

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 1, 2013

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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, 2012. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$21,112,711 for fiscal year 2012, an increase of 2.3% over the prior year. Revenues included \$6,012,942 from Fair admissions, \$3,425,905 from Fair concessions, \$2,995,302 from Fair entertainment and \$2,278,358 from interim events. Operating expenses of the Fair Authority for fiscal year 2012 totaled \$20,515,538, a 0.7% increase over the prior year. The Fair Authority reported operating income of \$597,173 for the year ended October 31, 2012 compared to operating income of \$257,145 for the prior year.

Foundation revenues were \$2,513,411 for fiscal year 2012, a 15.1% decrease from the prior year. Revenues included operating grants and contributions of \$561,340, capital grants and contributions of \$1,225,000 and charges for service of \$455,820. The Foundation had administration and promotion expenses of \$1,489,325 during fiscal year 2012, an 11.7% increase over the prior year. The Foundation also provided capital contributions of \$1,805,163 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/1360-0110-0000.pdf>.

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IOWA STATE FAIR AUTHORITY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
OCTOBER 31, 2012

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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

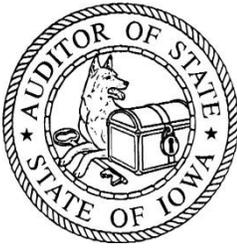
Governor
Treasurer of State
Director, Department of Management
Director, Legislative Services Agency

Board Members

Gary McConnell
Alan Brown
James Romer
Honorable Bill Northey
Dr. Steven Leath
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, 2012, 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, 2012, 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, 2012, 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 15, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 7 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements of the Iowa State Fair Authority. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information presented in Schedules 1 through 4 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 15, 2013

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, 2012. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Fair operating revenues increased 2.3% from fiscal year 2011 to fiscal year 2012. The majority of the departments showed an increase from the prior year. Admission and parking, grandstand and racetrack entertainment and miscellaneous revenues decreased slightly from the prior year.
- Operating expenses increased only slightly from the previous year. Some of the increases were due to the purchase of a zip line and software for the Concessions department. Depreciation expense increased significantly from last fiscal year. Admissions and grandstand entertainment expense decreased significantly in fiscal year 2012. In fiscal year 2011, the Fair purchased equipment for our new admissions system and grandstand entertainment talent was less expensive in fiscal year 2012.
- The Fair started the renovation of the Patty and Jim Cownie Cultural Center in 2012 by installing two elevators. More renovations will be completed in fiscal year 2013, including electrical, plumbing, climate control, a fully functional 3rd floor, windows and façade and courtyard enhancements.

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 activities 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 activities 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 33.

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

Governmental Activities – These statements present information on the Iowa State Fair Blue Ribbon Foundation 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 on 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 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. The departmental activities of the Fair include administration, admissions, concessions, entry and competitive events, fair services, grandstand and racetrack, utilities and maintenance, marketing and promotion, parking, public safety, sponsorship, special entertainment, treasurer and interim events. Parking is displayed as a separate department in fiscal year 2012. In previous years, parking was included in the admissions department.

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 Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented on the bottom of each governmental fund financial statement.

Proprietary Fund Financial Statements – The Iowa State Fair's activities are reported through this fund. This fund is used to show activities that operate more like those of commercial enterprises. Because this fund charges fees for service provided to outside customers, including local government, it is known as an Enterprise Fund. Proprietary fund 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 33 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 \$87.9 million at June 30, 2012 compared to approximately \$86.2 million at June 30, 2011.

Fair Authority Net Assets	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$3,887,022	4,657,194	15,807,544	13,927,602	19,694,566	18,584,796
Capital assets	55,325	61,493	70,236,196	69,805,192	70,291,521	69,866,685
Total assets	\$3,942,347	4,718,687	86,043,740	83,732,794	89,986,087	88,451,481
Current liabilities	\$ 12,314	12,598	1,043,289	1,279,358	1,055,603	1,291,956
Long-term liabilities	69,709	64,688	983,270	914,926	1,052,979	979,614
Total liabilities	\$ 82,023	77,286	2,026,559	2,194,284	2,108,582	2,271,570
Net assets:						
Invested in capital assets	\$ 55,325	61,493	70,236,196	69,805,192	70,291,521	69,866,685
Restricted for:						
Endowment	271,879	-	-	-	271,879	-
Capital improvements	1,675,000	2,400,000	-	-	1,675,000	2,400,000
Other purposes	1,858,120	2,179,908	-	-	1,858,120	2,179,908
Unrestricted	-	-	13,780,985	11,733,318	13,780,985	11,733,318
Total net assets	\$3,860,324	4,641,401	84,017,181	81,538,510	87,877,505	86,179,911

The largest portion of the Fair Authority's net assets (80%) 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 (15.7%) represents assets used to meet the Fair Authority's ongoing obligations to vendors and creditors.

The remaining balance (4.3%) 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. The Blue Ribbon Foundation created an Endowment Fund in fiscal year 2012 called Our Fair's Future – Blue Ribbon Foundation Endowment. Supported by donations, this fund allows donors to invest in the future of the Iowa State Fair. Withdrawals from the invested capital will be used for capital projects and future maintenance.

Fair Authority Changes in Net Assets	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for service	\$ 455,820	539,593	20,123,702	19,774,997	20,579,522	20,314,590
Operating grants and contributions	561,340	917,464	989,009	863,070	1,550,349	1,780,534
Capital grants and contributions	1,225,000	1,500,000	-	-	1,225,000	1,500,000
General revenues:						
State appropriation	250,000	-	-	-	250,000	-
Investment earnings	21,251	4,211	77,620	21,399	98,871	25,610
Gain on sale of capital assets	-	-	-	892	-	892
Total revenues	2,513,411	2,961,268	21,190,331	20,660,358	23,703,742	23,621,626
Expenses:						
Blue Ribbon Foundation						
fund raising	1,489,325	1,332,970	-	-	1,489,325	1,332,970
State Fair and other events	-	-	20,516,823	20,380,922	20,516,823	20,380,922
Total expenses	1,489,325	1,332,970	20,516,823	20,380,922	22,006,148	21,713,892
Increase in net assets before transfers	1,024,086	1,628,298	673,508	279,436	1,697,594	1,907,734
Transfers	(1,805,163)	(1,451,872)	1,805,163	1,451,872	-	-
Increase (decrease) in net assets	(781,077)	176,426	2,478,671	1,731,308	1,697,594	1,907,734
Net assets beginning of year	4,641,401	4,464,975	81,538,510	79,807,202	86,179,911	84,272,177
Net assets end of year	\$3,860,324	4,641,401	84,017,181	81,538,510	87,877,505	86,179,911

The Fair Authority's net assets increased approximately \$1.7 million, or 2%. The net assets of the business type activities increased approximately \$2.48 million. The majority of the increase comes from the transfers from the governmental side to the business type activities for capital improvements as well as the increase in revenues over the prior year.

The business type activities were again blessed with perfect, but cooler, weather during the 2012 Iowa State Fair and revenues in virtually every department increased. The majority of the increases came from concessions and sponsorships. Interim events also increased significantly from the prior year. Governmental activities revenues decreased approximately \$448,000. The Foundation received an appropriation of \$250,000 from the Iowa State Legislature in fiscal year 2012 to be used for the renovation of the Cultural Center. The Foundation did not receive an appropriation for fiscal year 2011. No new promotional items were introduced during fiscal year 2012. Fair Square sales increased over the prior year. However, the cooler weather resulted in a significant reduction in the sale of water, resulting in a reduction in charges for service. Fair Squares, a new tasty treat, was introduced 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 33% comes from admissions and parking, while concessions, commercial exhibitors and attractions contribute 28% and entertainment contributes 14%. Revenues of approximately \$2.3 million, or 11%, were from off-season rental of our facilities.

The Fair Authority's expenses for both the business type and governmental activities only increased slightly from the previous year. The Fair added a zip line to the attractions and reduced expenses, mainly in admissions and grandstand entertainment. The governmental activities showed an increase in both administration and promotional expenses. In fiscal year 2012, new computer equipment and website redesign occurred, as well as promotion for a new cookbook, new biography book and additional merchandise was purchased.

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 19% 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 13% of all expenses.

FINANCIAL ANALYSIS OF THE FAIR AUTHORITY'S INDIVIDUAL FUNDS

Governmental Funds

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 funds 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 funds reported an ending fund balance of approximately \$2.3 million, an increase of approximately \$947,000 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. One reason for the increase in fund balance is attributed to a new Endowment fund created in 2012 called Our Fair's Future - Blue Ribbon Foundation Endowment. Other reasons are an increase in contribution revenue and the \$250,000 appropriation allocated from the State Legislature. The Foundation did not receive an appropriation in fiscal year 2011.

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, 2012, the Fair's proprietary fund reported an ending net asset balance of approximately \$84 million, an increase of approximately \$2.5 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, 2012 was approximately \$108 million, net of accumulated depreciation of approximately \$37.7 million, leaving a net book value of approximately \$70.3 million. This investment in capital assets includes land, buildings, infrastructures, equipment, vehicles and construction in progress. Infrastructure assets are items that are normally immovable, such as streets and sidewalks, drainage systems, lighting systems and similar items.

Capital projects started in fiscal year 2012 include the renovation of the Patty and Jim Cownie Cultural Center, a new restroom and a new marquee at 2 entrances of the fairgrounds which will display relevant fair information in LED modules. Expo Hill continued development in 2012. Expo Hill will 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. 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 2013 budget and fees charged for the various Fair activities. Operating expenses are expected to only increase slightly. Revenues are expected to increase due to increasing our fair admission price by \$1. The only budgeted price increases are admission prices. The Fair Authority's net assets for fiscal year 2013 are expected to increase modestly.

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.

Iowa State Fair Authority

Basic Financial Statements

Iowa State Fair Authority

Statement of Net Assets

October 31, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash, cash equivalents and investments	\$ 1,778,023	15,145,102	16,923,125
Unexpended appropriation	250,000	-	250,000
Receivables:			
Accounts	-	471,829	471,829
Accrued interest	2,694	46,344	49,038
Pledges	828,929	-	828,929
Internal balances	(144,269)	144,269	-
Inventories	233,645	-	233,645
Total current assets	2,949,022	15,807,544	18,756,566
Noncurrent assets:			
Pledges receivable	938,000	-	938,000
Capital assets, net of accumulated depreciation:			
Land	-	6,464,505	6,464,505
Buildings	-	54,276,601	54,276,601
Equipment	-	1,224,860	1,224,860
Vehicles	55,325	142,040	197,365
Infrastructure	-	5,381,332	5,381,332
Construction in progress	-	2,746,858	2,746,858
Total noncurrent assets	993,325	70,236,196	71,229,521
Total assets	3,942,347	86,043,740	89,986,087
Liabilities			
Current liabilities:			
Accounts payable	-	384,186	384,186
Salaries payable	4,831	199,558	204,389
Unearned revenue	-	77,290	77,290
Compensated absences and OPEB	7,483	324,930	332,413
Refundable deposits	-	57,325	57,325
Total current liabilities	12,314	1,043,289	1,055,603
Noncurrent liabilities:			
Compensated absences and OPEB	69,709	983,270	1,052,979
Total liabilities	82,023	2,026,559	2,108,582
Net Assets			
Invested in capital assets	55,325	70,236,196	70,291,521
Restricted for:			
Endowment	271,879	-	271,879
Capital improvements	1,675,000	-	1,675,000
Other purposes	1,858,120	-	1,858,120
Unrestricted	-	13,780,985	13,780,985
Total net assets	\$ 3,860,324	84,017,181	87,877,505

See notes to financial statements.

Iowa State Fair Authority

Statement of Activities

Year ended October 31, 2012

Functions	Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Blue Ribbon Foundation	\$ 1,489,325	455,820	561,340	1,225,000
Business type activities:				
State Fair and other events	20,516,822	20,123,702	989,009	-
Total	<u>\$ 22,006,147</u>	<u>20,579,522</u>	<u>1,550,349</u>	<u>1,225,000</u>

General revenues and transfers:

State appropriation

Investment earnings

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
752,835	-	752,835
-	595,889	595,889
752,835	595,889	1,348,724
250,000	-	250,000
21,251	77,619	98,870
(1,805,163)	1,805,163	-
(1,533,912)	1,882,782	348,870
(781,077)	2,478,671	1,697,594
4,641,401	81,538,510	86,179,911
\$ 3,860,324	84,017,181	87,877,505

Exhibit C

Iowa State Fair Authority

Balance Sheet
Governmental Funds

October 31, 2012

Assets	Special Revenue		
	Blue Ribbon Foundation	Nonmajor Foundation Endowment	Total
Assets:			
Cash and investments	\$ 1,506,144	271,879	1,778,023
Unexpended appropriation	250,000	-	250,000
Interest receivable	2,694	-	2,694
Pledges receivable	1,766,929	-	1,766,929
Inventories	233,645	-	233,645
Total assets	\$ 3,759,412	271,879	4,031,291
Liabilities and Fund Balance			
Liabilities:			
Internal balances	\$ 144,269	-	144,269
Salaries payable	4,831	-	4,831
Deferred revenue	1,613,929	-	1,613,929
Total liabilities	1,763,029	-	1,763,029
Fund balance:			
Nonspendable:			
Inventories	233,645	-	233,645
Restricted for:			
Endowment	-	271,879	271,879
Capital improvements	1,250,000	-	1,250,000
Administration	512,738	-	512,738
Total fund balance	1,996,383	271,879	2,268,262
Total liabilities and fund balance	\$ 3,759,412	271,879	4,031,291
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets			
Fund balance - Special Revenue Funds	\$ 1,996,383	271,879	2,268,262
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 funds. These assets consist of:			
Equipment	\$ 105,683		
Less accumulated depreciation	(50,358)	55,325	-
			55,325
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 funds.			
	1,613,929	-	1,613,929
Certain liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds. These liabilities consist of compensated absences and OPEB.			
	(77,192)	-	(77,192)
Net assets of governmental activities	\$ 3,588,445	271,879	3,860,324

See notes to financial statements.

Iowa State Fair Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds

Year ended October 31, 2012

	Special Revenue		
	Nonmajor		Total
	Blue Ribbon Foundation	Foundation Endowment	
Revenues:			
State appropriation	\$ 250,000	-	250,000
Contributions	3,306,064	28,030	3,334,094
Sales of promotional items	346,008	-	346,008
Other sales	109,812	-	109,812
In-kind support	171,744	-	171,744
Interest on investments	6,592	14,659	21,251
Total revenues	<u>4,190,220</u>	<u>42,689</u>	<u>4,232,909</u>
Expenditures:			
Administration	597,734	1,310	599,044
Promotion	881,900	-	881,900
Total expenditures	<u>1,479,634</u>	<u>1,310</u>	<u>1,480,944</u>
Excess of revenues over expenditures	<u>2,710,586</u>	<u>41,379</u>	<u>2,751,965</u>
Other financing sources (uses):			
Transfers in	-	230,500	230,500
Transfers out	(2,035,663)	-	(2,035,663)
Total other financing sources (uses):	<u>(2,035,663)</u>	<u>230,500</u>	<u>(1,805,163)</u>
Change in fund balance	674,923	271,879	946,802
Fund balance beginning of year	1,321,462	-	1,321,462
Fund balance end of year	<u>\$ 1,996,385</u>	<u>271,879</u>	<u>2,268,264</u>
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities			
Change in fund balance - Special Revenue Funds	\$ 674,923	271,879	946,802
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 governmental funds until available.	(1,719,498)	-	(1,719,498)
The governmental funds report 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 \$6,168.	(6,168)	-	(6,168)
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 funds.	(2,213)	-	(2,213)
Change in net assets of governmental activities	<u>\$ (1,052,956)</u>	<u>271,879</u>	<u>(781,077)</u>

See notes to financial statements.

Exhibit E

Iowa State Fair Authority

Statement of Net Assets
Enterprise Fund

October 31, 2012

Assets	
Current assets:	
Cash and investments	\$ 15,145,102
Receivables:	
Accounts	471,829
Accrued interest	46,344
Internal balances	144,269
Total current assets	<u>15,807,544</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Land	6,464,505
Buildings	54,276,601
Equipment	1,224,860
Vehicles	142,040
Infrastructure	5,381,332
Construction in progress	2,746,858
Total noncurrent assets	<u>70,236,196</u>
Total assets	<u>86,043,740</u>
Liabilities	
Current liabilities:	
Accounts payable	384,186
Salaries payable	199,558
Unearned revenue	77,290
Compensated absences and OPEB	324,930
Refundable deposits	57,325
Total current liabilities	<u>1,043,289</u>
Noncurrent liabilities:	
Compensated absences and OPEB	<u>983,270</u>
Total liabilities	<u>2,026,559</u>
Net Assets	
Invested in capital assets	70,236,196
Unrestricted	<u>13,780,985</u>
Total net assets	<u><u>\$ 84,017,181</u></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, 2012

Operating revenues:	
Admissions	\$ 6,012,942
Attractions	1,137,245
Commercial exhibitors	1,449,433
Concessions	3,425,905
Grandstand and racetrack entertainment	2,995,302
Parking	950,914
Entry fees	412,426
Campground fees and services	1,269,683
Sponsorships	989,009
Interim events	2,278,358
Miscellaneous	191,494
Total operating revenues	<u>21,112,711</u>
Operating expenses:	
Administration	3,048,580
Admissions	401,533
Concessions	527,589
Entry and competitive events	1,145,523
Fair services	1,235,061
Grandstand and racetrack	2,723,287
Utilities and maintenance	5,310,378
Marketing and promotion	820,525
Parking	184,109
Public safety	874,225
Sponsorship	37,884
Special entertainment	700,190
Treasurer	28,985
Depreciation	3,077,870
Interim events	399,799
Total operating expenses	<u>20,515,538</u>
Operating income	<u>597,173</u>
Non-operating revenues (expenses):	
Investment income	77,620
Loss on disposition of capital assets	(1,285)
Total non-operating revenues	<u>76,335</u>
Income before transfers	673,508
Operating transfers in	<u>1,805,163</u>
Change in net assets	2,478,671
Net assets beginning of year	<u>81,538,510</u>
Net assets end of year	<u>\$ 84,017,181</u>

See notes to financial statements.

Exhibit G

Iowa State Fair Authority

Statement of Cash Flows
Enterprise Fund

Year ended October 31, 2012

Cash flows from operating activities:		
Cash received from events	\$ 21,049,761	
Cash paid to suppliers	(10,870,884)	
Cash paid to employees	(6,739,226)	
Net cash provided by operating activities		\$ 3,439,651
Cash flows from non-capital financing activities:		
Transfers in from other funds		2,152,758
Cash flows from capital financing activities:		
Acquisition of property and equipment		(3,510,159)
Cash flows from investing activities:		
Interest on investments	67,737	
Proceeds from sale and maturities of investments	4,840,000	
Purchase of investments	(7,763,065)	
Net cash used by investing activities		(2,855,328)
Decrease in cash and cash equivalents		(773,078)
Cash and cash equivalents beginning of year		10,676,376
Cash and cash equivalents end of year		9,903,298
Investments		5,241,804
Cash and investments end of year		\$ 15,145,102
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 597,173
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 3,077,870	
Changes in assets and liabilities:		
Increase in accounts receivable	(67,667)	
Decrease in accounts payable	(266,462)	
Increase in salaries payable	37,800	
Increase in unearned revenue	4,716	
Decrease in refundable deposits	(2,625)	
Increase in compensated absences and OPEB	58,846	
Total adjustments		2,842,478
Net cash provided by operating activities		\$ 3,439,651

See notes to financial statements.

Iowa State Fair Authority

Notes to Financial Statements

October 31, 2012

(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 funds 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:

The Special Revenue, Blue Ribbon Foundation 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 or 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, 2012, 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 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, 2012 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, 2012, the Fair Authority had the following investments in corporate notes:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Credit Risk</u>
JP Morgan	\$ 1,186,349	January 2, 2013	A1
Bank of America Corp.	504,105	January 15, 2013	Baa1
Hewlett-Packard	1,013,300	March 1, 2013	A3
Abbey National America	999,483	March 15, 2013	A1
Merrill Lynch	1,024,839	April 25, 2013	Baa1
Goldman Sachs	513,728	July 15, 2013	A3
Total	<u>\$ 5,241,804</u>		

Investments are held by the Foundation in accordance with Chapter 540A of the Code of Iowa and its investment policy. The Foundation's Endowment Fund actively seeks and encourages planned gifts consistent with its purpose, which are the maintenance and improvement of the Iowa State Fairgrounds. At June 30, 2012, the Foundation had investments held by Morgan Stanley which had a fair value of \$271,879.

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 Investors Service.

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 JP Morgan (7.83%), Merrill Lynch (6.77%), Hewlett-Packard (6.69%) and Abbey National America (6.60%).

(3) Capital Assets

Capital assets activity for the year ended October 31, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Equipment	\$ 105,683	-	-	105,683
Less accumulated depreciation	(44,190)	(6,168)	-	(50,358)
Governmental activities capital assets, net	<u>\$ 61,493</u>	<u>(6,168)</u>	<u>-</u>	<u>55,325</u>
Business type activities:				
Land, not being depreciated	\$ 5,763,824	700,681	-	6,464,505
Buildings	83,821,693	813,912	(107,136)	84,528,469
Equipment	2,949,178	161,188	-	3,110,366
Vehicles	768,478	40,600	-	809,078
Infrastructure	10,350,882	-	-	10,350,882
Construction in progress, not being depreciated	953,081	2,258,016	(464,239)	2,746,858
Total capital assets	<u>104,607,136</u>	<u>3,974,397</u>	<u>(571,375)</u>	<u>108,010,158</u>
Less accumulated depreciation for:				
Buildings	(27,946,179)	(2,411,541)	105,852	(30,251,868)
Equipment	(1,719,272)	(166,234)	-	(1,885,506)
Vehicles	(631,494)	(35,544)	-	(667,038)
Infrastructure	(4,504,999)	(464,551)	-	(4,969,550)
Total accumulated depreciation	<u>(34,801,944)</u>	<u>(3,077,870)</u>	<u>105,852</u>	<u>(37,773,962)</u>
Business type activities capital assets, net	<u>\$ 69,805,192</u>	<u>896,527</u>	<u>(465,523)</u>	<u>70,236,196</u>

(4) Operating Leases

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

Year Ending October 31,	Amount
2013	\$ 17,868
2014	<u>1,489</u>
Total	<u>\$ 19,357</u>

Rental expense for the year ended October 31, 2012 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 5.78% of their annual covered salary and the Fair Authority is required to contribute 8.67% of annual covered payroll, effective July 1, 2012. Between July 1, 2011 and June 30, 2012, plan members were required to contribute 5.38% and the Fair Authority was required to contribute 8.07%. 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%. 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%. Contribution requirements are established by state statute. The Fair Authority's contributions to IPERS for the years ended October 31, 2012, 2011 and 2010 were \$369,615, \$303,478 and \$261,684, 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, 2012 are summarized as follows:

	Governmental Activities			Business Type Activities		
	Compensated			Compensated		
	Absences	OPEB	Total	Absences	OPEB	Total
Beginning balance	\$ 60,016	14,964	74,980	972,495	276,859	1,249,354
Additions	18,688	2,553	21,241	509,156	46,805	555,961
Deletions	13,167	5,862	19,029	387,126	109,989	497,115
Ending balance	\$ 65,537	11,655	77,192	1,094,525	213,675	1,308,200
Due within one year	\$ 7,483	-	7,483	324,930	-	324,930

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 Fair Authority 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, 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, 2012, two retired employees received benefits of \$4,109 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, 2012. 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, 2012. 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 \$225,330 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 \$7,489,342 under these contracts as of October 31, 2012. The remaining contractual obligation as of October 31, 2012 for projects already in progress totals \$430,070.

(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).

Supplementary Information

Iowa State Fair Authority

Expenditures by Object
Special Revenue Fund

Year ended October 31, 2012

	Adminis- tration	Promotion	Total
Personal services	\$ 450,915	-	450,915
Travel	10,649	-	10,649
Supplies and materials	48,933	-	48,933
Contractual services	10,888	-	10,888
Capital improvements	26,250	-	26,250
Miscellaneous	11,843	-	11,843
Equipment	39,566	-	39,566
Marketing	-	580,437	580,437
Donor promotion	-	301,463	301,463
Total	<u>\$ 599,044</u>	<u>881,900</u>	<u>1,480,944</u>

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object
Enterprise Fund

Year ended October 31, 2012

	Admin- istration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Racetrack
Personal services	\$ 2,461,145	260,672	37,061	154,438	55,671	68,951
Travel and conferences	117,443	-	-	-	-	-
Supplies and materials	60,733	59,963	483,505	110,318	270,552	-
Judging	-	-	-	205,132	-	-
Contractual services	250,133	70,307	1,975	108,593	894,069	360,281
Repair and improvements	-	-	-	-	-	-
Talent	-	-	-	-	-	2,262,554
Advertising	-	-	-	355	-	-
Claims and miscellaneous	159,126	10,591	5,048	113,235	14,769	31,501
Premiums	-	-	-	453,452	-	-
Depreciation	-	-	-	-	-	-
Total	\$ 3,048,580	401,533	527,589	1,145,523	1,235,061	2,723,287

See accompanying independent auditor's report.

Utilities and Maintenance	Marketing and Promotion	Parking	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
3,027,245	-	-	741,945	-	5,569	9,462	-	-	6,822,159
-	-	-	-	-	-	-	-	-	117,443
632,397	-	-	15,710	37,884	6,474	-	-	63,069	1,740,605
-	-	-	-	-	1,815	-	-	-	206,947
1,530,433	42,768	184,109	116,570	-	144,840	-	-	236,514	3,940,592
22,347	-	-	-	-	-	-	-	-	22,347
-	-	-	-	-	490,750	-	-	97,779	2,851,083
-	739,769	-	-	-	-	-	-	-	740,124
97,956	37,988	-	-	-	50,742	19,523	-	2,437	542,916
-	-	-	-	-	-	-	-	-	453,452
-	-	-	-	-	-	-	3,077,870	-	3,077,870
5,310,378	820,525	184,109	874,225	37,884	700,190	28,985	3,077,870	399,799	20,515,538

Schedule 3

Iowa State Fair Authority
Summary of Operating Revenues and State Fair Attendance
For the Five Years Ended October 31, 2012

Fiscal Year	Operating Revenues	Operating Income	State Fair Attendance (Unaudited)
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
2012	21,112,711	597,173	1,097,000

See accompanying independent auditor's report.

Iowa State Fair Authority
Grandstand Performances
Year ended October 31, 2012

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
TobyMac with Tenth Avenue North and Jamie Grace	5,514	\$ 176,448	93,231	83,217
Happy Together Tour 2012	4,400	110,000	55,000	55,000
Larry the Cable Guy	6,061	212,135	155,000	57,135
Miranda Lambert with Pistol Annies and RaeLynn	8,389	402,672	317,500	85,172
The Band Perry with Easton Corbin	4,872	170,520	150,000	20,520
Big Time Rush	5,408	205,504	275,000	(69,496)
Hank Williams Jr. with George Thorogood and the Destroyers	8,331	324,909	245,000	79,909
Journey with Pat Benatar and Loverboy	10,904	519,312	429,165	90,147
Rascal Flatts with Little Big Town, Eli Young Band and Edens Edge	10,393	609,317	516,419	92,898
Total	<u>64,272</u>	<u>\$2,730,817</u>	<u>2,236,315</u>	<u>494,502</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, 2012
(Unaudited)

Fiscal Year	Sales Reported by Vendor		
	Food	Beer	Merchandise
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
2012	9,302,603	743,607	2,760,725

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.



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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, 2012, 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 15, 2013. 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 a deficiency in internal control over financial reporting, which is reported in the accompanying Schedule of Findings, we consider to be a significant deficiency 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 an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments about the Iowa State Fair Authority's operations for the year ended October 31, 2012 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 15, 2013

Iowa State Fair Authority

Schedule of Findings

Year ended October 31, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

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 the 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 with employees, including the need for detailed receipts and supporting documentation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

Investment Policy – The Iowa State Fair Authority’s investment policy does not appear to comply with Chapter 12B.10 of the Code of Iowa as it allows investments with a maturity of over 270 days. Four of the six investments held at October 31, 2012 had maturity dates beyond 270 days and four of the investments were rated outside the two highest investment classifications.

Recommendation – The Iowa State Fair Authority should adopt an investment policy to comply with Chapter 12B.10 of the Code of Iowa and have investments rated within the two highest investment classifications and with maturities of 270 days or less.

Response – The Iowa State Fair works with a professional team at Wells Fargo Investments. We only invest in the types of investments outlined in the Code of Iowa. Our goal is to always get the best rate possible. However, during this time of very low interest rates the Fair felt going out beyond the 270 days was warranted in order to get a better rate. The Fair will adjust its policy to coincide with the Code of Iowa.

Conclusion – Response accepted.

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, Senior Auditor
Jenny M. Podrebarac, Senior Auditor
Kassi D. Adams, Staff Auditor
Jessica P. Green, Staff Auditor
David C. McQuarry, CPA, Staff Auditor
Daniel J. Mikels, Staff Auditor
Benjamin P. James, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State