	-	10,195	306,176	-	306,176

Sick Leave Insurance Program (SLIP) – The Sick Leave Insurance Program is a voluntary termination benefit program. The program is an opportunity for employees who are retirement-eligible to use the value of their unused sick leave to pay the employer share of the monthly premium of the State's group health insurance plan after retirement. A SLIP liability is reported for both current, active State Fair employees and retirees. The SLIP liability for current, active employees is included in compensated absences and the liability for retirees is included in accounts payable and accruals.

Upon retirement, employees first receive a cash payment of up to \$2,000 for accumulated, unused sick leave converted at the employee's current regular hourly rate of pay, payable with the final payroll warrant that includes the employee's retirement date. The value of the remaining balance of the accrued sick leave will be converted based upon the original balance (before the cash payment). The remainder of the sick leave value is calculated as follows, based on the number of sick leave hours the employee had before the cash payment:

**If the sick leave balance is:**

**The conversion rate is:**

Zero to 750 hours	60% of the value
Over 750 hours to 1,500 hours	80% of the value
Over 1,500 hours	100% of the value

The final calculated dollar value will be credited to the employee's SLIP account. Each month, the Fair Authority will pay 100 percent of the employer's share of the selected state group health insurance premium from the retiree's SLIP account. The retiree is responsible for any additional premiums associated with the employee/retiree share.

The Fair Authority will continue to pay the employer's share of the health insurance premium each month until the converted value of the employee's sick leave balance is exhausted, until the employee is eligible for Medicare, the employee waives the benefit or the employee dies, whichever comes first. The retired employees may stay with the same health insurance program as when employed or switch down at any time without underwriting. The converted value of the sick leave can only be applied to the employer's share of health insurance premium payments. It has no cash value and is not transferable to another use or to an heir. If a retired employee who has utilized this benefit returns to permanent state employment, all remaining balances in the sick leave insurance program will be forfeited.

All SLIP program benefits are financed on a pay-as-you-go basis. For the year ended October 31, 2010, two employees have retired and received benefits of \$16,992 under the SLIP program.

Other Postemployment Benefits - The Fair Authority implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended October 31, 2008. This Statement establishes when other postemployment benefit liabilities are recorded under the accrual basis of accounting.

As a part of the State of Iowa, the Fair Authority participates in the State of Iowa postretirement medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

The annual valuation of liabilities under the OPEB plan is calculated using the entry age normal cost method. This method requires the calculation of an unfunded actuarial accrued liability, which was approximately \$293,500,000 for the State of Iowa as of June 30, 2010. The Fair Authority's portion of the unfunded actuarial accrued liability is not separately determinable.

Details of the OPEB plan are provided on a state-wide basis and are available in the State of Iowa's Comprehensive Annual Financial Report for the year ended June 30, 2010. The report may be obtained by writing to the Iowa Department of Administrative Services, Hoover State Office Building, Des Moines, Iowa 50319.

The Fair Authority recognized a cumulative net OPEB liability of \$115,851 for other postemployment benefits, which represents the Fair Authority's portion of the State's net OPEB obligation. The Fair Authority's portion of the net OPEB obligation was calculated using the ratio of full time equivalent employees of the Fair Authority compared to full time equivalent employees of the State of Iowa.



**(7) Contractual Commitments**

The Fair Authority has entered into contracts for planned capital improvement projects throughout the fairgrounds and has spent \$12,010,755 under these contracts as of October 31, 2010. The remaining contractual obligation as of October 31, 2010 for current projects already in progress totals \$595,804.

**(8) 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).

**Iowa State Fair Authority**

**Supplementary Information**

**Iowa State Fair Authority**

## Iowa State Fair Authority

Expenditures by Object  
Special Revenue Fund

Year ended October 31, 2010

	Adminis- tration	Promotion	Total
Personal services	\$ 404,124	-	404,124
Travel	10,132	-	10,132
Supplies and materials	60,779	-	60,779
Contractual services	7,097	-	7,097
Miscellaneous	5,560	-	5,560
Equipment	65,204	-	65,204
Marketing	-	622,338	622,338
Donor promotion	-	270,374	270,374
	<hr/>		
Total	\$ 552,896	892,712	1,445,608

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object  
Enterprise Fund

Year ended October 31, 2010

	Admin- istration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Racetrack
Personal services	\$ 2,220,898	256,493	27,628	155,061	56,360	67,643
Travel and conferences	84,637	-	-	-	-	-
Supplies and materials	63,571	51,752	350,737	95,837	266,443	-
Judging	-	-	-	287,579	-	-
Contractual services	237,574	150,704	10,907	183,264	858,900	339,656
Repair and improvements	-	-	-	-	-	-
Talent	-	-	-	46,500	-	1,831,165
Advertising	-	-	-	455	-	-
Claims and miscellaneous	153,600	10,570	130	36,478	45,050	33,184
Premiums	-	-	-	442,056	-	-
Depreciation	-	-	-	-	-	-
Total	\$ 2,760,280	469,519	389,402	1,247,230	1,226,753	2,271,648

See accompanying independent auditor's report.

Utilities and Maintenance	Marketing and Promotion	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
2,696,180	-	643,089	-	5,915	12,069	-	-	6,141,336
-	-	-	-	-	-	-	-	84,637
514,142	-	13,006	26,685	10,809	-	-	33,145	1,426,127
-	-	-	-	1,665	-	-	-	289,244
1,384,159	44,843	67,904	-	132,208	-	-	217,820	3,627,939
14,919	-	-	-	-	-	-	-	14,919
-	-	-	-	458,842	-	-	-	2,336,507
-	673,679	-	-	-	-	-	-	674,134
43,168	31,173	-	-	40,920	24,191	-	13,431	431,895
-	-	-	-	-	-	-	-	442,056
-	-	-	-	-	-	2,644,366	-	2,644,366
<b>4,652,568</b>	<b>749,695</b>	<b>723,999</b>	<b>26,685</b>	<b>650,359</b>	<b>36,260</b>	<b>2,644,366</b>	<b>264,396</b>	<b>18,113,160</b>

**Schedule 3**

---

Iowa State Fair Authority  
Summary of Operating Revenues and State Fair Attendance  
For the Five Years Ended October 31, 2010

Fiscal Year	Operating Revenues	Operating Income (Loss)	State Fair Attendance (Unaudited)
2006	\$ 15,436,587	582,192	1,014,000
2007	14,966,864	(556,244)	1,002,000
2008	17,520,625	804,834	1,109,000
2009	17,966,604	1,224,121	1,006,000
2010	18,832,776	719,616	967,000

See accompanying independent auditor's report.



Iowa State Fair Authority  
Grandstand Performances  
Year ended October 31, 2010

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
Mercy Me & Newsboys	5,671	\$ 158,788	92,470	66,318
Keith Urban with Kris Allen	9,850	462,950	400,000	62,950
Shinedown with Chevelle	6,154	172,312	128,031	44,281
Jeff Dunham	9,238	341,806	249,445	92,361
Pat Benetar and REO Speedwagon	8,619	301,665	202,490	99,175
Darius Rucker with Candy Coburn	3,583	107,490	105,000	2,490
Boys Like Girls with We The Kings	2,932	73,300	90,000	(16,700)
Sugarland with Little Big Town	10,417	446,226	364,292	81,934
Sheryl Crow with Colbie Caillat	5,856	204,960	175,000	29,960
Total	<u>62,320</u>	<u>\$ 2,269,497</u>	<u>1,806,728</u>	<u>462,769</u>

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

See accompanying independent auditor's report.

**Schedule 5**

---

## Iowa State Fair Authority

## Concessionaire Sales

For the Five Years Ended October 31, 2010  
(Unaudited)

Fiscal Year	Sales Reported by Vendor		
	Food	Beer	Merchandise
2006	7,416,559	615,375	2,112,042
2007	7,145,029	520,750	1,929,972
2008	8,153,189	621,675	2,304,454
2009	8,004,910	637,650	2,191,548
2010	7,895,273	668,359	2,172,811

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

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board Members of the  
Iowa State Fair Authority:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2010, which collectively comprise the Iowa State Fair Authority's basic financial statements listed in the table of contents, and have issued our report thereon dated April 13, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa State Fair Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa State Fair Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa State Fair Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Iowa State Fair Authority's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings as items (1) and (2), we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## Compliance and Other Matters

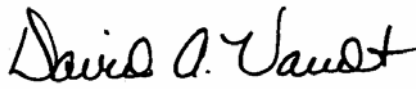
As part of obtaining reasonable assurance about whether the Iowa State Fair Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

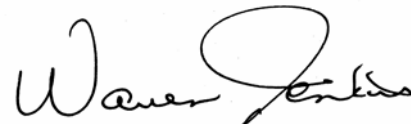
Comments about the Iowa State Fair Authority's operations for the year ended October 31, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Iowa State Fair Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments are not intended to constitute legal interpretations.

The Iowa State Fair Authority's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Iowa State Fair Authority's responses, we did not audit the Iowa State Fair Authority's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees 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.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 13, 2011

Iowa State Fair Authority  
Schedule of Findings  
Year ended October 31, 2010

**Findings Related to Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (1) Expense Documentation – Per the Iowa State Fair Authority’s travel policy, itemized receipts are required for reimbursement. For seven of twenty-five transactions, an itemized meal receipt was not attached to the claim or a meal receipt was not submitted, but the employee was still reimbursed. For one of twenty-five transactions, a meal receipt was split equally between a Board member and their spouse instead of claiming the Board member’s expense only. In addition, one expense for a baggage claim was not supported, but was reimbursed.

Recommendation – Itemized receipts should be maintained for all reimbursements.

Response – The Iowa State Fair Authority will continue to monitor more closely expense reimbursements so they are properly supported and in compliance with our travel policy.

Conclusion – Response accepted.

- (2) Blue Ribbon Foundation Credit Card – Various employees use the Blue Ribbon Foundation’s credit card. Detailed credit card receipts were not always available to support credit card charges. Supporting documentation did not always include the business purpose and the names of those individuals present at the event for several Foundation purchases.

Recommendation – Credit card receipts should be maintained and reconciled to the detailed billing to support credit card charges. Supporting documentation should include the business purpose and the names of the individuals present at the event.

Response – The Foundation continues to emphasize proper documentation of credit card purchases, including detailed receipts and supporting documentation, including the business purpose and names of those present.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

---

Iowa State Fair Authority

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Jennifer L. Wall, CPA, Senior Auditor  
Keith C. Kistenmacher, Staff Auditor  
Jenny M. Podrebarac, Staff Auditor  
Ainslee M. Barnes, Staff Auditor  
Daniel W. Henaman, Staff Auditor  
Elizabeth A. Harriss, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State