



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 11, 2012

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Auditor of State David A. Vaudt today released an audit report on the Iowa State Fair Authority for the year ended October 31, 2011. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$20,638,067 for fiscal year 2011, an increase of 9.6% over the prior year. Revenues included \$7,032,703 from Fair admissions, \$3,352,538 from Fair concessions, \$3,055,586 from Fair entertainment and \$1,999,394 from interim events. Operating expenses of the Fair Authority for fiscal year 2011 totaled \$20,380,922, a 12.5% increase over the prior year. The Fair Authority reported operating income of \$257,145 for the year ended October 31, 2011 compared to operating income of \$719,616 for the prior year.

Foundation revenues were \$2,961,268 for fiscal year 2011, a 36.1% decrease from the prior year. Revenues included operating grants and contributions of \$917,464, capital grants and contributions of \$1,500,000 and charges for service of \$539,593. The Foundation had administration and promotion expenses of \$1,332,970 during fiscal year 2011, a 5.4% decrease from the prior year. The Foundation also provided capital contributions of \$1,451,872 to the Fair Authority from contributions.

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/1260-0110-0000.pdf>.

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

OCTOBER 31, 2011

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Iowa State Fair Authority

Officials

Name

Title

State

Honorable Terry E. Branstad
Honorable Michael L. Fitzgerald
David Roederer
Glen P. Dickinson

Governor
Treasurer of State
Director, Department of Management
Director, Legislative Services Agency

Board Members

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

President/Director, Southeast District
Vice President/Director, North Central District
Treasurer/Director, North Central District
Secretary of Agriculture
President, Iowa State University
Director, Northeast District
Director, Northeast District
Director, Northwest District
Director, Northwest District
Director, South Central District
Director, South Central District
Director, Southeast District
Director, Southwest District
Director, Southwest District
Chief Executive Officer/Manager

Iowa State Fair Authority



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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, 2011, 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, 2011, 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, 2011, 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 20, 2012 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 20, 2012

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, 2011. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Fair operating revenue increased 9.6% from fiscal year 2010 to fiscal year 2011. All departments, with the exception of sponsorships and commercial exhibitors, increased, with the majority of the increase coming from grandstand entertainment and admissions.
- Operating expenses increased 12.5% overall from fiscal year 2010 to fiscal year 2011. Most of the increases were due to the purchase of equipment for the new admissions system, an increase in interim event expenses due to a full year of utilization of the Jacobson Exhibition Center and by bringing in new events such as concerts. Grandstand expenses increased due to the increase in ticket sales. These expenses vary year to year depending on the strength of the entertainment schedule. It affects the cost of the show as well as the concession expense.
- The Fair created infrastructure for an online inhouse admissions system. The fair also improved the electric system for the horse and sheep barn and started the development of a more "green" area on the east side of the grounds known as Expo Hill focusing on renewable energy technologies.

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 which 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 Authority 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 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 represent information of the Iowa State Fair's operating and non-operating activities. The Iowa State Fair is internationally acclaimed and annually attracts more than a million fun-lovers from around the world. It 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. Special features include one of the world's largest livestock shows, the country's largest state fair food departments (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 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 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 (governmental and business type activities) totaled approximately \$86.2 million at the end of 2011 compared to approximately \$84.3 million at the end of the previous year.

Fair Authority Net Assets	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$4,657,194	4,472,981	13,927,602	11,586,426	18,584,796	16,059,407
Capital assets	61,493	68,359	69,805,192	70,500,878	69,866,685	70,569,237
Total assets	<u>\$4,718,687</u>	<u>\$4,541,340</u>	<u>83,732,794</u>	<u>82,087,304</u>	<u>88,451,481</u>	<u>86,628,644</u>
Current liabilities	\$ 12,598	\$ 22,397	1,279,358	1,513,372	1,291,956	1,535,769
Long-term liabilities	64,688	53,968	914,926	766,730	979,614	820,698
Total liabilities	<u>\$ 77,286</u>	<u>\$ 76,365</u>	<u>2,194,284</u>	<u>2,280,102</u>	<u>2,271,570</u>	<u>2,356,467</u>
Net assets:						
Invested in capital assets	\$ 61,493	\$ 68,359	69,805,192	70,500,878	69,866,685	70,569,237
Restricted for:						
Capital improvements	2,400,000	4,000,000	-	-	2,400,000	4,000,000
Other purposes	2,179,908	396,616	-	-	2,179,908	396,616
Unrestricted	-	-	11,733,318	9,306,324	11,733,318	9,306,324
Total net assets	<u>\$4,641,401</u>	<u>4,464,975</u>	<u>81,538,510</u>	<u>79,807,202</u>	<u>86,179,911</u>	<u>84,272,177</u>

The largest portion of the Fair Authority's net assets (81.1%) 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 (13.6%) represents assets used to meet the Fair Authority's ongoing obligations to vendors and creditors. The remaining balance (5.3%) 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	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for service	\$ 539,593	586,469	19,774,997	17,929,267	20,314,590	18,515,736
Operating grants and contributions	917,464	893,299	863,070	903,509	1,780,534	1,796,808
Capital grants and contributions	1,500,000	650,000	-	-	1,500,000	650,000
General revenues:						
State appropriation	-	2,500,000	-	-	-	2,500,000
Investment earnings	4,211	5,742	21,399	27,792	25,610	33,534
Gain on sale of capital assets	-	-	892	350	892	350
Total revenues	2,961,268	4,635,510	20,660,358	18,860,918	23,621,626	23,496,428
Expenses:						
Blue Ribbon Foundation fund raising	1,332,970	1,408,481	-	-	1,332,970	1,408,481
State Fair and other events	-	-	20,380,922	18,113,160	20,380,922	18,113,160
Total expenses	1,332,970	1,408,481	20,380,922	18,113,160	21,713,892	19,521,641
Increase in net assets before transfers	1,628,298	3,227,029	279,436	747,758	1,907,734	3,974,787
Transfers	(1,451,872)	(4,907,439)	1,451,872	4,907,439	-	-
Increase (decrease) in net assets	176,426	(1,680,410)	1,731,308	5,655,197	1,907,734	3,974,787
Net assets beginning of year	4,464,975	6,145,385	79,807,202	74,152,005	84,272,177	80,297,390
Net assets end of year	\$4,641,401	4,464,975	81,538,510	79,807,202	86,179,911	84,272,177

The Fair Authority's net assets increased approximately \$1.91 million, or 2.3%. The net assets of the business type activities increased approximately \$1.7 million. The majority of the increase comes from the increase in capital assets. The amount spent on capital projects in fiscal year 2011 was significantly less than in fiscal year 2010, which affected cash flow, including our reimbursements from the governmental activities for capital expenses. In fiscal year 2010, the Fair completed construction of the Richard O. Jacobson Exhibition Center. In fiscal year 2011, the capital projects mainly included infrastructure type projects. The construction of the Richard O. Jacobson Exhibition Center was a three phase project with the majority of the expenses occurring in fiscal year 2010. The transfers from the governmental side to the business type activities for capital improvements decreased approximately \$3.46 million.

The business type activities were blessed with perfect weather during the 2011 Iowa State Fair and revenues in virtually every department increased. The majority of the increases came from grandstand entertainment sales and admissions. Interim events also increased significantly over the prior year. Governmental activities revenues decreased approximately \$1.67 million. The Foundation received an appropriation of \$2.5 million from the Iowa State Legislature in fiscal year 2010 to be used for construction of the Richard O. Jacobson Exhibition Center. The Foundation did not receive an appropriation for fiscal year 2011. No new promotional items were introduced during fiscal year 2011 and, therefore, resulted in a reduction in charges for service. Fair Squares, a new tasty treat, was introduced and a collector's model toy tractor was offered in fiscal year 2010.

Approximately 89% of all business type activities revenues were generated from the Fair Authority's annual 11-day event, while the other 11% is from off-season rental of Fair Authority facilities and other miscellaneous sources. The largest revenue source of 34% comes from admissions, while concessions, commercial exhibitors and attractions contribute 28% and entertainment contributes 15%. Revenues of approximately \$2 million, or 10%, were from off-season rental of our facilities.

The Fair Authority expenses increased approximately \$2.19 million. Business type activities expenses increased approximately \$2.27 million and the governmental activities expenses decreased \$75,511. The Fair completed the construction and implementation of a new admissions system. Admissions expense increased significantly to accommodate the purchase of computers, printers and scanners. Interim events expenses increased due to having two concerts in the Jacobson Center during fiscal year 2011. Expenses associated with putting on a concert were new to this department. With the Richard O. Jacobson Exhibition Center in full operation for interim events in fiscal year 2011, utilities also increased. Grandstand expenses were up due to a strong lineup of entertainment and increased ticket sales. The governmental activities showed a decrease in both administration and promotional expenses. In fiscal year 2010, the Foundation introduced Fair Squares and another collector's model toy tractor. No new promotional item was introduced in fiscal year 2011.

The largest business type activities expense is payroll, which accounts for 33% 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 21% 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 15% 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 \$1.3 million, a decrease of approximately \$320,000 from the prior year. 100% of the fund balance is restricted or non-spendable, which means the full balance is restricted for specific purposes with the majority committed to pay for the renovation of specific projects or is subject to other donor imposed restrictions. The decrease in the ending fund balance is attributed to a reduction in revenues, expenses and transfers to the business type activities. In fiscal year 2011, the Foundation did not receive an appropriation as it had in fiscal year 2010, nor did it offer any new promotions. The amount of money spent on capital projects reduced significantly, affecting the liability owed to the business type activities at year end.

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, 2011, the Fair's proprietary fund reported an ending net asset balance of approximately \$81.5 million, an increase of approximately \$1.7 million from 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, 2011 was approximately \$104.6 million, net of accumulated depreciation of approximately \$34.8 million, leaving a net book value of approximately \$69.8 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 Fair Authority's capital assets ending balance for the current fiscal year decreased approximately \$700,000. The decrease is attributed to depreciation expense exceeding capital asset acquisitions. The budget for capital assets was reduced 80% in fiscal year 2011 in comparison to fiscal year 2010.

Two major projects started in 2011 were new electric service for the sheep barn and the development of Expo Hill to showcase renewable energy technologies and landscaping has been given a "green" renovation. Funds to pay for the completion of these projects will come from the Fair Authority's revenues as well as some contributions and grants. More detailed information about the Fair Authority's capital assets is presented in Note 3 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Fair Authority's officials and management considered many factors when setting the fiscal year 2012 budget and fees charged for the various Fair activities. Operating expenses are expected to only increase slightly. Revenues are expected to be similar in comparison to fiscal year 2011 as well. The only budgeted price increases are for space rental and interim camping rates. The Fair Authority's net assets for fiscal year 2012 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 more than one million people who enjoy the Fair and its neighboring attractions, events and restaurants during their visit, resulting in more than \$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, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash, cash equivalents and investments	\$ 1,527,248	12,988,577	14,515,825
Receivables:			
Accounts	-	404,162	404,162
Accrued interest	1,115	43,000	44,115
Pledges	1,949,890	-	1,949,890
Internal balances	(491,863)	491,863	-
Inventories	286,804	-	286,804
Total current assets	<u>3,273,194</u>	<u>13,927,602</u>	<u>17,200,796</u>
Noncurrent assets:			
Pledges receivable	1,384,000	-	1,384,000
Capital assets (net of accumulated depreciation):			
Land	-	5,763,824	5,763,824
Buildings	-	55,875,514	55,875,514
Equipment	-	1,229,906	1,229,906
Vehicles	61,493	136,984	198,477
Infrastructure	-	5,845,883	5,845,883
Construction in progress	-	953,081	953,081
Total noncurrent assets	<u>1,445,493</u>	<u>69,805,192</u>	<u>71,250,685</u>
Total assets	<u>4,718,687</u>	<u>83,732,794</u>	<u>88,451,481</u>
Liabilities			
Current liabilities:			
Accounts payable	-	650,648	650,648
Salaries payable	2,306	161,758	164,064
Unearned revenue	-	72,574	72,574
Compensated absences and OPEB	10,292	334,428	344,720
Refundable deposits	-	59,950	59,950
Total current liabilities	<u>12,598</u>	<u>1,279,358</u>	<u>1,291,956</u>
Noncurrent liabilities:			
Compensated absences and OPEB	64,688	914,926	979,614
Total liabilities	<u>77,286</u>	<u>2,194,284</u>	<u>2,271,570</u>
Net Assets			
Invested in capital assets	61,493	69,805,192	69,866,685
Restricted for:			
Capital improvements	2,400,000	-	2,400,000
Other purposes	2,179,908	-	2,179,908
Unrestricted	-	11,733,318	11,733,318
Total net assets	<u>\$ 4,641,401</u>	<u>81,538,510</u>	<u>86,179,911</u>

See notes to financial statements.

Iowa State Fair Authority

Statement of Activities

Year ended October 31, 2011

Functions	Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Blue Ribbon Foundation	\$ 1,332,970	539,593	917,464	1,500,000
Business type activities:				
State Fair and other events	20,380,922	19,774,997	863,070	-
Total	<u>\$ 21,713,892</u>	<u>20,314,590</u>	<u>1,780,534</u>	<u>1,500,000</u>

General revenues and transfers:

Investment earnings

Gain on sale of capital 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
1,624,087	-	1,624,087
-	257,145	257,145
1,624,087	257,145	1,881,232
4,211	21,399	25,610
-	892	892
(1,451,872)	1,451,872	-
(1,447,661)	1,474,163	26,502
176,426	1,731,308	1,907,734
4,464,975	79,807,202	84,272,177
\$ 4,641,401	81,538,510	86,179,911

Exhibit C

Iowa State Fair Authority

Balance Sheet
Special Revenue Fund

October 31, 2011

Assets

Assets:

Cash and investments	\$ 1,527,248
Interest receivable	1,115
Pledges receivable	3,333,890
Inventories	<u>286,804</u>
Total assets	<u><u>\$ 5,149,057</u></u>

Liabilities and Fund Balance

Liabilities:

Internal balances	\$ 491,863
Salaries payable	2,306
Deferred revenue	<u>3,333,427</u>
Total liabilities	<u><u>3,827,596</u></u>

Fund balance:

Nonspendable:	
Inventories	286,804
Restricted for:	
Capital improvements	1,000,000
Administration costs	34,657
Total fund balance	<u><u>1,321,461</u></u>
Total liabilities and fund balance	<u><u>\$ 5,149,057</u></u>

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets**Fund balance - Special Revenue Fund** \$ 1,321,461

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>(44,190)</u>	61,493

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.

3,333,427

Certain 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.

(74,980)**Net assets of governmental activities****\$ 4,641,401**

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, 2011

Revenues:	
Contributions	\$ 1,689,429
Sales of promotional items	363,086
Other sales	176,507
In-kind support	213,618
Interest on investments	4,211
Total revenues	<u>2,446,851</u>
Expenditures:	
Administration	532,078
Promotion	783,209
Total expenditures	<u>1,315,287</u>
Excess of revenues over expenditures	1,131,564
Other financing uses:	
Transfers out	<u>(1,451,872)</u>
Net change in fund balance	(320,308)
Fund balance beginning of year	<u>1,641,770</u>
Fund balance end of year	<u><u>\$ 1,321,462</u></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 \$ (320,308)

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. 514,417

The governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense in the current year was \$6,866. (6,866)

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. (10,817)

Change in net assets of governmental activities \$ 176,426

See notes to financial statements.

Iowa State Fair Authority

Statement of Net Assets
Enterprise Fund

October 31, 2011

Assets

Current assets:	
Cash and investments	\$ 12,988,577
Receivables:	
Accounts	404,162
Accrued interest	43,000
Internal balances	491,863
Total current assets	<u>13,927,602</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	5,763,824
Buildings	55,875,514
Equipment	1,229,906
Vehicles	136,984
Infrastructure	5,845,883
Construction in progress	953,081
Total noncurrent assets	<u>69,805,192</u>
Total assets	<u>83,732,794</u>

Liabilities

Current liabilities:	
Accounts payable	650,648
Salaries payable	161,758
Unearned revenue	72,574
Compensated absences and OPEB	334,428
Refundable deposits	59,950
Total current liabilities	<u>1,279,358</u>
Noncurrent liabilities:	
Compensated absences and OPEB	<u>914,926</u>
Total liabilities	<u>2,194,284</u>

Net Assets

Invested in capital assets	69,805,192
Unrestricted	11,733,318
Total net assets	<u>\$ 81,538,510</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, 2011

Operating revenues:	
Admissions	\$ 7,032,703
Attractions	1,131,973
Commercial exhibitors	1,318,781
Concessions	3,352,538
Grandstand and racetrack entertainment	3,055,586
Entry fees	394,614
Campground fees and services	1,242,936
Sponsorships	863,070
Interim events	1,999,394
Miscellaneous	246,472
Total operating revenues	<u>20,638,067</u>
Operating expenses:	
Administration	3,006,529
Admissions	923,978
Concessions	436,055
Entry and competitive events	1,187,556
Fair services	1,221,290
Grandstand and racetrack	2,831,372
Utilities and maintenance	5,336,525
Marketing and promotion	785,302
Public safety	804,669
Sponsorship	26,241
Special entertainment	678,431
Treasurer	29,018
Depreciation	2,731,226
Interim events	382,730
Total operating expenses	<u>20,380,922</u>
Operating income	<u>257,145</u>
Non-operating revenues:	
Investment income	21,399
Gain on sale of capital assets	892
Total non-operating revenues	<u>22,291</u>
Income before transfers	279,436
Operating transfers in	<u>1,451,872</u>
Change in net assets	1,731,308
Net assets beginning of year	<u>79,807,202</u>
Net assets end of year	<u>\$ 81,538,510</u>

See notes to financial statements.

Exhibit G

Iowa State Fair Authority

Statement of Cash Flows
Enterprise Fund

Year ended October 31, 2011

Cash flows from operating activities:		
Cash received from events	\$ 20,802,623	
Cash paid to suppliers	(11,278,717)	
Cash paid to employees	<u>(6,529,371)</u>	
Net cash provided by operating activities		\$ 2,994,535
Cash flows from non-capital financing activities:		
Transfers in from other funds		2,894,087
Cash flows from capital financing activities:		
Acquisition of property and equipment	(2,035,540)	
Proceeds from sale of capital assets	<u>892</u>	
Net cash used by capital financing activities		(2,034,648)
Cash flows from investing activities:		
Interest on investments	95,699	
Proceeds from sale and maturities of investments	1,540,000	
Purchase of investments	<u>(2,401,958)</u>	
Net cash used by investing activities		<u>(766,259)</u>
Net increase in cash and cash equivalents		3,087,715
Cash and cash equivalents beginning of year		<u>7,588,661</u>
Cash and cash equivalents end of year		10,676,376
Investments		<u>2,312,201</u>
Cash and investments end of year		<u>\$ 12,988,577</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 257,145
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 2,731,226	
Changes in assets and liabilities:		
Decrease in accounts receivable	91,982	
Decrease in accounts payable	(263,395)	
Decrease in salaries payable	(84,801)	
Increase in unearned revenue	72,574	
Increase in refundable deposits	2,140	
Increase in compensated absences and OPEB	<u>187,664</u>	
Total adjustments		<u>2,737,390</u>
Net cash provided by operating activities		<u>\$ 2,994,535</u>
See notes to financial statements.		

Iowa State Fair Authority

Notes to Financial Statements

October 31, 2011

(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, 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.

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, 2011, 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, GASB Statement No. 45 requires employers recognize the implicit rate subsidy in postretirement medical plans provided by governmental employers.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

(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, 2011 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, 2011, the Fair Authority had the following investments in corporate notes:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Risk</u>
Goldman Sachs Group, Inc.	\$ 773,581	January 15, 2012	A1
Bank of America Corp.	506,655	March 15, 2012	A2
General Electric Capital Corp.	<u>1,031,965</u>	June 15, 2012	Aa2
Total	<u>\$ 2,312,201</u>		

In addition, the Foundation had an investment in a money market account held by Merrill Lynch which is valued at an amortized cost of \$230,389 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 General Electric Capital Corp. (7.95%) and Goldman Sachs Group, Inc. (5.96%).

(3) Capital Assets

Capital assets activity for the year ended October 31, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Equipment	\$ 105,683	-	-	105,683
Less accumulated depreciation	(37,324)	(6,866)	-	(44,190)
Governmental activities capital assets, net	<u>\$ 68,359</u>	<u>(6,866)</u>	<u>-</u>	<u>61,493</u>
Business type activities:				
Land, not being depreciated	\$ 5,629,654	134,170	-	5,763,824
Buildings	68,258,923	15,562,770	-	83,821,693
Equipment	2,519,785	429,393	-	2,949,178
Vehicles	686,390	106,517	(24,429)	768,478
Infrastructure	9,786,152	564,730	-	10,350,882
Construction in progress, not being depreciated	15,715,121	942,104	(15,704,144)	953,081
Total capital assets	<u>102,596,025</u>	<u>17,739,684</u>	<u>(15,728,573)</u>	<u>104,607,136</u>
Less accumulated depreciation for:				
Buildings	(25,859,835)	(2,086,344)	-	(27,946,179)
Equipment	(1,589,480)	(129,792)	-	(1,719,272)
Vehicles	(620,815)	(35,108)	24,429	(631,494)
Infrastructure	(4,025,017)	(479,982)	-	(4,504,999)
Total accumulated depreciation	<u>(32,095,147)</u>	<u>(2,731,226)</u>	<u>24,429</u>	<u>(34,801,944)</u>
Business type activities capital assets, net	<u>\$70,500,878</u>	<u>15,008,458</u>	<u>(15,704,144)</u>	<u>69,805,192</u>

(4) Operating Leases

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

Year Ending October 31,	Amount
2012	17,868
2013	17,868
2014	1,489
Total	<u>\$ 37,225</u>

Rental expense for the year ended October 31, 2011 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 5.38% of their annual covered salary and the Fair Authority is required to contribute 8.07% of annual covered payroll, effective July 1, 2011. Between July 1, 2010 and June 30, 2011, plan members were required to contribute 4.50% and the Fair Authority was required to contribute 6.95%. For the year ended October 31, 2009, plan members were required to contribute 4.30% and the Fair Authority was required to contribute 6.65%. Contribution requirements are established by state statute. The Fair Authority's contributions to IPERS for the years ended October 31, 2011, 2010 and 2009 were \$303,478, \$261,684 and \$250,696, 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, 2011 are summarized as follows:

	Governmental Activities			Business Type Activities		
	Compensated			Compensated		
	Absences	OPEB	Total	Absences	OPEB	Total
Beginning balance	\$ 58,301	5,862	64,163	951,701	109,989	1,061,690
Additions	31,469	9,102	40,571	518,429	166,870	685,299
Deletions	29,754	-	29,754	497,635	-	497,635
Ending balance	\$ 60,016	14,964	74,980	972,495	276,859	1,249,354
Due within one year	\$ 10,292	-	10,292	334,428	-	334,428

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% 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. 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, 2011, two retired employees received benefits of \$18,108 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 \$378,000,000 for the State of Iowa as of June 30, 2011. 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, 2011. 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 \$291,823 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 \$6,197,766 under these contracts as of October 31, 2011. The remaining contractual obligation as of October 31, 2011 for projects already in progress totals \$438,493.

(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 from 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, 2011

	Adminis- tration	Promotion	Total
Personal services	\$ 425,000	-	425,000
Travel	4,442	-	4,442
Supplies and materials	51,501	-	51,501
Contractual services	28,004	-	28,004
Miscellaneous	3,111	-	3,111
Equipment	20,020	-	20,020
Marketing	-	495,292	495,292
Donor promotion	-	287,917	287,917
	<hr/>		
Total	\$ 532,078	783,209	1,315,287

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object
Enterprise Fund

Year ended October 31, 2011

	Admin- istration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Racetrack
Personal services	\$ 2,451,437	264,324	26,776	154,324	53,547	71,096
Travel and conferences	91,642	-	-	-	-	-
Supplies and materials	72,910	64,005	407,024	132,418	263,293	-
Judging	-	-	-	262,081	-	-
Contractual services	215,049	584,965	1,975	107,233	875,065	352,914
Repair and improvements	-	-	-	-	-	-
Talent	-	-	-	-	-	2,376,081
Advertising	-	-	-	705	-	-
Claims and miscellaneous	175,491	10,684	280	84,006	29,385	31,281
Premiums	-	-	-	446,789	-	-
Depreciation	-	-	-	-	-	-
Total	\$ 3,006,529	923,978	436,055	1,187,556	1,221,290	2,831,372

See accompanying independent auditor's report.

Utilities and Maintenance	Marketing and Promotion	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
2,999,260	-	712,785	-	6,607	10,228	-	-	6,750,384
-	-	-	-	-	-	-	-	91,642
587,797	-	17,549	26,241	8,094	-	-	47,848	1,627,179
-	-	-	-	2,148	-	-	-	264,229
1,697,744	27,674	74,335	-	135,443	-	-	167,957	4,240,354
16,057	-	-	-	-	-	-	-	16,057
-	-	-	-	492,650	-	-	163,696	3,032,427
-	726,969	-	-	-	-	-	-	727,674
35,667	30,659	-	-	33,489	18,790	-	3,229	452,961
-	-	-	-	-	-	-	-	446,789
-	-	-	-	-	-	2,731,226	-	2,731,226
5,336,525	785,302	804,669	26,241	678,431	29,018	2,731,226	382,730	20,380,922

Schedule 3

Iowa State Fair Authority
Summary of Operating Revenues and State Fair Attendance
For the Five Years Ended October 31, 2011

Fiscal Year	Operating Revenues	Operating Income (Loss)	State Fair Attendance (Unaudited)
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
2011	20,638,067	257,145	1,081,000

See accompanying independent auditor's report.

Iowa State Fair Authority
Grandstand Performances
Year ended October 31, 2011

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
Casting Crowns with Sanctus Real	7,233	\$ 216,990	147,692	69,298
Jason Aldean with Chris Young and Thompson Square	11,236	489,120	413,002	76,118
Def Leppard with Heart	10,619	517,063	437,563	79,500
Kansas and Doobie Brothers	5,935	273,010	117,000	156,010
Ronnie Dunn with Steel Magnolia	1,831	63,298	120,000	(56,702)
Train and Maroon 5 with PJ Mortan	10,354	483,978	378,981	104,997
Reba with Jerrod Niemann	10,404	466,280	364,838	101,442
Janet Jackson	4,707	290,525	398,215	(107,690)
Total	<u>62,319</u>	<u>\$2,800,264</u>	<u>2,377,291</u>	<u>422,973</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, 2011
(Unaudited)

Fiscal Year	Sales Reported by Vendor		
	Food	Beer	Merchandise
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
2011	8,908,188	739,272	2,526,453

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

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Auditor of State

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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, 2011, 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 20, 2012. 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

Management of the Iowa State Fair Authority is responsible for establishing and maintaining effective 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 which are described in the accompanying Schedule of Findings.

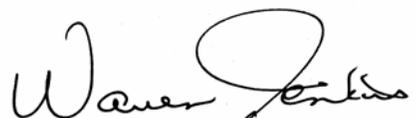
Comments about the Iowa State Fair Authority's operations for the year ended October 31, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Iowa State Fair Authority. Since our audit was based on tests and samples, not all transactions 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 the 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 20, 2012

Iowa State Fair Authority

Schedule of Findings

Year ended October 31, 2011

Findings Related to the 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, cell phones were reimbursed at an unapproved rate. For six of twenty-five transactions, the public purpose was not documented on the claim, although public purpose was determined to be met after further inquiry.

Recommendation – Itemized receipts should be maintained for all reimbursements and cell phones should be reimbursed at the approved rate. The public purpose should be documented for all expenses.

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 II
Keith C. Kistenmacher, Staff Auditor
Jenny M. Podrebarac, Staff Auditor
Jennifer M. Kopp, Staff Auditor
Adam B. Bartz, Assistant Auditor
Robert W. Endriss, Assistant Auditor
Victor L. Kennedy, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State