



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 21, 2005

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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, 2004. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$14,743,748 for fiscal year 2004, an increase of 10.4% over 2003. Revenues included \$5,488,389 from Fair admissions, \$2,298,211 from Fair concessions, \$2,068,834 from Fair entertainment and \$1,629,786 from interim events. Operating expenses of the Fair Authority for fiscal year 2004 totaled \$14,114,907, a 5.6% increase over the prior year. The Fair Authority reported operating income of \$628,841 for the year ended October 31, 2004 compared to an operating loss of \$18,804 for the prior year.

Foundation revenues were \$2,227,448, a 2.9% increase over the prior year. Revenues included operating grants and contributions of \$1,326,004, charges for service of \$630,752 and an appropriation of \$250,000 from the State of Iowa for capital improvements. The Foundation had expenses of \$1,053,125 for administration and promotion, a 12.1% increase over the prior year. The Foundation also provided capital contributions of \$1,378,185 to the Fair Authority from contributions and legislative appropriations.

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

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

OCTOBER 31, 2004

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Iowa State Fair Authority

Officials

Name

Title

State

Honorable Thomas J. Vilsack	Governor
Honorable Michael L. Fitzgerald	Treasurer of State
Michael L. Tramontina	Director, Department of Management
Dennis C. Prouty	Director, Legislative Services Agency

Board Members

C.W. Thomas	President/Director, Southwest District
Jerry Parkin	Vice President/Director, South Central District
Jeanne Partlow	Treasurer, Director, Northwest District
Honorable Patty Judge	Secretary of Agriculture
Dr. Gregory L. Geoffroy	Iowa State University
Don Greiman	Director, North Central District
James Romer	Director, North Central District
David Huinker	Director, Northeast District
Paul Vaassen	Director, Northeast District
Bill Neubrand	Director, Northwest District
Randy Brown	Director, South Central District
Bob Schlutz	Director, Southeast District
Willard Hoskin	Director, Southeast 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:

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, 2004, which collectively comprise the Iowa State Fair Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Iowa State Fair Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in 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 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, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2005 on our consideration of the Iowa State Fair Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 28, 2005

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, 2004. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Fair operating revenue showed a significant increase of approximately \$1.4 million from 2003 to 2004. The increase was due largely to the celebration of our 150th fair. USA Weekend Magazine ranked the Iowa State Fair #2 for the summer fun spot in the U.S. The attendance increased by 42,000 people from the prior year. This amounted to a 6.3% increase in admissions revenue. Other increases included 13% from concessions, 24% in grandstand and racetrack entertainment, 24% in campground fees and services and 36% in sponsorship revenue.
- Operating expenses for the fair were approximately \$745,000 more in 2004 than in 2003. Administration, utilities and maintenance and entertainment showed the greatest increases. Also, approximately \$400,000 of additional funds were spent to celebrate our 150th birthday.
- Three major capital projects were started in 2004. The 4-H building underwent a \$745,000 renovation. \$171,000 was spent on a sesquicentennial fountain to commemorate our 150th Fair celebration. Our renovation of the museum is still underway. Funds spent in 2004 on the museum totaled almost \$400,000. This project will be complete by the 2005 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's basic financial statements consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 through 17) provide information about the activities of the Fair Authority as a whole and present a longer-term view of the Fair Authority's finances. Governmental financial statements show the activity of the Iowa State Fair Blue Ribbon Foundation. These statements tell how the Foundation raised and used funds for the purpose of renovation projects at the Iowa State Fairgrounds. These basic financial statements also include the notes to the financial statements that explain some of the information in the statements and provide more detail. 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 the above financial statements have separate sections for two different types of activities. These two types of activities are:

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

Business-Type Activities – These statements represent information of the Iowa State Fair's operating and non-operating activities. The Iowa State Fair is one of the leading tourist attractions in the state. The Fair is Iowa's great celebration to the best in agriculture, industry, entertainment and achievement. In 2004, we celebrated our sesquicentennial fair and marked our largest attendance in the history of this 150-year-old event with 1.050 million visitors. The activities in this business type category normally are intended to recover all or a significant portion of their costs through fees and charges from the annual Fair and other interim events. These departmental activities of the Fair include administration, admissions, concessions, entry and competitive events, fair services, grandstand and racetrack, utilities and maintenance, marketing and promotion, public safety, special entertainment, and interim events.

Fund Financial Statements

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

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

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

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

Notes to Financial Statements

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

Supplementary Information

The supplemental 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 (government and business-type activities) totaled \$52.6 million at the end of 2004 compared to \$50.8 million at the end of the previous year.

Fair Authority Net Assets	Governmental Activities		Business type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$2,741,226	2,781,103	8,480,409	6,384,326	11,221,635	9,165,429
Capital assets	40,902	44,416	42,840,912	42,774,757	42,881,814	42,819,173
Total assets	<u>\$2,782,128</u>	<u>2,825,519</u>	<u>51,321,321</u>	<u>49,159,083</u>	<u>54,103,449</u>	<u>51,984,602</u>
Current liabilities	\$ 548,250	394,300	619,971	592,735	1,168,221	987,035
Long-term liabilities	14,354	7,833	276,995	197,203	291,349	205,036
Total liabilities	<u>\$ 562,604</u>	<u>402,133</u>	<u>896,966</u>	<u>789,938</u>	<u>1,459,570</u>	<u>1,192,071</u>
Net Assets:						
Invested in capital assets	\$ 40,902	44,416	42,840,912	42,774,757	42,881,814	42,819,173
Restricted for capital improvement	1,378,622	1,477,143	-	-	1,378,622	1,477,143
Unrestricted	800,000	901,827	7,583,443	5,594,388	8,383,443	6,496,215
Total net assets	<u>\$2,219,524</u>	<u>2,423,386</u>	<u>50,424,355</u>	<u>48,369,145</u>	<u>52,643,879</u>	<u>50,792,531</u>

The largest portion of the Fair Authority’s net assets (81%) 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 (16%) represents assets used to meet the Fair Authority’s ongoing obligations to vendors and creditors. The remaining balance (3%) represents resources subject to external restrictions on how they may be used. These restricted net assets will eventually be paid to the business side of the Fair for more investment in its capital assets.

Fair Authority Changes in Net Assets	Governmental Activities		Business type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for service	\$ 630,752	565,480	14,039,520	12,834,594	14,670,272	13,400,074
Operating grants and contributions	1,326,004	1,066,073	704,228	516,368	2,030,232	1,582,441
Capital grants and contributions	-	-	-	165,528	-	165,528
General revenues:						
State appropriation	250,000	500,000	-	-	250,000	500,000
Investment in earnings	20,692	31,521	48,264	20,065	68,956	51,586
Total revenues	2,227,448	2,163,074	14,792,012	13,536,555	17,019,460	15,699,629
Expenses:						
Blue Ribbon Foundation fund raising	1,053,125	939,666	-	-	1,053,125	939,666
State Fair and other events	-	-	14,114,987	13,369,766	14,114,987	13,369,766
Total expenses	1,053,125	939,666	14,114,987	13,369,766	15,168,112	14,309,432
Increase in net assets before transfers	1,174,323	1,223,408	677,025	166,789	1,851,348	1,390,197
Transfers	(1,378,185)	(1,755,041)	1,378,185	1,755,041	-	-
Increase (decrease) in net assets	(203,862)	(531,633)	2,055,210	1,921,830	1,851,348	1,390,197
Net assets beginning of year	2,423,386	2,955,019	48,369,145	46,447,315	50,792,531	49,402,334
Net assets end of year	\$2,219,524	2,423,386	50,424,355	48,369,145	52,643,879	50,792,531

The Fair Authority's net assets increased by \$1.85 million, or 3.6 %. The majority of this increase is attributed to the increase in revenue. The business type activities revenues alone increased \$1.3 million in comparison to 2003. In 2004, the Fair generated an increase in all major departments. The largest increases came from admissions, concessions, and grandstand and racetrack entertainment.

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, while concessions and attractions contribute 21% and entertainment 14%. Revenues of \$1.63 million, or 11%, were from off-season rental of our facilities.

For governmental activities, the Foundation's revenue consists primarily of contributions and sale of promotional items. Contributions showed the greatest dollar increase. However, sale of promotional items showed a large increase due to adding more Fair specialty merchandise for our sesquicentennial celebration. The Fair also received a \$250,000 appropriation from the Iowa State Legislature to be used for capital improvement projects.

On the expense side of things, the Fair Authority showed an increase of \$859,000, or 6%. The majority of this increase is attributed to the business type activities which increased \$745,000. The largest increases were in the administration, utilities and maintenance and grandstand and racetrack entertainment.

The largest business type activities expense is payroll, which accounts for 35.5% of all expenses. The Fair employs approximately 1,600 people at different times during the year, with the majority working during the 11-day event. Contractual services account for 17% of all expenses. Examples of contractual services are utilities, including electricity and water, waste and garbage removal and contract services as needed throughout the year. Payments made to grandstand performers and other entertainment during the fair account for 12% of all expenses.

FINANCIAL ANALYSIS OF THE FAIR AUTHORITY'S INDIVIDUAL FUNDS

Governmental Fund:

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

As of the end of the current fiscal year, the Fair's governmental fund reported an ending fund balance of \$1.8 million, approximately the same as the prior year. 63% of the fund balance is reserved which indicates it is not available for spending because it has already been committed to pay for the renovation of specific projects or is subject to other donor imposed restrictions.

Proprietary Fund:

The Fair's proprietary fund provides information on the Fair Authority's operating and non-operating activities. For the year ended October 31, 2004, the Fair's proprietary fund reported operating income of \$628,841. Overall increase in fair attendance and success of our 150th year celebration attributed to the increase in fair revenue. The proprietary fund reported a \$50.4 million net asset balance for the year, an increase of \$2 million from the prior year. The majority of the increase in net assets is directly attributable to the increase in revenue.

CAPITAL ASSETS

The Fair Authority's investment in capital assets for its governmental and business-type activities at October 31, 2004 was \$61 million, net of accumulated depreciation of \$18.3 million, leaving a net book value of \$42.9 million. This investment in capital assets includes land, buildings, infrastructures, equipment, vehicles and construction in progress. Infrastructure assets are items that are normally immovable, such as streets and sidewalks, drainage systems, lighting systems and similar items.

The total increase in the Fair Authority's investment in capital assets for the current fiscal year was about \$66,000.

The Fair Authority's fiscal year 2005 capital budget includes \$1.9 million for capital projects, principally for the completion of the museum, renovation of the swine barn, adding a new restroom and continued upgrade of additional building and infrastructure, including parking, landscaping and a new floor at the Varied Industries building. Funds to pay for the completion of these projects will come from the Fair Authority's revenues as well as contributions and the \$250,000 state appropriation received in fiscal year 2004. More detailed information about the Fair Authority's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Fair Authority's elected officials and management considered many factors when setting the 2005 fiscal year budget and fees charged for the various Fair's activities. Some budgeted disbursements are expected to rise. Increased wage and cost of living adjustments and increases in maintenance and entertainment represent the largest increments. Coming off the Fair's 150th celebration in 2004, revenues and expenses may decrease slightly. If these estimates are realized, the Fair Authority's fund balance is still expected to modestly increase by the close of 2005.

CONTACTING THE FAIR AUTHORITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Iowa State Fair Authority

Iowa State Fair Authority

Statement of Net Assets

October 31, 2004

	Governmental Activities	Business type Activities	Total
Assets			
Current assets:			
Cash and investments	\$ 1,891,516	7,633,320	9,524,836
Unexpended appropriation	250,000	-	250,000
Accounts receivable	-	307,307	307,307
Interest receivable	5,253	-	5,253
Pledges receivable	286,361	-	286,361
Due from other funds	-	539,782	539,782
Inventories	157,169	-	157,169
Total current assets	<u>2,590,299</u>	<u>8,480,409</u>	<u>11,070,708</u>
Noncurrent assets:			
Pledges receivable	150,927	-	150,927
Capital assets (net of accumulated depreciation):			
Land	-	3,843,785	3,843,785
Buildings	-	34,443,145	34,443,145
Equipment	40,902	653,063	693,965
Vehicles	-	88,644	88,644
Infrastructure	-	3,247,231	3,247,231
Construction in progress	-	565,044	565,044
Total noncurrent assets	<u>191,829</u>	<u>42,840,912</u>	<u>43,032,741</u>
Total assets	<u>2,782,128</u>	<u>51,321,321</u>	<u>54,103,449</u>
Liabilities			
Current liabilities:			
Accounts payable	-	306,887	306,887
Due to other funds	539,782	-	539,782
Salaries payable	4,411	62,757	67,168
Compensated absences	4,057	194,212	198,269
Refundable deposits	-	56,115	56,115
Total current liabilities	<u>548,250</u>	<u>619,971</u>	<u>1,168,221</u>
Noncurrent liabilities:			
Accounts payable	-	106,988	106,988
Compensated absences	14,354	170,007	184,361
Total noncurrent liabilities	<u>14,354</u>	<u>276,995</u>	<u>291,349</u>
Total liabilities	<u>562,604</u>	<u>896,966</u>	<u>1,459,570</u>
Net Assets			
Invested in capital assets	40,902	42,840,912	42,881,814
Restricted for capital improvements	1,378,622	-	1,378,622
Unrestricted	800,000	7,583,443	8,383,443
Total net assets	<u>\$ 2,219,524</u>	<u>50,424,355</u>	<u>52,643,879</u>

See notes to financial statements.

Iowa State Fair Authority

Statement of Activities

Year ended October 31, 2004

<u>Functions</u>	Expenses	Program Revenues	
		Charges for Service	Operating Grants and Contributions
Governmental activities:			
Blue Ribbon Foundation fund raising	\$ 1,053,125	630,752	1,326,004
Business type activities:			
State Fair and other events	14,114,987	14,039,520	704,228
Total	<u>\$ 15,168,112</u>	<u>14,670,272</u>	<u>2,030,232</u>

General revenues:

 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
903,631	-	903,631
-	628,761	628,761
903,631	628,761	1,532,392
250,000	-	250,000
20,692	48,264	68,956
(1,378,185)	1,378,185	-
(1,107,493)	1,426,449	318,956
(203,862)	2,055,210	1,851,348
2,423,386	48,369,145	50,792,531
<u>\$ 2,219,524</u>	<u>50,424,355</u>	<u>52,643,879</u>

Exhibit C

Iowa State Fair Authority

Balance Sheet

Special Revenue Fund

October 31, 2004

Assets

Assets:

Cash and investments	\$ 1,891,516
Unexpended appropriation	250,000
Interest receivable	5,253
Pledges receivable	437,288
Inventories	157,169
Total assets	\$ 2,741,226

Liabilities and Fund Balance

Liabilities:

Due to other funds	\$ 539,782
Salaries payable	4,411
Deferred revenue	432,721
Total liabilities	976,914

Fund balance:

Reserved for:	
Inventories	157,169
Capital improvements	953,622
Unreserved	653,521
Total fund balance	1,764,312

Total liabilities and fund balance**\$ 2,741,226****Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets****Fund balance - Special Revenue Fund** \$ 1,764,312

Amounts reported for governmental activities in the Statement of Net Assets are different because:

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

Equipment	\$ 52,717	
Less accumulated depreciation	(11,815)	40,902

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

432,721

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

(18,411)

Net assets of governmental activities**\$ 2,219,524**

See notes to financial statements.

Iowa State Fair Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund
Year ended October 31, 2004

Revenues:	
State appropriation	\$ 250,000
Contributions	1,409,877
Sales of promotional items	522,881
Other sales	107,871
In-kind support	112,314
Interest on investments	20,692
Total revenues	<u>2,423,635</u>
Expenditures:	
Administration	358,532
Promotion	684,505
Total expenditures	<u>1,043,037</u>
Excess of revenues over expenditures	1,380,598
Other financing uses:	
Transfers out	<u>(1,378,185)</u>
Net change in fund balance	2,413
Fund balance beginning of year	<u>1,761,899</u>
Fund balance end of year	<u>\$ 1,764,312</u>
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	
Net change in fund balance - Special Revenue Fund	\$ 2,413
Amounts reported for governmental activities in the Statement of Activities are different because:	
Contributions are reported in the Statement of Activities when pledged to the Foundation. They are not reported as revenues in the funds until available.	(196,187)
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 \$3,514.	(3,514)
Compensated absences 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.	<u>(6,574)</u>
Change in net assets of governmental activities	<u>\$ (203,862)</u>

See notes to financial statements.

Iowa State Fair Authority

Statement of Net Assets

Enterprise Fund

October 31, 2004

Assets

Current assets:	
Cash and investments	\$ 7,633,320
Accounts receivable	307,307
Due from other funds	539,782
Total current assets	<u>8,480,409</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	3,843,785
Buildings	34,443,145
Equipment	653,063
Vehicles	88,644
Infrastructure	3,247,231
Construction in progress	565,044
Total noncurrent assets	<u>42,840,912</u>
Total assets	<u>51,321,321</u>

Liabilities

Current liabilities:	
Accounts payable	306,887
Salaries payable	62,757
Compensated absences	194,212
Refundable deposits	56,115
Total current liabilities	<u>619,971</u>
Noncurrent liabilities:	
Accounts payable	106,988
Compensated absences	170,007
Total noncurrent liabilities	<u>276,995</u>
Total liabilities	<u>896,966</u>

Net Assets

Invested in capital assets	42,840,912
Unrestricted	7,583,443
Total net assets	<u>\$ 50,424,355</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, 2004

Operating revenues:	
Admissions	\$ 5,488,389
Attractions	801,108
Commercial exhibitors	528,762
Concessions	2,298,211
Grandstand and racetrack entertainment	2,068,834
Entry fees	296,604
Campground fees and services	785,876
Sponsorships	704,228
Interim events	1,629,786
Printshop	760
Miscellaneous	141,190
Total operating revenues	14,743,748
Operating expenses:	
Administration	2,421,495
Admissions	303,209
Concessions	81,372
Entry and competitive events	1,037,858
Fair services	1,186,138
Grandstand and racetrack	1,717,535
Utilities and maintenance	3,407,306
Marketing and promotion	490,950
Public safety	664,506
Sponsorship	34,924
Special entertainment	505,167
Treasurer	14,870
Depreciation	2,108,808
Interim events	140,769
Total operating expenses	14,114,907
Operating income	628,841
Non-operating revenues (expenses):	
Interest income	48,264
Loss on disposal of capital assets	(80)
Income before transfers	677,025
Operating transfers in	1,378,185
Change in net assets	2,055,210
Net assets beginning of year	48,369,145
Net assets end of year	\$ 50,424,355

See notes to financial statements.

Exhibit G

Iowa State Fair Authority

Statement of Cash Flows

Enterprise Fund

Year ended October 31, 2004

Cash flows from operating activities:		
Cash received from events	\$ 14,599,716	
Cash paid to suppliers	(7,356,200)	
Cash paid to employees	<u>(4,542,870)</u>	
Net cash provided by operating activities		\$ 2,700,646
Cash flows from non-capital financing activities:		
Interfund transfers in from other funds		1,224,417
Cash flows from capital financing activities:		
Acquisition of property and equipment		(2,175,044)
Cash flows from investing activities:		
Interest on investments		<u>48,264</u>
Net increase in cash and cash equivalents		1,798,283
Cash and cash equivalents beginning of year		<u>5,835,037</u>
Cash and cash equivalents end of year		<u><u>\$ 7,633,320</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 628,841
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 2,108,808	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(144,032)	
Increase in accounts payable	118,376	
(Decrease) in salaries payable	(12,613)	
Increase in refundable deposits	900	
Increase in compensated absences	<u>366</u>	
Total adjustments		<u>2,071,805</u>
Net cash provided by operating activities		<u><u>\$ 2,700,646</u></u>

See notes to financial statements.

Iowa State Fair Authority

Notes to Financial Statements

October 31, 2004

(1) Summary of Significant Accounting Policies

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

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

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

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

A. Reporting Entity

For financial reporting purposes, the Iowa State Fair Authority has included all funds and organizations, boards, commissions and authorities. The Fair Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Fair Authority are such that exclusion would cause the Fair Authority's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Fair Authority to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Fair Authority. The Fair Authority has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and fund financial statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the Fair Authority's governmental fund and proprietary fund.

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

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

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

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

The Fair Authority reports the following major governmental fund:

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

The Fair Authority reports the following major proprietary fund:

An Enterprise Fund is used to account for the activities of the Iowa State Fair. It includes the 11-day fair activities as well as other events during the year.

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

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

D. Budgets, Budgetary Accounting and State Appropriations

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

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

State appropriations received by the Foundation that are unexpended as of October 31, 2004 are classified as restricted net assets on the Statement of Net Assets because their use is restricted to reimbursement to the Fair Authority for capital improvements.

E. Assets, Liabilities and Net Assets/Fund Balance

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

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

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

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the year ended October 31, 2004, 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 – Employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death, or retirement. The cost of earned vacation, sick and compensatory pay are recorded as liabilities. These liabilities for compensated absences are based on current rates of pay.

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

(2) Cash and Investments

The Iowa State Fair Authority’s deposits in banks and with the Treasurer of State throughout the period and at October 31, 2004 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.

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

Investments are stated at cost which approximates fair value.

The Fair Authority's investments at October 31, 2004 are as follow:

Type	Cost
Commercial paper	\$ 837,185

(3) Capital Assets

Capital assets activity for the year ended October 31, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Equipment	\$ 52,717	-	-	52,717
Less accumulated depreciation	(8,301)	(3,514)	-	(11,815)
Governmental activities capital assets, net	\$ 44,416	(3,514)	-	40,902
Business type activities:				
Land, not being depreciated	\$ 3,387,124	456,661	-	3,843,785
Buildings	48,388,224	1,171,063	(9,996)	49,549,291
Equipment	1,401,089	256,552	-	1,657,641
Vehicles	509,868	32,671	-	542,539
Infrastructure	4,807,357	182,574	-	4,989,931
Construction in progress, not being depreciated	489,521	415,054	(339,531)	565,044
Total capital assets	58,983,183	2,514,575	(349,527)	61,148,231
Less accumulated depreciation:				
Buildings	(13,459,084)	(1,656,977)	9,915	(15,106,146)
Equipment	(876,215)	(128,363)	-	(1,004,578)
Vehicles	(433,625)	(20,270)	-	(453,895)
Infrastructure	(1,439,502)	(303,198)	-	(1,742,700)
Total accumulated depreciation	(16,208,426)	(2,108,808)	9,915	(18,307,319)
Business type activities capital assets, net	\$42,774,757	405,767	(339,612)	42,840,912

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the Fair Authority is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Fair Authority's contribution to IPERS for the years ended October 31, 2004, 2003 and 2002 were \$187,419, \$173,712 and \$166,602, respectively, equal to the required contributions for each year.

(5) Other Post Employment Benefits

On November 8, 2001, the Legislature passed an Early Retirement Termination Program during the special legislative session. The program required the sum of the number of years of credited service (service under the Iowa Public Employee's Retirement System or the Peace Officers' Retirement, Accident and Disability System) and age in years as of December 31, 2002, to equal or exceed seventy-five. Employees were required to sign up on or before January 31, 2002 and leave State employment on or before February 1, 2002.

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

On April 2, 2004, the Governor signed into law a sick leave and vacation incentive program for eligible executive branch employees. The program requires the sum of the number of years of credited service (service under the Iowa Public Employee's Retirement System or the Peace Officers' Retirement, Accident and Disability System) and age in years as of December 31, 2004, equals or exceeds seventy-five. Employees were required to sign up by May 21, 2004 and to leave State employment no earlier than July 2, 2004, but no later than August 12, 2004.

The incentive is calculated as the total dollar of accrued vacation at the time of termination plus the lesser of 75 percent of the employee's accumulated and unused sick leave or 75 percent of the employee's annual salary. The vacation and sick leave will be paid out in five installments, with 30 percent paid with the employee's last regular payroll warrant, 20 percent paid August in 2005, 2006, 2007, and the remaining 10 percent in August 2008. In the event a program participant dies prior to receiving the total cash value of the incentive, the participant's designated beneficiary or beneficiaries shall receive the remaining payments on the schedule developed for such payments.

Participants of all of the programs may not accept permanent part-time or permanent full-time employment with the State, other than as an elected official, after termination.

All incentives are financed on a pay-as-you-go basis. Early retirement costs for the year ended October 31, 2004 totaled \$88,557 for five participants in the Enterprise Fund. The balance remaining at October 31, 2004 of \$186,330 has been accrued in the Enterprise Fund.

(6) Contractual Commitments

The Iowa State Fair Authority has entered into contracts for planned capital improvement projects throughout the fairgrounds and has spent approximately \$916,000 under these contracts as of October 31, 2004. The remaining contractual obligation as of October 31, 2004 for current projects already in progress totals approximately \$645,000.

(7) Risk Management

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

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

Iowa State Fair Authority

Supplementary Information

Iowa State Fair Authority

Iowa State Fair Authority
 Expenditures by Object
 Special Revenue Fund
 Year ended October 31, 2004

	Adminis- tration	Promotion	Total
Personal services	\$ 251,635	-	251,635
Travel	10,488	-	10,488
Supplies and materials	65,225	-	65,225
Contractual services	14,736	-	14,736
Miscellaneous	8,158	-	8,158
Equipment	8,290	-	8,290
Marketing	-	550,215	550,215
Donor promotion	-	134,290	134,290
	<hr/>		
Total	\$ 358,532	684,505	1,043,037

See accompanying independent auditor's report.

Iowa State Fair Authority
Expenses by Object
Enterprise Fund
Year ended October 31, 2004

	Admin- istration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Racetrack
Personal services	\$ 1,611,548	238,860	21,092	216,509	75,854	49,537
Travel and conferences	78,176	-	-	7,200	817	-
Supplies and materials	179,373	1,561	55,473	103,335	214,431	-
Judging	-	-	-	190,102	450	-
Contractual services	209,978	52,453	1,975	56,648	829,614	259,838
Repair and improvements	-	-	-	-	-	-
Talent	-	-	-	-	-	1,268,080
Other grandstand events	-	-	-	-	-	133,530
Advertising	-	-	-	720	28,084	-
Claims and miscellaneous	342,420	10,335	2,832	37,903	36,888	6,550
Premiums	-	-	-	425,441	-	-
Depreciation	-	-	-	-	-	-
Total	\$ 2,421,495	303,209	81,372	1,037,858	1,186,138	1,717,535

See accompanying independent auditor's report.

Utilities and Maintenance	Marketing and Promotion	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
2,159,220	4,385	613,022	-	6,565	12,983	-	-	5,009,575
-	-	-	-	2,253	-	-	-	88,446
345,341	26,099	8,080	34,924	2,624	-	-	33,051	1,004,292
-	-	-	-	1,515	-	-	-	192,067
857,289	5,911	43,404	-	36,138	-	-	99,837	2,453,085
16,317	-	-	-	-	-	-	-	16,317
-	-	-	-	420,417	-	-	-	1,688,497
-	-	-	-	-	-	-	-	133,530
-	430,784	-	-	-	-	-	-	459,588
29,139	23,771	-	-	35,655	1,887	-	7,881	535,261
-	-	-	-	-	-	-	-	425,441
-	-	-	-	-	-	2,108,808	-	2,108,808
3,407,306	490,950	664,506	34,924	505,167	14,870	2,108,808	140,769	14,114,907

Schedule 3

Iowa State Fair Authority

Summary of Operating Revenues and State Fair Attendance

For the Five Years Ended October 31, 2004

Fiscal Year		Operating Revenues	Operating Income (Loss)	State Fair Attendance (Unaudited)
2000	\$	10,417,274	(1,205,618)	979,000
2001		10,706,254	(841,123)	986,000
2002		13,368,569	548,578	1,008,000
2003		13,350,962	(18,804)	1,012,000
2004		14,743,748	628,841	1,054,000

See accompanying independent auditor's report.

Iowa State Fair Authority
Grandstand Performances
Year ended October 31, 2004

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
Michael W. Smith and MercyMe	8,256	\$ 206,400	139,196	67,204
Montgomery Gentry and Gary Allan	5,803	145,075	85,064	60,011
Rock 'N' Roll Reunion XXV	7,342	183,550	72,500	111,050
Clay Aiken	5,493	137,325	100,000	37,325
Rascal Flatts and Chris Cagle	8,785	219,625	166,431	53,194
Nickelback and Puddle of Mudd	9,585	316,305	241,305	75,000
Josh Turner and PRCA Rodeo	4,328	58,100	58,800	(700)
Kid Rock	10,101	333,333	255,708	77,625
Brooks & Dunn and Gretchen Wilson	9,120	255,360	189,681	65,679
Total	<u>68,813</u>	<u>\$ 1,855,073</u>	<u>1,308,685</u>	<u>546,388</u>

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

See accompanying independent auditor's report.

Schedule 5

Iowa State Fair Authority

Concessionaire Sales

For the Five Years Ended October 31, 2004
(Unaudited)

Year Ending Oct 31,	Sales Reported by Vendor *		
	Food	Beer	Merchandise
2000	\$ 6,410,785	-	1,715,020
2001	5,482,493	484,000	1,764,222
2002	5,908,943	539,250	1,848,177
2003	5,966,939	578,250	1,881,310
2004	7,176,188	644,875	2,162,481

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

* For the year ended October 31, 2001, the Fair changed the method that vendors pay for beer. Previously, vendors paid 25% of sales rather than a flat rate of \$125 per keg. Therefore, the reported food amounts for 1999 and 2000 include beer sales.

See accompanying independent auditor's report.



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Auditor of State

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

To the Board Members of the
Iowa State Fair Authority:

We have audited the financial statements of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2004, and have issued our report thereon dated March 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa State Fair Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Iowa State Fair Authority's ability to report, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa State Fair Authority, 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

March 28, 2005

Iowa State Fair Authority
Schedule of Findings
Year ended October 31, 2004

Findings Related to Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Credit Cards – Various Iowa State Fair Authority and Blue Ribbon Foundation employees use credit cards issued to the State Fair and the Foundation. The Authority and Foundation have not adopted a formal policy to regulate the use of these cards and to establish procedures for the proper accounting of card charges. In addition, adequate supporting documentation was not being provided to support card charges prior to Board approval. Also, adequate supporting documentation was not always available to support credit card charges.

Recommendation – The Iowa State Fair Authority and the Blue Ribbon Foundation should adopt a formal written policy regulating the use of state credit cards. The policy, at a minimum, should address who controls the cards, who is authorized to use the cards, the types of expenses allowed to be charged, as well as the types of supporting documentation required to substantiate charges. The policy should also prohibit the use of state-owned credit cards for personal expenses.

Response – The Iowa State Fair and the Blue Ribbon Foundation will develop written policies on the proper use of state credit cards. Proper documentation will be kept on file for all purchases made with the cards.

Conclusion – Response accepted.

- (B) Timeliness of Deposits – Receipts from the Blue Ribbon Foundation were not always deposited timely.

Recommendation - To strengthen internal control, all receipts should be deposited timely.

Response – The Fair staff will work harder at making sure Foundation receipts are remitted to the accounting office timely in order for monies to be deposited within the required time frame.

Conclusion – Response accepted.

Iowa State Fair Authority
 Schedule of Findings
 Year ended October 31, 2004

Other Findings:

Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

Paid to	Purpose	Amount
The Wine Experience	5 cases of Cristalino for retirement party	\$ 500
	\$250 gift certificate for retiree	250
Campbells Concessions Inc.	Catering and kegs for retirement party	5,062
Lundy's Hallmark Shop	Picture frames and cards for retirees	59
Joseph Jewelers	Gifts for retirees	233
Best Buy	Two \$450 gift certificates for retirees	900
Lowe's	Wine cooler for retiree	158
		<u>\$ 7,162</u>

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The State Fair Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the State Fair should establish written policies and procedures, including requirements for proper documentation.

Response – In May of 2004, the Iowa State Legislature passed and the Governor signed into law a Bill that allowed a state employee who had a combination of years of service and age equal to 75 could retire. As a special incentive, those qualified employees would be able to draw 75% of a year’s worth of sick leave to be paid to them over the next five years (normal retirement only allows \$2,000 regardless of the amount accrued). All normal retirement benefits were available to those qualified retirees as well. One stipulation of the Bill was that if the employee signed up and qualified, then they must vacate their work place and terminate their employment with the State on August 11, 2004.

Iowa State Fair Authority

Schedule of Findings

Year ended October 31, 2004

The Iowa State Fair Authority had seven employees that qualified and four of these employees decided to retire. August 11, 2004, was the first day of the Iowa State Fair and 2004 was the 150th Anniversary of the first Fair. The retirees were Jan Higgins, Assistant Manager of the Iowa State Fair, with 34 years of service, Kathie Swift, Director of Marketing, with 27 years of service, Don Edmundson, Director of Print Shop Services, with 27 years of service and Darlene Kretzschmar, Special Events Coordinator, with 11 years of service. There were over 100 years of service from four key employees in four key positions. How could the Iowa State Fair function if those employees could not be employed through the run of the Fair?

The solution seemed to center around rehiring those employees using a different status (i.e. contract, temporary or seasonal). However, the Governor's Office issued a memorandum that prohibited such practices to those taking the early retirement benefits by Executive Order. On behalf of the Iowa State Fair Board, I appealed to the Governor for a waiver of this policy but was denied. Because of the loyalty and dedication of these employees, they absolutely did not want to leave the Iowa State Fair in a lurch and at the first day of the Sesquicentennial Fair. They urged me to pursue finding a solution. The solution came by working with the Department of Administrative Services and using a temporary staffing agency, USA Staffing, which has the state contract to hire these employees and place them back in the now vacated positions at the Fair. These employees could have walked out on the Fair August 10th, 2004, but they did not. Instead, they did as they had for their 34, 27, 27 and 11 years of services, respectively, doing a tremendous and wonderful job in running their departments and their Fair events and programs throughout the 2004 Fair.

It should be obvious that with the Fair preparation and the short 70 day period between the filing deadline and the job termination date requirement, the Fair could not have hired and trained replacements for these key positions. All throughout this process, the Iowa State Fair Board was kept abreast of these developments and their direction was headed and carried out by staff.

The State Auditor's review team has identified the use of the funds used to host a reception to commemorate the contributions, dedication and long years of service and loyalty of these four employees to the Iowa State Fair and the State of Iowa, as questionable as to the "public purpose" served by these expenditures. As CEO and Manager of the Iowa State Fair Authority and as President of the Iowa State Fair Authority Board of Directors, Gary Slater and C.W. Thomas, feel that this reception was, the very least, the bare minimum of what could be done to properly and publicly thank the fine State of Iowa and Iowa State Fair Authority employees for long and tenured years of service. Their services went above and beyond the call of duty to produce the 2004 Sesquicentennial Iowa State Fair for the pleasure and enjoyment and proud traditions of all Iowans. This past Fair was absolutely flawless and the best Iowa State Fair ever in its 150 year history. The success was largely due to the dedication, diligence, expertise, hard work and loyalty of these and the rest of the Iowa State Fair Authority staff.

The Iowa State Fair Board recognized that it did not pass a formal motion to authorize the "public purpose" use of the Iowa State Fair funds for the reception. However, the Iowa State Fair Board informally sanctioned the use of the Iowa State Fair funds for this reception by advising staff as to planning the date, location, invitations and amenities provided to attendees. Also, the Iowa State Fair Board attended, hosted and the President served as the Master of Ceremonies.

Iowa State Fair Authority

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Year ended October 31, 2004

Those in attendance not only commemorated employee accomplishments of the Iowa State Fair over the past 34 years but also received information as to the Fair dates for the 2005 Fair (August 11-21) and all in attendance were encouraged to attend. Therefore, through advertising, the Iowa State Fair satisfied the “public purpose” requirement for the expenditures of the Iowa State Fair Authority funds.

In conclusion, any future consideration of the expenditure of Iowa State Fair Authority funds for any out of the ordinary purpose that would have any resemblance to the one questioned by your office will be scrutinized thoroughly by the Iowa State Fair Staff and Board. If it is deemed warranted as having “public purpose,” it will be formally passed by the Iowa State Fair Board of Directors prior to the expenditure of funds.

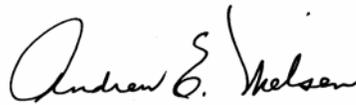
Conclusion – Response acknowledged. The State Fair Board should ensure all expenditures meet the test of public purpose and the public purpose is documented.

Iowa State Fair Authority

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
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Dustin S. Boxa, Staff Auditor
Brad T. Holtan, Staff Auditor
Karen L. Kibbe, Assistant Auditor
Andrea M. Pothast, 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