



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA  
Auditor of State

## NEWS RELEASE

FOR RELEASE

July 9, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Iowa State Fair Authority for the year ended October 31, 2013. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$21,810,173 for fiscal year 2013, an increase of 3.3% over the prior year. Revenues included \$7,117,151 from Fair admissions, \$3,543,002 from Fair concessions, \$2,386,115 from Fair entertainment and \$2,278,131 from interim events. Operating expenses of the Fair Authority for fiscal year 2013 totaled \$20,522,077, consistent with the prior year. The Fair Authority reported operating income of \$1,288,096 for the year ended October 31, 2013 compared to operating income of \$597,173 for the prior year.

Foundation revenues were \$4,230,240 for fiscal year 2013, a 68.3% increase from the prior year. Revenues included operating grants and contributions of \$2,090,507, capital grants and contributions of \$225,000 and charges for service of \$646,620. The Foundation had administration and promotion expenses of \$1,685,731 during fiscal year 2013, a 13.2% increase over the prior year. The Foundation also provided capital contributions of \$2,801,965 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/1460-0110-0000.pdf>.

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**IOWA STATE FAIR AUTHORITY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**OCTOBER 31, 2013**

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## Iowa State Fair Authority

### Officials

Name

Title

#### State

Honorable Terry E. Branstad	Governor
Honorable Michael L. Fitzgerald	Treasurer of State
David Roederer	Director, Department of Management
Glen P. Dickinson	Director, Legislative Services Agency

#### Board Members

Gary McConnell	President/Director, Southeast District
Alan Brown	Vice President/Director, North Central District
James Romer	Treasurer/Director, North Central District
Honorable Bill Northey	Secretary of Agriculture
Dr. Steven Leath	President, Iowa State University
John Harms	Director, Northeast District
Paul Vaassen	Director, Northeast District
Dave Hoffman	Director, Northwest District
Bill Neubrand	Director, Northwest District
Randy Brown	Director, South Central District
Jerry Parkin	Director, South Central District
Bob Schlutz	Director, Southeast District
C.W. Thomas	Director, Southwest District
Gary VanAernam	Director, Southwest District
Gary Slater	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:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2013, and the related Notes to the Financial Statements, which collectively comprise the Iowa State Fair Authority's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Blue Ribbon Foundation Endowment, which accounts for 7.5% of the assets, 11.5% of the net position and less than 1% of the revenue of the governmental activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation Endowment, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Iowa State Fair Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Iowa State Fair Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Iowa State Fair Authority as of October 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 8 through 13 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*


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 included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2014 on our consideration of the Iowa State Fair Authority's internal control over financial reporting and on 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 in considering the Iowa State Fair Authority's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 5, 2014

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## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

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Management of the Iowa State Fair Authority provides this Management’s Discussion and Analysis of the Iowa State Fair Authority’s annual financial statements. This narrative overview and analysis of the financial activities of the Iowa State Fair Authority is for the fiscal year ended October 31, 2013. We encourage readers to consider this information in conjunction with the Fair’s financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Fair operating revenue increased 3.3% from fiscal year 2012 to fiscal year 2013. The majority of the departments increased from the prior year. Grandstand and racetrack entertainment, sponsorship and miscellaneous decreased slightly from the prior year.
- Operating expenses increased slightly from the previous year. A new free entertainment stage was created west of the Jacobson Building and soccer turf was purchased for the Jacobson Building to attract soccer teams and increase rental income. Decreases came in less grandstand entertainment expense and less in Concessions. In fiscal year 2012, these expenses were for a zip line and software for the Concessions department was purchased.
- In fiscal year 2012, the Fair Authority started the renovation of the Patty and Jim Cownie Cultural Center by installing two elevators. More renovations were completed in fiscal year 2013 by adding office and storage space, family restrooms and additional exhibit space. Final renovations will include: electrical, plumbing, climate control, windows, façade, courtyard enhancements and a fully functional 3<sup>rd</sup> floor, which will all be completed in time for the 2014 Fair.

### **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 Authority’s basic financial statements consist of a series of financial statements. The Statement of Net Position 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, including the Foundation Endowment. 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 in schedule form begins on page 33.

### **REPORTING THE FAIR AUTHORITY AS A WHOLE**

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Fair Authority’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 Position and the Statement of Activities report information about the Fair Authority 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 Position presents all of the Fair Authority’s assets and liabilities, with the difference between the two reported as “net position”. Over time, increases or decreases in the Fair Authority’s net position 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 Authority's net position changed during the most recent fiscal year. All changes in net position 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.

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.

**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 and 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.

#### Fund Financial Statements

The fund financial statements focus on individual parts of the Fair Authority, reporting its operations in more detail than the entity-wide financial statements. The funds of the Fair Authority 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 in the Special Revenue Funds. 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 financial 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 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 Authority’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 reported 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 position may serve over time as a useful indicator of a government’s financial position. The Fair Authority’s combined net position (governmental and business type activities) totaled approximately \$91.7 million at June 30, 2013 compared to approximately \$87.9 million at June 30, 2012.

Fair Authority Net Position	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$3,660,395	3,887,022	18,828,403	15,807,544	22,488,798	19,694,566
Capital assets	49,157	55,325	71,902,834	70,236,196	71,951,991	70,291,521
Total assets	\$3,709,552	3,942,347	90,731,237	86,043,740	94,440,789	89,986,087
Current liabilities	\$ 16,469	12,314	1,511,511	1,043,289	1,527,980	1,055,603
Long-term liabilities	90,215	69,709	1,063,305	983,270	1,153,520	1,052,979
Total liabilities	\$ 106,684	82,023	2,574,816	2,026,559	2,681,500	2,108,582
Net position:						
Net investment in capital assets	\$ 49,157	55,325	71,902,834	70,236,196	71,951,991	70,291,521
Restricted for:						
Endowment	292,075	271,879	-	-	292,075	271,879
Capital improvements	1,450,000	1,675,000	-	-	1,450,000	1,675,000
Other purposes	1,811,636	1,858,120	-	-	1,811,636	1,858,120
Unrestricted	-	-	16,253,587	13,780,985	16,253,587	13,780,985
Total net position	\$3,602,868	3,860,324	88,156,421	84,017,181	91,759,289	87,877,505

The largest portion of the Fair Authority’s net position (78.5%) reflects its net 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 position (17.7%) represents assets used to meet the Fair Authority’s ongoing obligations to vendors and creditors.

The remaining balance (3.8%) represents resources subject to external restrictions on how they may be used. This restricted net position will eventually be paid to the business side of the Fair for more investment in its capital assets.

<b>Fair Authority Changes in Net Position</b>	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>						
Program revenues:						
Charges for service	\$ 646,620	455,820	20,923,135	20,123,702	21,569,755	20,579,522
Operating grants and contributions	2,090,507	561,340	887,038	989,009	2,977,545	1,550,349
Capital grants and contributions	225,000	1,225,000	-	-	225,000	1,225,000
General revenues:						
State appropriation	1,250,000	250,000	-	-	1,250,000	250,000
Investment earnings	18,113	21,251	40,153	77,620	58,266	98,871
Gain on sale of capital assets	-	-	9,026	-	9,026	-
Total revenues	4,230,240	2,513,411	21,859,352	21,190,331	26,089,592	23,703,742
<b>Expenses:</b>						
Blue Ribbon Foundation fund raising	1,685,731	1,489,325	-	-	1,685,731	1,489,325
State Fair and other events	-	-	20,522,077	20,516,823	20,522,077	20,516,823
Total expenses	1,685,731	1,489,325	20,522,077	20,516,823	22,207,808	22,006,148
Change in net position before transfers	2,544,509	1,024,086	1,337,275	673,508	3,881,784	1,697,594
Transfers	(2,801,965)	(1,805,163)	2,801,965	1,805,163	-	-
Change in net position	(257,456)	(781,077)	4,139,240	2,478,671	3,881,784	1,697,594
Net position beginning of year	3,860,324	4,641,401	84,017,181	81,538,510	87,877,505	86,179,911
Net position end of year	\$3,602,868	3,860,324	88,156,421	84,017,181	91,759,289	87,877,505

The Fair Authority's net position increased approximately \$3.9 million, or 4.4%. The net position of the business type activities increased approximately \$4.1 million. The majority of the increase comes from transfers from the governmental activities to the business type activities for capital improvements as well as the increase in revenues over the prior year.

Fair Authority business type activities revenue increased in most departments. The majority of the increase came from admissions while decreases were only found in grandstand, sponsorship and miscellaneous. Governmental activities revenues increased approximately \$1.7 million. The Foundation received an appropriation of \$250,000 from the Iowa State Legislature in fiscal year 2013 to be used for the renovation of the Cultural Center and another \$1,000,000 to be used for the Ruan Plaza beautification project. The Foundation merchandise sales also increased during 2013, mainly due to the introduction of the butter cow security t-shirt. Fair Squares and water sales also increased over the prior year.

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 37% comes from admissions and parking, while concessions, commercial exhibitors and attractions contribute 29% and entertainment contributes 11%. Revenues of approximately \$2.3 million, or 10.6%, were from off-season rental of the 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 new stage for free stage entertainment and soccer turf was purchased for the Jacobson Building to allow us to market a new venue. Decreases in expenses occurred mainly in concessions and grandstand entertainment. Overall, governmental activities expenses increased slightly.

In fiscal year 2013, in-kind contributions increased and were used for costs related to Expo Hill. The Corndog Check-off also increased, along with an increase of donor promotion which was used for signage for the Cultural Center.

The largest business type activities expense is payroll, which accounts for 34% of all expenses. The Fair employs approximately 1,500 people at different times during the year, with the majority working during the 11-day event. Contractual services account for 20% of all expenses. Examples of contractual services are utilities, including electricity and water, waste and garbage removal and contract services as needed throughout the year. Payments made to grandstand performers and other entertainment during the fair account for 12% 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 Authority's governmental funds reported an ending fund balance of approximately \$2.5 million, an increase of approximately \$263,300 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 increases in the Endowment Fund, called Our Fair's Future – Blue Ribbon Foundation Endowment, which was created in 2012. Other reasons for an increase are due to a state appropriation from the State Legislature and an increase in promotional sales. Transfers to business type activities for capital improvements also increased.

### Proprietary Fund

The Fair Authority's proprietary fund provides information on the Fair Authority's operating and non-operating activities. For the year ended October 31, 2013, the Fair Authority's proprietary fund reported an ending net position balance of approximately \$88 million, an increase of approximately \$4.1 million from the prior year. The majority of the increase in net position is directly attributable to the net investment in capital assets.

## **CAPITAL ASSETS**

The Fair Authority's investment in capital assets for its governmental and business-type activities at October 31, 2013 was approximately \$112.9 million, net of accumulated depreciation of approximately \$40.9 million, leaving a net book value of approximately \$72.0 million. This net investment in capital assets includes land, buildings, infrastructure, equipment, vehicles and construction in progress. Infrastructure assets are items which are normally immovable, such as streets and sidewalks, drainage systems, lighting systems and similar items.

Capital projects started in fiscal year 2013 include the continuation of the renovation of the Patty and Jim Cownie Cultural Center, renovation of the Youth Inn, the renovation of the Fairview Stage and the Ruan Plaza beautification project. Funds to pay for completion of these projects will come from the Fair Authority's revenues as well as contributions and state appropriations. 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 2014 budget and fees charged for the various Fair activities. Operating expenses are expected to only increase slightly. Revenues are expected to be similar to last year as no price increases were budgeted. The Fair Authority's net position for fiscal year 2014 is expected to have a modest increase.

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

## Statement of Net Position

October 31, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 1,307,852	17,955,930	19,263,782
Unexpended appropriation	1,250,000	-	1,250,000
Receivables:			
Accounts	-	575,428	575,428
Accrued interest	1,838	88,609	90,447
Pledges	269,849	-	269,849
Internal balances	(208,436)	208,436	-
Inventories	187,292	-	187,292
Total current assets	2,808,395	18,828,403	21,636,798
Noncurrent assets:			
Pledges receivable	852,000	-	852,000
Capital assets, net of accumulated depreciation:			
Land	-	7,404,174	7,404,174
Buildings	-	53,637,043	53,637,043
Equipment	-	1,713,554	1,713,554
Vehicles	49,157	150,438	199,595
Infrastructure	-	5,378,849	5,378,849
Construction in progress	-	3,618,776	3,618,776
Total noncurrent assets	901,157	71,902,834	72,803,991
<b>Total assets</b>	3,709,552	90,731,237	94,440,789
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	852,498	852,498
Salaries payable	8,326	182,046	190,372
Unearned revenue	-	71,485	71,485
Compensated absences and OPEB	8,143	346,832	354,975
Refundable deposits	-	58,650	58,650
Total current liabilities	16,469	1,511,511	1,527,980
Noncurrent liabilities:			
Compensated absences and OPEB	90,215	1,063,305	1,153,520
<b>Total liabilities</b>	106,684	2,574,816	2,681,500
<b>Net Position</b>			
Net investment in capital assets	49,157	71,902,834	71,951,991
Restricted for:			
Endowment	292,075	-	292,075
Capital improvements	1,450,000	-	1,450,000
Other purposes	1,811,636	-	1,811,636
Unrestricted	-	16,253,587	16,253,587
<b>Total net position</b>	\$ 3,602,868	88,156,421	91,759,289

See notes to financial statements.

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Iowa State Fair Authority

Statement of Activities

Year ended October 31, 2013

<b><u>Functions</u></b>	Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Blue Ribbon Foundation	\$ 1,685,731	646,620	2,090,507	225,000
Business type activities:				
State Fair and other events	20,522,077	20,923,135	887,038	-
Total	<u>\$ 22,207,808</u>	<u>21,569,755</u>	<u>2,977,545</u>	<u>225,000</u>

**General revenues and transfers:**

State appropriation

Investment earnings

Gain on disposition of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position beginning of year

Net position end of year

See notes to financial statements.

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business Type Activities	Total
1,276,396	-	1,276,396
-	1,288,096	1,288,096
1,276,396	1,288,096	2,564,492
1,250,000	-	1,250,000
18,113	40,153	58,266
-	9,026	9,026
(2,801,965)	2,801,965	-
(1,533,852)	2,851,144	1,317,292
(257,456)	4,139,240	3,881,784
3,860,324	84,017,181	87,877,505
\$ 3,602,868	88,156,421	91,759,289

Iowa State Fair Authority

Balance Sheet  
Special Revenue Funds

October 31, 2013

	Blue Ribbon Foundation	Nonmajor Foundation Endowment	Total
<b>Assets</b>			
Cash and investments	\$ 1,015,777	292,075	1,307,852
Unexpended appropriation	1,250,000	-	1,250,000
Receivables:			
Accrued Interest	1,838	-	1,838
Pledges	1,121,849	-	1,121,849
Inventories	187,292	-	187,292
<b>Total assets</b>	<b>\$ 3,576,756</b>	<b>292,075</b>	<b>3,868,831</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Internal balances	\$ 208,436	-	208,436
Salaries payable	8,326	-	8,326
Deferred revenue	1,120,459	-	1,120,459
Total liabilities	1,337,221	-	1,337,221
Fund balances:			
Nonspendable:			
Inventories	187,292	-	187,292
Restricted for:			
Endowment	-	292,075	292,075
Capital improvements	1,250,000	-	1,250,000
Administration	802,243	-	802,243
Total fund balance	2,239,535	292,075	2,531,610
<b>Total liabilities and fund balances</b>	<b>\$ 3,576,756</b>	<b>292,075</b>	<b>3,868,831</b>
<b>Reconciliation of the Special Revenue Funds</b>			
<b>Balance Sheet to the Statement of Net Position</b>			
<b>Fund balances - Special Revenue Funds</b>	<b>\$ 2,239,535</b>	<b>292,075</b>	<b>2,531,610</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These assets			
Equipment	\$ 105,683		
Less accumulated depreciation	(56,526)	49,157	-
			49,157
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.			
	1,120,459	-	1,120,459
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.			
	(98,358)	-	(98,358)
<b>Net position of governmental activities</b>	<b>\$ 3,310,793</b>	<b>292,075</b>	<b>3,602,868</b>

See notes to financial statements.

Iowa State Fair Authority

Statement of Revenues, Expenditures and Changes in Fund Balances  
Special Revenue Funds

Year ended October 31, 2013

	Blue Ribbon Foundation	<u>Nonmajor Foundation</u> Endowment	Total
<b>Revenues:</b>			
State appropriation	\$ 1,250,000	-	1,250,000
Contributions	2,454,746	10,335	2,465,081
Sales of promotional items	453,496	-	453,496
Other sales	193,123	-	193,123
In-kind support	343,895	-	343,895
Interest on investments	5,971	12,142	18,113
Total revenues	<u>4,701,231</u>	<u>22,477</u>	<u>4,723,708</u>
<b>Expenditures:</b>			
Administration	587,521	2,281	589,802
Promotion	1,068,595	-	1,068,595
Total expenditures	<u>1,656,116</u>	<u>2,281</u>	<u>1,658,397</u>
Excess of revenues over expenditures	3,045,115	20,196	3,065,311
Operating transfers out	(2,801,965)	-	(2,801,965)
Change in fund balances	243,150	20,196	263,346
Fund balances beginning of year	1,996,385	271,879	2,268,264
Fund balances end of year	<u>\$ 2,239,535</u>	<u>292,075</u>	<u>2,531,610</u>
<b>Reconciliation of the Special Revenue Funds</b>			
<b>Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities</b>			
<b>Change in fund balances - Special Revenue Funds</b>	\$ 243,150	20,196	263,346
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	(493,470)	-	(493,470)
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.	(21,164)	-	(21,164)
<b>Change in net position of governmental activities</b>	<u>\$ (277,652)</u>	<u>20,196</u>	<u>(257,456)</u>

See notes to financial statements.

**Exhibit E**

## Iowa State Fair Authority

Statement of Net Position  
Enterprise Fund

October 31, 2013

<b>Assets</b>	
Current assets:	
Cash and investments	\$ 17,955,930
Receivables:	
Accounts	575,428
Accrued interest	88,609
Internal balances	208,436
Total current assets	<u>18,828,403</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Land	7,404,174
Buildings	53,637,043
Equipment	1,713,554
Vehicles	150,438
Infrastructure	5,378,849
Construction in progress	3,618,776
Total noncurrent assets	<u>71,902,834</u>
<b>Total assets</b>	<u>90,731,237</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	852,498
Salaries payable	182,046
Unearned revenue	71,485
Compensated absences and OPEB	346,832
Refundable deposits	58,650
Total current liabilities	<u>1,511,511</u>
Noncurrent liabilities:	
Compensated absences and OPEB	<u>1,063,305</u>
<b>Total liabilities</b>	<u>2,574,816</u>
<b>Net Position</b>	
Net investment in capital assets	71,902,834
Unrestricted	16,253,587
<b>Total net position</b>	<u><u>\$ 88,156,421</u></u>

See notes to financial statements.

Iowa State Fair Authority

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

Year ended October 31, 2013

Operating revenues:	
Admissions	\$ 7,117,151
Attractions	1,272,562
Commercial exhibitors	1,453,666
Concessions	3,543,002
Grandstand and racetrack entertainment	2,386,115
Parking	984,663
Entry fees	420,142
Campground fees and services	1,291,733
Sponsorships	887,038
Interim events	2,278,131
Miscellaneous	175,970
Total operating revenues	<u>21,810,173</u>
Operating expenses:	
Administration	2,987,966
Admissions	431,341
Concessions	402,430
Entry and competitive events	1,163,553
Fair services	1,192,619
Grandstand and racetrack	2,359,094
Utilities and maintenance	5,531,870
Marketing and promotion	813,116
Parking	188,605
Public safety	886,573
Sponsorship	39,591
Special entertainment	830,098
Treasurer	33,746
Depreciation	3,101,644
Interim events	559,831
Total operating expenses	<u>20,522,077</u>
Operating income	<u>1,288,096</u>
Non-operating revenues:	
Investment income	40,153
Gain on disposition of capital assets	9,026
Total non-operating revenues	<u>49,179</u>
Income before transfers	1,337,275
Operating transfers in	<u>2,801,965</u>
Change in net position	4,139,240
Net position beginning of year	<u>84,017,181</u>
Net position end of year	<u>\$ 88,156,421</u>

See notes to financial statements.

**Exhibit G**

## Iowa State Fair Authority

Statement of Cash Flows  
Enterprise Fund

Year ended October 31, 2013

Cash flows from operating activities:		
Cash received from events	\$ 21,700,769	
Cash paid to suppliers	(9,931,244)	
Cash paid to employees	(6,935,127)	
Net cash provided by operating activities		\$ 4,834,398
Cash flows from non-capital financing activities:		
Transfers in from other funds		2,737,798
Cash flows from capital financing activities:		
Acquisition of property and equipment		(4,759,256)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	7,193,000	
Purchase of investments	(10,237,885)	
Net cash used by investing activities		(3,044,885)
Decrease in cash and cash equivalents		(231,945)
Cash and cash equivalents beginning of year		9,903,298
Cash and cash equivalents end of year		9,671,353
Investments		8,284,577
Cash, cash equivalents and investments end of year		\$ 17,955,930
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income		\$ 1,288,096
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 3,101,644	
Changes in assets and liabilities:		
Increase in accounts receivable	(103,599)	
Increase in accounts payable	468,312	
Decrease in salaries payable	(17,512)	
Decrease in unearned revenue	(5,805)	
Increase in refundable deposits	1,325	
Increase in compensated absences and OPEB	101,937	
Total adjustments		3,546,302
Net cash provided by operating activities		\$ 4,834,398

See notes to financial statements.



Iowa State Fair Authority

Notes to Financial Statements

October 31, 2013

**(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 Blue Ribbon Endowment Fund began operation in February 2012 to provide funds for fairgrounds maintenance and improvements.

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 Position 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.

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 Position/Fund Balance

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

Cash, Cash Equivalents and Pooled Investments – 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 Funds 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, 2013, 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, 2013 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, 2013, the Fair Authority had the following investments in corporate notes.

Investment	Fair Value	Maturity	Credit Risk
Abbey National America	\$ 999,903	November 22, 2013	NR
Centennial Energy	999,848	December 4, 2013	NR
Citigroup Inc.	1,005,987	December 13, 2013	NR
Goldman Sachs	302,691	January 15, 2014	A-
Abbey National America	1,499,663	January 17, 2014	NR
Morgan Stanley	502,805	January 24, 2014	A-
Wells Fargo & Co.	763,663	April 15, 2014	A3
Bank Of America Corp.	517,646	May 15, 2014	Baa2
PNC Funding Corp.	456,473	May 19, 2014	A3
Wells Fargo & Co.	1,235,898	June 15, 2014	A3
Total	<u>\$ 8,284,577</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 October 31, 2013, the Foundation had investments held by Morgan Stanley which had a fair value of \$292,075.

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 Abbey National America (13.92%), Wells Fargo & Co. (11.14%), Citigroup Inc. (5.60%) and Centennial Energy (5.57%).

**(3) Capital Assets**

Capital assets activity for the year ended October 31, 2013 is as follows:

	Balance			Balance
	Beginning		Deletions	End
	of Year	Additions		of Year
<b>Governmental activities:</b>				
Equipment	\$ 105,683	-	-	105,683
Less accumulated depreciation	(50,358)	(6,168)	-	(56,526)
Governmental activities capital assets, net	\$ 55,325	(6,168)	-	49,157
<b>Business type activities:</b>				
Land, not being depreciated	\$ 6,464,505	939,669	-	7,404,174
Buildings	84,528,469	1,798,163	-	86,326,632
Equipment	3,110,366	665,505	-	3,775,871
Vehicles	809,078	49,786	(37,371)	821,493
Infrastructure	10,350,882	446,714	-	10,797,596
Construction in progress, not being depreciated	2,746,858	3,062,081	(2,190,162)	3,618,777
Total capital assets	108,010,158	6,961,918	(2,227,533)	112,744,543
Less accumulated depreciation for:				
Buildings	(30,251,868)	(2,437,721)	-	(32,689,589)
Equipment	(1,885,506)	(176,811)	-	(2,062,317)
Vehicles	(667,038)	(37,914)	33,897	(671,055)
Infrastructure	(4,969,550)	(449,198)	-	(5,418,748)
Total accumulated depreciation	(37,773,962)	(3,101,644)	33,897	(40,841,709)
Business type activities capital assets, net	\$ 70,236,196	3,860,274	(2,193,636)	71,902,834

**(4) Operating Leases**

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

Year	Amount
Ending	
October 31,	
2014	\$ 18,780
2015	18,780
2016	18,780
2017	18,780
2018	18,780
Total	\$ 93,900

Rental expense for the year ended October 31, 2013 for all operating leases, except those with terms of a month or less which were not renewed, totaled \$16,379.

**(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 5.95% of their annual covered salary and the Fair Authority is required to contribute 8.93% of annual covered payroll, effective July 1, 2013. Between July 1, 2012 and June 30, 2013, plan members were required to contribute 5.78% and the Fair Authority was required to contribute 8.67%. 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%. Contribution requirements are established by state statute. The Fair Authority's contributions to IPERS for the years ended October 31, 2013, 2012 and 2011 were \$399,278, \$369,615 and \$303,478, 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, 2013 are summarized as follows:

	Governmental Activities			Business Type Activities		
	Compensated Absences	OPEB	Total	Compensated Absences	OPEB	Total
Beginning balance	\$ 65,537	11,655	77,192	1,094,525	213,675	1,308,200
Additions	26,439	10,235	36,674	602,790	22,737	625,527
Deletions	15,508	-	15,508	523,590	-	523,590
Ending balance	\$ 76,468	21,890	98,358	1,173,725	236,412	1,410,137
Due within one year	\$ 8,143	-	8,143	346,832	-	346,832

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's 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, 2013, there were no retired employees and no benefits paid 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 \$233,200,000 for the State of Iowa as of June 30, 2013. 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, 2013. 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 \$258,302 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 \$2,240,920 under these contracts as of October 31, 2013. The remaining contractual obligation as of October 31, 2013 for projects already in progress totals \$1,503,642.

**(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 Funds

Year ended October 31, 2013

	Adminis-	Promotion	Total
	tration		
Personal services	\$ 480,631	-	480,631
Travel	11,231	-	11,231
Supplies and materials	47,079	-	47,079
Contractual services	6,647	-	6,647
Miscellaneous	24,160	-	24,160
Equipment	20,054	-	20,054
Marketing	-	755,054	755,054
Donor promotion	-	313,541	313,541
Total	\$ 589,802	1,068,595	1,658,397

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object  
Enterprise Fund

Year ended October 31, 2013

	Admin- istration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Racetrack	Utilities and Maintenance
Personal services	\$ 2,361,832	284,774	36,376	158,651	53,699	65,505	3,230,900
Travel and conferences	101,666	-	-	-	-	-	-
Supplies and materials	67,468	62,731	358,048	84,293	230,941	-	589,045
Judging	-	-	-	208,522	-	-	-
Contractual services	261,875	71,723	2,975	128,125	876,263	346,742	1,634,891
Repair and improvements	-	-	-	-	-	-	33,823
Talent	-	-	-	-	-	1,915,039	-
Advertising	-	-	-	755	-	-	-
Claims and miscellaneous	195,125	12,113	5,031	114,710	31,716	31,808	43,211
Premiums	-	-	-	468,497	-	-	-
Depreciation	-	-	-	-	-	-	-
Total	\$ 2,987,966	431,341	402,430	1,163,553	1,192,619	2,359,094	5,531,870

See accompanying independent auditor's report.

Marketing and Promotion	Parking	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
-	-	737,465	-	5,567	8,714	-	-	6,943,483
-	-	-	-	-	-	-	-	101,666
-	-	15,466	39,591	9,761	-	-	212,269	1,669,613
-	-	-	-	3,085	-	-	-	211,607
23,069	188,605	133,642	-	199,949	-	-	291,042	4,158,901
-	-	-	-	-	-	-	-	33,823
-	-	-	-	490,505	-	-	49,582	2,455,126
751,433	-	-	-	-	-	-	-	752,188
38,614	-	-	-	121,231	25,032	-	6,938	625,529
-	-	-	-	-	-	-	-	468,497
-	-	-	-	-	-	3,101,644	-	3,101,644
813,116	188,605	886,573	39,591	830,098	33,746	3,101,644	559,831	20,522,077

**Schedule 3**

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Iowa State Fair Authority  
Summary of Operating Revenues and State Fair Attendance  
For the Five Years Ended October 31, 2013

Fiscal Year	Operating Revenues	Operating Income	State Fair Attendance (Unaudited)
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
2013	21,810,173	1,288,096	1,047,000

See accompanying independent auditor's report.

Iowa State Fair Authority  
Grandstand Performances  
Year ended October 31, 2013

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
Casting Crowns with Jeremy Camp	6,827	\$ 204,810	140,839	63,971
Happy Together Tour 2013	4,060	101,500	55,000	46,500
Dana Carvey, Dennis Miller and Kevin Nealon	3,663	139,194	230,000	(90,806)
Dierks Bentley with Justin Moore	8,084	315,276	212,985	102,291
Victoria Justice with Pentatonix	2,969	81,548	130,000	(48,452)
Toby Keith with Kip Moore	9,201	450,849	430,000	20,849
Train with Matt Nathanson	6,726	262,314	235,000	27,314
Carly Rae Jepsen and the Wanted	3,731	130,576	175,000	(44,424)
Alan Jackson and Gary Allan	9,481	369,759	279,045	90,714
Total	<u>54,742</u>	<u>\$2,055,826</u>	<u>1,887,869</u>	<u>167,957</u>

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

See accompanying independent auditor's report.

**Schedule 5**

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## Iowa State Fair Authority

## Concessionaire Sales

For the Five Years Ended October 31, 2013  
(Unaudited)

Fiscal Year	Sales Reported by Vendor		
	Food	Beer	Merchandise
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
2013	10,090,048	832,232	3,042,989

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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Mary Mosiman, CPA  
Auditor of State

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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Iowa State Fair Authority, as of and for the year ended October 31, 2013, and the related Notes to Financial Statements, which collectively comprise the Iowa State Fair Authority's basic financial statements, and have issued our report thereon dated June 5, 2014. Our report includes a reference to other auditors who audited the financial statements of the Endowment Foundation, as described in our report on the Iowa State Fair Authority's financial statements. The financial statements of the Endowment Foundation were not audited in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Iowa State Fair Authority's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa State Fair Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa State Fair Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a 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. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

## 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, 2013 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

The Iowa State Fair Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Iowa State Fair Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Iowa State Fair Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Iowa State Fair Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 5, 2014

Iowa State Fair Authority

Schedule of Findings

Year Ended October 31, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Bank Reconciliations – During the period ending October 31, 2013, two of the twelve monthly bank reconciliations were not reviewed by an independent person.

Recommendation – Monthly bank reconciliations should be reviewed by an independent person and evidence of review should be documented by the signature or initials of the reviewer and the date of review.

Response – The Iowa State Fair will make sure all twelve monthly bank reconciliations are reviewed by an independent person.

Conclusion – Response accepted.

- (B) Payment Card Industry Security Compliance – Payment Card Industry Security Council sets standards to enhance payment card data security. These standards require an entity to complete an annual self-assessment questionnaire and undergo quarterly network security scans with an approved scanning vendor if the entity qualifies as a level 2, 3 or 4 merchant. During the current period ending October 31, 2013, the Iowa State Fair Authority qualified as a level 3 merchant. However, an annual self-assessment questionnaire and quarterly network security scans were not completed.

Recommendation – The Iowa State Fair Authority should complete an annual self-assessment questionnaire and undergo quarterly network security scans with an approved scanning vendor.

Response – The Iowa State Fair will complete an annual self-assessment and complete security scans during fiscal year 2014.

Conclusion – Response accepted.

- (C) 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, including detailed receipts and supporting documentation and reiterates the expectation with all staff when receipts are not turned in promptly.

Conclusion – Response accepted.

Iowa State Fair Authority  
Schedule of Findings  
Year Ended October 31, 2013

**INSTANCE OF NON-COMPLIANCE:**

Investment Policy – The Iowa State Fair Authority’s investment policy follows Chapter 12B.10 of the Code of Iowa, which states investments are to be rated within the two highest investment classifications. One of the investments held at October 31, 2013 was rated outside the two highest investment classifications.

Recommendation – The Iowa State Fair Authority should comply with its investment policy and invest in investments rated within the two highest investment classifications.

Response – The Iowa State Fair will make sure we comply with the Code of Iowa as it deals with ratings.

Conclusion – Response accepted.

Iowa State Fair Authority

Staff

This audit was performed by:

Timothy D. Houlette, CPA, Manager  
Keith C. Kistenmacher, Senior Auditor II  
Brandon J. Vogel, Senior Auditor  
Benjamin P. James, Staff Auditor  
Russell G. Jordan, CPA, Staff Auditor  
Luke D. Bernhard, Assistant Auditor  
Leslie M. Downing, Assistant Auditor  
Ryan J. Magill, Assistant Auditor  
James P. Moriarty, Assistant Auditor  
Ryan J. Pithan, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA  
Deputy Auditor of State