



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

August 8, 2017

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Auditor of State Mary Mosiman today released an audit report on the Iowa State Fair Authority for the year ended October 31, 2016. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$25,554,537 for fiscal year 2016, an increase of 5.0% over the prior year. Revenues included \$7,462,738 from Fair admissions, \$4,066,230 from Fair concessions, \$3,934,183 from Fair entertainment and \$2,609,945 from interim events. Operating expenses of the Fair Authority for fiscal year 2016 totaled \$24,590,099, an increase of 6.9% over the prior year. The Fair Authority reported operating income of \$964,438 for the year ended October 31, 2016 compared to operating income of \$1,332,311 for the prior year.

Foundation revenues were \$5,193,924 for fiscal year 2016, a 50.4% decrease from the prior year. Revenues included operating grants and contributions of \$1,842,901, capital grants and contributions of \$2,233,656 and charges for service of \$580,539. The Foundation had administration and promotion expenses of \$2,183,080 during fiscal year 2016, a 14.9% decrease from the prior year. The Foundation also provided capital contributions of \$4,853,282 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 <https://auditor.iowa.gov/reports/1760-0110-0000>.

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

OCTOBER 31, 2016

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Iowa State Fair Authority

Officials

<u>Name</u>	<u>Title</u>
	State
Honorable Kim Reynolds	Governor
Honorable Michael L. Fitzgerald	Treasurer of State
David Roederer	Director, Department of Management
Glen P. Dickinson	Director, Legislative Services Agency

Board Members

Alan Brown	President/Director, North Central District
John Harms	Vice President/Director, Northeast District
Dave Hoffman	Treasurer/Director, Northwest District
Honorable Bill Northey	Secretary of Agriculture
Dr. Steven Leath	President, Iowa State University
Paul Vaassen	Director, Northeast District
Darwin Gaudian	Director, Northwest District
James Romer (Resigned Dec 2015)	Director, North Central District
Tennie Carlson (Appointed Dec 2015)	Director, North Central District
Randy Brown	Director, South Central District
Jerry Parkin	Director, South Central District
Gary McConnell	Director, Southeast 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, 2016, and the related Notes to 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 7.4% of the assets, 7.6% of the net position and 1.8% 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 auditors, 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, 2016, and the respective changes in its financial position and, where applicable, its 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, the Schedule of the Fair Authority's Proportionate Share of the Net Pension Liability and the Schedule of Fair Authority Contributions on pages 9 through 14 and 41 through 44 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 5 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.

The supplementary information presented in Schedule 5 has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 7, 2017 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

July 7, 2017

Iowa State Fair Authority

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, 2016. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Operating revenues increased 5% from fiscal year 2015 to fiscal year 2016. Revenues for every department increased over the prior year. Attendance was down slightly from the prior year.
- Operating expenses increased 6.9% in comparison to last year. In fiscal year 2016, most departments' operating expenses increased except admissions, concessions, public safety and treasurer. Many of the increases occurred in payroll, talent and other contractual services.
- In fiscal year 2016, the Youth Inn's third and final phase of renovation was nearly completed. Windows were replaced, improvements were made to the main floor and stage area and the kitchen facility was enhanced. New landscaping and a parking lot also completed the north side of the building. The facility was renamed the Oman Family Youth Inn for their generous \$1 million donation for this important structure on the Fairgrounds. The second phase of Ruan Plaza paved the gravel parking area and added trees and a dedicated sidewalk for better pedestrian flow. Work started in the Midway area of the grounds to improve the land and infrastructure.

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 Position and the Statement of Activities (on pages 17 through 19) provide information about the activities of the Fair Authority as a whole and present a longer-term view of the Fair Authority's finances. Governmental activities financial statements show the activity of the Iowa State Fair Blue Ribbon Foundation. These statements tell how the Foundation raised and used funds for the purpose of renovation projects at the Iowa State Fairgrounds. The business type activities financial statements show the activity of the Iowa State Fair itself. These basic financial statements also include the Notes to Financial Statements which explain some of the information in the statements and provide more detail. Required Supplementary Information presents the Fair Authority's proportionate share of the net pension liability and related contributions and begins on page 41. Supplementary information is also in schedule form and begins on page 47.

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'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 as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as "net position". Over time, increases or decreases in the Fair'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'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 years.

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. In fiscal year 2012, the Blue Ribbon Foundation established Our Fair's Future, an endowment fund designed to assure perpetual maintenance and improvement of the Iowa State Fairgrounds. This professionally managed fund will be held in trust for future Fairgoers, providing a permanent and protected source of revenue that will remain intact, with earnings distributed annually for maintenance and improvement projects.

Business Type Activities – These statements present information on the Iowa State Fair's operating and non-operating activities. The Iowa State Fair is internationally acclaimed and annually attracts more than a million fun-lovers from around the world. It is one of the leading tourist attractions in the state. The Fair is Iowa's great celebration to the best in agriculture, industry, entertainment and achievement. Special features include one of the world's largest livestock shows, the country's largest state fair food department (approx. 900 classes), the state's largest arts show, hundreds of competitive events and wacky contests, 600 plus exhibitors and concessionaires selling quality and tasty treats and 160 rolling acres of campgrounds. A proud tradition since 1854, the Fair inspired the novel, "State Fair", three motion pictures, plus Rodgers and Hammerstein's Broadway musical. The activities in this business type category normally are intended to recover all or a significant portion of their costs through fees and charges from the annual Fair and other interim events. The departmental activities of the Fair include administration, admissions, concessions, entry and competitive events, fair services, grandstand and racetrack entertainment, 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, reporting the Fair's operations in more detail than the entity-wide statements. The funds of the Fair can be divided into two categories. It is important to note these fund categories use different accounting approaches and should be interpreted differently. The two categories of funds are:

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

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the Fair Authority's near-term financing decisions. Both the Special Revenue Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund 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 service provided to outside customers, including local government, it is known as an Enterprise Fund. Proprietary fund financial statements provide the same type of information as the entity-wide financial statements, only in more detail. Like the entity-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the entity-wide financial statements for business type activities and the proprietary fund financial statements.

Notes to Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found beginning on page 26.

Required Supplementary Information

Required Supplementary Information presents the Fair Authority's proportionate share of the net pension liability and related contributions

Supplementary Information

The supplementary schedules begin on page 47 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 \$106.4 million at October 31, 2016 compared to approximately \$102.3 million at October 31, 2015.

Fair Authority Net Position	Governmental Activities		Business Type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 5,866,815	7,696,024	21,334,171	19,697,889	27,200,986	27,393,913
Capital assets	36,465	43,463	85,426,005	81,382,371	85,462,470	81,425,834
Total assets	\$ 5,903,280	7,739,487	106,760,176	101,080,260	112,663,456	108,819,747
Deferred outflows of resources	\$ -	-	925,717	285,865	925,717	285,865
Current liabilities	\$ 12,969	10,334	1,460,553	1,715,572	1,473,522	1,725,906
Long-term liabilities	140,937	137,341	5,301,264	4,359,428	5,442,201	4,496,769
Total liabilities	\$ 153,906	147,675	6,761,817	6,075,000	6,915,723	6,222,675
Deferred inflows of resources	\$ -	-	280,694	569,092	280,694	569,092
Net position:						
Net investment in capital assets	\$ 36,465	43,463	85,426,005	81,382,371	85,462,470	81,425,834
Restricted for:						
Endowment	438,540	347,014	-	-	438,540	347,014
Capital improvements	500,000	1,166,510	-	-	500,000	1,166,510
Other purposes	4,774,369	6,034,825	-	-	4,774,369	6,034,825
Unrestricted	-	-	15,217,377	13,339,662	15,217,377	13,339,662
Total net position	\$ 5,749,374	7,591,812	100,643,382	94,722,033	106,392,756	102,313,845

The largest portion of the Fair Authority's net position (80.3%) 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 position (14.3%) represents assets used to meet the Fair Authority's ongoing obligations to vendors and creditors.

The remaining balance (5.4%) represents resources subject to external restrictions on how they may be used. The restricted net position will eventually be paid to the business side of the Fair for more investment in its capital assets. The Blue Ribbon Foundation created an Endowment Fund in fiscal year 2012 called Our Fair's Future - Blue Ribbon Foundation Endowment. Supported by donations, this fund allows donors to invest in the future of the Iowa State Fair. Withdrawals from the invested capital will be used for capital projects and future maintenance.

Fair Authority Changes in Net Position	Governmental Activities		Business Type Activities		Total	Total
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for service	\$ 580,539	548,738	24,539,115	23,368,398	25,119,654	23,917,136
Operating grants and contributions	1,842,901	1,577,862	1,015,422	964,521	2,858,323	2,542,383
Capital grants and contributions	2,233,656	6,004,030	-	-	2,233,656	6,004,030
General revenues:						
State appropriation	500,000	2,325,000	-	-	500,000	2,325,000
Investment earnings	36,828	8,315	100,856	43,446	137,684	51,761
Gain on sale of capital assets	-	-	2,773	2,808	2,773	2,808
Total revenues	5,193,924	10,463,945	25,658,166	24,379,173	30,852,090	34,843,118
Expenses:						
Blue Ribbon Foundation fund raising	2,183,080	2,565,951	-	-	2,183,080	2,565,951
State Fair and other events	-	-	24,590,099	23,000,608	24,590,099	23,000,608
Total expenses	2,183,080	2,565,951	24,590,099	23,000,608	26,773,179	25,566,559
Change in net position before transfers	3,010,844	7,897,994	1,068,067	1,378,565	4,078,911	9,276,559
Transfers	(4,853,282)	(3,858,490)	4,853,282	3,858,490	-	-
Change in net position	(1,842,438)	4,039,504	5,921,349	5,237,055	4,078,911	9,276,559
Net position beginning of year	7,591,812	3,552,308	94,722,033	89,484,978	102,313,845	93,037,286
Net position end of year	\$ 5,749,374	7,591,812	100,643,382	94,722,033	106,392,756	102,313,845

The Fair Authority's net position increased approximately \$4.08 million, or 4%. The net position of the business type activities increased approximately \$5.92 million and the net assets of the governmental activities decreased approximately \$1.84 million. The majority of the increase reflects the increase in our investment in capital assets.

Iowa State Fair business type activities revenue increased in all departments. The majority of the increases in revenue came from grandstand and concessions. Our grandstand had a stronger lineup resulting in higher priced shows. Concessions were up due to the increase in outside exhibit space, merchandise and food percentage. Governmental activities revenues decreased approximately \$5.3 million. The Foundation received an appropriation from the State Legislature totaling \$500,000 in fiscal year 2016 to help fund the midway project while the appropriation of \$2,325,000 in fiscal year 2015 was for the renovation of the Youth Inn. Grants and contributions also decreased from the prior year due to larger pledges and donations received and pledged in fiscal year 2015.

Approximately 88% of all business type activities revenues were generated from the Fair Authority's annual 11-day event, while the other 12% is from off-season rental of Fair Authority facilities and other miscellaneous sources. The largest revenue source of 33% comes from admissions and parking, while concessions, commercial exhibitors and attractions contribute 27.7% and entertainment contributes 15.4%. Revenues of approximately \$2.6 million, or 10.2%, were from off-season rental of our facilities.

The Fair Authority's expenses for both the business type and governmental activities increased from the previous year, mainly in payroll, talent expenses and other contractual services.

The largest business type activities expense is payroll, which accounts for 30.2% 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 23.4% of all expenses. Examples of contractual services are utilities, including electricity and water, waste and garbage removal and contract services as needed throughout the year. Payments made to grandstand performers and other entertainment during the fair account for 15.2% of all expenses.

FINANCIAL ANALYSIS OF THE FAIR AUTHORITY'S INDIVIDUAL FUNDS

Governmental Funds

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

As of the end of the current fiscal year, the Fair's governmental funds reported an ending fund balance of approximately \$3.2 million, a decrease of approximately \$556,000 from the prior year. 100% of the fund balance is restricted or non-spendable, which means the full balance is restricted for specific purposes, with the majority committed to pay for the renovation of specific projects, or is subject to other donor imposed restrictions. Decreases on the revenue side resulted from a decrease in appropriation and contributions. Transfers to business type activities for capital improvements increased.

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, 2016, the Fair's proprietary fund reported an ending net position of approximately \$100.6 million, an increase of approximately \$5.9 million over the prior year. The majority of the increase in net position is directly attributable to the investment in capital assets.

CAPITAL ASSETS

The Fair Authority's investment in capital assets for its governmental and business-type activities at October 31, 2016 was approximately \$134.2 million, net of accumulated depreciation of approximately \$48.8 million, leaving a net book value of approximately \$85.4 million. This investment in capital assets includes land, buildings, infrastructures, equipment, vehicles and construction in progress. Infrastructure assets are items that are normally immovable, such as streets and sidewalks, drainage systems, lighting systems and similar items.

Capital projects in 2016 included another phase of the Ruan Plaza beautification project and the near completion of the Youth Inn renovation. The midway area of the grounds is going through a land and infrastructure improvement to pave way for our own independent ride and games area. Funds to pay for the 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 2017 budget and fees charged for the various Fair activities. Operating expenses and operating revenues are expected to increase due to our new ride and game areas. These ride areas known, as our Thrill Parks, are undergoing a facelift. Thrill Ville is an area for the older kids and adults and a separate area called Thrill Town is for the younger kids. Patrons will have access to thrilling rides and exciting games all by use of an electronic wristband in lieu of tickets. Another area expected to increase is our payroll. Federally enacted Affordable Health Care (ACA) laws are still impacting our labor pools. Due to the limitation of hours staff can work, we are forced to explore other avenues of labor such as a contract labor force, which can be more costly. The Fair Authority's net assets for fiscal year 2017 are 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, PO Box 57130, Des Moines, Iowa 50317.

Basic Financial Statements

Iowa State Fair Authority

Iowa State Fair Authority

Statement of Net Position

October 31, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Current assets:			
Cash, cash equivalents and investments	\$ 3,675,054	19,232,648	22,907,702
Unexpended appropriation	500,000	-	500,000
Receivables:			
Accounts	-	429,196	429,196
Accrued interest	5,928	35,634	41,562
Pledges	721,842	-	721,842
Internal balances	(1,636,693)	1,636,693	-
Inventories	178,388	-	178,388
Total current assets	3,444,519	21,334,171	24,778,690
Noncurrent assets:			
Pledges receivable	2,422,296	-	2,422,296
Capital assets, net of accumulated depreciation:			
Land	-	13,186,646	13,186,646
Buildings	-	55,933,103	55,933,103
Equipment	-	2,184,972	2,184,972
Vehicles	36,465	241,853	278,318
Infrastructure	-	4,471,494	4,471,494
Construction in progress	-	9,407,937	9,407,937
Total noncurrent assets	2,458,761	85,426,005	87,884,766
Total assets	5,903,280	106,760,176	112,663,456
Deferred Outflows of Resources			
Pension related deferred outflows	-	925,717	925,717
Liabilities			
Current liabilities:			
Accounts payable	-	868,222	868,222
Salaries payable	7,039	145,494	152,533
Unearned revenue	-	76,725	76,725
Compensated absences and OPEB	5,930	314,615	320,545
Refundable deposits	-	55,497	55,497
Total current liabilities	12,969	1,460,553	1,473,522
Noncurrent liabilities:			
Compensated absences and OPEB	140,937	1,225,526	1,366,463
Net pension liability	-	4,075,738	4,075,738
Total noncurrent liabilities	140,937	5,301,264	5,442,201
Total liabilities	153,906	6,761,817	6,915,723
Deferred Inflows of Resources			
Pension related deferred inflows	-	280,694	280,694
Net Position			
Net investment in capital assets	36,465	85,426,005	85,462,470
Restricted for:			
Endowment	438,540	-	438,540
Capital improvements	500,000	-	500,000
Other purposes	4,774,369	-	4,774,369
Unrestricted	-	15,217,377	15,217,377
Total net position	\$ 5,749,374	100,643,382	106,392,756

See notes to financial statements.

Iowa State Fair Authority

Statement of Activities

Year ended October 31, 2016

Functions	Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Blue Ribbon Foundation	\$ 2,183,080	580,539	1,842,901	2,233,656
Business type activities:				
State Fair and other events	24,590,099	24,539,115	1,015,422	-
Total	<u>\$ 26,773,179</u>	<u>25,119,654</u>	<u>2,858,323</u>	<u>2,233,656</u>
General revenues and transfers:				
State appropriation				
Investment earnings				
Gain on disposal 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
2,474,016	-	2,474,016
-	964,438	964,438
2,474,016	964,438	3,438,454
500,000	-	500,000
36,828	100,856	137,684
-	2,773	2,773
(4,853,282)	4,853,282	-
(4,316,454)	4,956,911	640,457
(1,842,438)	5,921,349	4,078,911
7,591,812	94,722,033	102,313,845
\$ 5,749,374	100,643,382	106,392,756

Iowa State Fair Authority

Balance Sheet
Special Revenue Funds

October 31, 2016

	Special Revenue		
	Nonmajor		
	Blue Ribbon Foundation	Foundation Endowment	Total
Assets			
Cash and investments	\$ 3,236,514	438,540	3,675,054
Unexpended appropriation	500,000	-	500,000
Receivables:			
Accrued interest	5,928	-	5,928
Pledges	3,144,138	-	3,144,138
Inventories	178,388	-	178,388
Total assets	\$ 7,064,968	438,540	7,503,508
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Internal balances	\$ 1,636,693	-	1,636,693
Salaries payable	7,039	-	7,039
Total liabilities	1,643,732	-	1,643,732
Deferred inflows of resources:			
Unavailable revenues	2,586,194	-	2,586,194
Fund balances:			
Nonspendable:			
Inventories	178,388	-	178,388
Restricted for:			
Endowment	-	438,540	438,540
Capital improvements	500,000	-	500,000
Administration	2,156,654	-	2,156,654
Total fund balance	2,835,042	438,540	3,273,582
Total liabilities, deferred inflows of resources and fund balances	\$ 7,064,968	438,540	7,503,508
Reconciliation of the Special Revenue Funds Balance Sheet to the Statement of Net Position			
Fund balances - Special Revenue Funds	\$ 2,835,042	438,540	3,273,582
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 capital assets consist of:			
Equipment	\$ 113,983		
Less accumulated depreciation	<u>(77,518)</u>	36,465	-
			36,465
Certain Foundation revenues will be collected after year-end but will not be available soon enough to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.			
		2,586,194	-
			2,586,194
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.			
		(146,867)	-
			(146,867)
Net position of governmental activities	\$ 5,310,834	438,540	5,749,374

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, 2016

	Special Revenue		
	Blue Ribbon Foundation	Nonmajor	
		Foundation Endowment	Total
Revenues:			
State appropriation	\$ 500,000	-	500,000
Contributions	4,635,135	76,733	4,711,868
Sales of promotional items	352,725	-	352,725
Other sales	227,814	-	227,814
In-kind support	639,407	-	639,407
Interest on investments	19,701	17,127	36,828
Total revenues	6,374,782	93,860	6,468,642
Expenditures:			
Administration	654,205	2,334	656,539
Promotion	1,514,696	-	1,514,696
Total expenditures	2,168,901	2,334	2,171,235
Excess of revenues over expenditures	4,205,881	91,526	4,297,407
Transfers out	(4,853,282)	-	(4,853,282)
Change in fund balances	(647,401)	91,526	(555,875)
Fund balances beginning of year	3,482,443	347,014	3,829,457
Fund balances end of year	\$ 2,835,042	438,540	3,273,582
Reconciliation of the Special Revenue Funds			
Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities			
Change in fund balances - Special Revenue Funds	\$ (647,401)	91,526	(555,875)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Contributions are reported in the Statement of Activities when pledged to the Foundation. They are not reported as revenues in the governmental funds until available.	(1,274,718)	-	(1,274,718)
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 \$6,998.	(6,998)	-	(6,998)
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.	(4,847)	-	(4,847)
Change in net position of governmental activities	\$ (1,933,964)	91,526	(1,842,438)

See notes to financial statements.

Exhibit E

Iowa State Fair Authority

Statement of Net Position
Enterprise Fund

October 31, 2016

Assets

Current assets:

Cash and investments	\$ 19,232,648
Receivables:	
Accounts	429,196
Accrued interest	35,634
Internal balances	<u>1,636,693</u>
Total current assets	<u>21,334,171</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation:

Land	13,186,646
Buildings	55,933,103
Equipment	2,184,972
Vehicles	241,853
Infrastructure	4,471,494
Construction in progress	<u>9,407,937</u>
Total noncurrent assets	<u>85,426,005</u>

Total assets106,760,176**Deferred outflows of resources:**

Pension related deferred outflows of resources	<u>925,717</u>
--	----------------

Liabilities

Current liabilities:

Accounts payable	868,222
Salaries payable	145,494
Unearned revenue	76,725
Compensated absences and OPEB	314,615
Refundable deposits	<u>55,497</u>
Total current liabilities	<u>1,460,553</u>

Noncurrent liabilities:

Compensated absences and OPEB	1,225,526
Net pension liability	<u>4,075,738</u>
Total noncurrent liabilities	<u>5,301,264</u>

Total liabilities6,761,817**Deferred inflows of resources:**

Pension related deferred inflows of resources	<u>280,694</u>
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Net Position

Net investment in capital assets	85,426,005
Unrestricted	<u>15,217,377</u>
Total net position	<u>\$ 100,643,382</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, 2016

Operating revenues:	
Admissions	\$ 7,462,738
Attractions	1,480,915
Commercial exhibitors	1,526,871
Concessions	4,066,230
Grandstand and racetrack entertainment	3,934,183
Parking	997,004
Entry fees	486,822
Campground fees and services	1,454,545
Sponsorships	1,015,422
Interim events	2,609,945
Miscellaneous	<u>519,862</u>
Total operating revenues	<u>25,554,537</u>
Operating expenses:	
Administration	3,744,774
Admissions	359,490
Concessions	500,994
Entry and competitive events	1,217,191
Fair services	1,878,559
Grandstand and racetrack	3,668,218
Utilities and maintenance	6,060,370
Marketing and promotion	954,845
Parking	282,780
Public safety	997,682
Sponsorship	36,534
Special entertainment	824,250
Treasurer	38,225
Depreciation	3,411,059
Interim events	<u>615,128</u>
Total operating expenses	<u>24,590,099</u>
Operating income	<u>964,438</u>
Non-operating revenues:	
Investment income	100,856
Gain on disposition of capital assets	<u>2,773</u>
Total non-operating revenues	<u>103,629</u>
Income before transfers	1,068,067
Transfers in	<u>4,853,282</u>
Change in net position	5,921,349
Net position beginning of year	<u>94,722,033</u>
Net position end of year	<u>\$ 100,643,382</u>
See notes to financial statements.	

Iowa State Fair Authority

Iowa State Fair Authority

Statement of Cash Flows
Enterprise Fund

Year ended October 31, 2016

Cash flows from operating activities:		
Cash received from events	\$ 25,494,728	
Cash paid to suppliers	(13,979,859)	
Cash paid to employees	<u>(7,460,440)</u>	
Net cash provided by operating activities		\$ 4,054,429
Cash flows from non-capital financing activities:		
Transfers in from other funds		4,356,267
Cash flows from capital financing activities:		
Proceeds from the sale of capital assets	9,269	
Acquisition of property and equipment	<u>(7,461,189)</u>	(7,451,920)
Net cash used by capital financing activities		
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	5,365,000	
Purchase of investments	(5,195,034)	
Investment income	<u>99,626</u>	
Net cash provided by investing activities		<u>269,592</u>
Increase in cash and cash equivalents		1,228,368
Cash and cash equivalents beginning of year		<u>8,762,914</u>
Cash and cash equivalents end of year		9,991,282
Investments		<u>9,241,366</u>
Cash, cash equivalents and investments end of year		<u>\$ 19,232,648</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		\$ 964,438
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 3,411,059	
Changes in assets and liabilities:		
Increase in accounts receivable	(79,635)	
Increase in deferred outflows of resources	(639,852)	
Decrease in accounts payable	(234,576)	
Decrease in salaries payable	(31,961)	
Increase in unearned revenue	19,825	
Decrease in compensated absences and OPEB	(1,644)	
Decrease in refundable deposits	(200)	
Increase in net pension liability	935,373	
Decrease in deferred inflows of resources	<u>(288,398)</u>	
Total adjustments		<u>3,089,991</u>
Net cash provided by operating activities		<u>\$ 4,054,429</u>

See notes to financial statements.

Iowa State Fair Authority

Notes to Financial Statements

October 31, 2016

(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 service.

The Statement of Net Position presents the Fair Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net Position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation.

Restricted net position results when constraints placed on the use of net position are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

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

Cash, Cash Equivalents and 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. Cash investments not meeting the definition of cash equivalents at October 31, 2016 include certificates of deposit of \$5,109,472.

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

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

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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential.

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, 2016, 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:

Asset Class	Years
Buildings	20 - 40
Equipment	5 - 15
Vehicles	3 - 7
Infrastructure	10 - 20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Fair Authority after the measurement date but before the end of the Fair Authority’s reporting period.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of pledges receivable not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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, 2016 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 ensure 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, 2016, the Fair Authority had the following investments in corporate notes and U.S. Government securities.

Investment	Fair Value	Maturity	Credit Risk
Federal Nat'l Mortgage Assn	\$ 303,837	February 13, 2017	Aaa
US Treasury	226,971	February 28, 2017	Aaa
US Treasury	255,273	May 15, 2017	Aaa
Federal Home Loan Mortgage	401,152	July 28, 2017	Aaa
Federal Nat'l Mortgage Assn	250,413	October 26, 2017	Aaa
US Treasury	254,005	November 30, 2017	Aaa
Federal Home Loan Bank	273,923	December 8, 2017	Aaa
Federal Home Loan Mortgage	260,153	March 7, 2018	Aaa
Federal Home Loan Bank	241,795	March 9, 2018	Aaa
Federal Nat'l Mortgage Assn	250,648	March 28, 2018	Aaa
Federal Home Loan Bank	150,606	April 25, 2018	Aaa
Federal Nat'l Mortgage Assn	200,056	May 21, 2018	Aaa
Federal Home Loan Bank	300,627	May 25, 2018	Aaa
Federal Nat'l Mortgage Assn	250,098	February 26, 2019	Aaa
Federal Home Loan Mortgage	260,969	March 27, 2019	Aaa
Federal Home Loan Mortgage	251,368	August 1, 2019	Aaa
Total	<u>\$ 4,131,894</u>		

The Fair Authority uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurements for the Fair Authority's securities was determined using the last reported sales price at current exchange rates. (Level 1 inputs)

The Fair Authority had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

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, 2016, the Foundation had investments held by Morgan Stanley which had a fair value of \$385,746.

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 investments are in U.S. Treasury (17.82%), Federal National Mortgage Association (30.37%), Federal Home Loan Mortgage (28.41%) and Federal Home Loan Bank (23.40%) investments.

(3) Capital Assets

Capital assets activity for the year ended October 31, 2016 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Equipment	\$ 113,983	-	-	113,983
Less accumulated depreciation	(70,520)	(6,998)	-	(77,518)
Governmental activities capital assets, net	\$ 43,463	(6,998)	-	36,465
Business type activities:				
Land, not being depreciated	\$ 8,422,592	4,764,054	-	13,186,646
Buildings	94,438,962	318,027	-	94,756,989
Equipment	4,653,513	188,438	(113,386)	4,728,565
Vehicles	976,246	25,987	(68,843)	933,390
Infrastructure	11,248,518	-	-	11,248,518
Construction in progress, not being depreciated	7,243,255	5,123,094	(2,958,412)	9,407,937
Total capital assets	126,983,086	10,419,600	(3,140,641)	134,262,045
Less accumulated depreciation for:				
Buildings	(36,195,371)	(2,628,515)	-	(38,823,886)
Equipment	(2,392,180)	(258,304)	106,891	(2,543,593)
Vehicles	(696,272)	(64,108)	68,843	(691,537)
Infrastructure	(6,316,892)	(460,132)	-	(6,777,024)
Total accumulated depreciation	(45,600,715)	(3,411,059)	175,734	(48,836,040)
Business type activities capital assets, net	\$ 81,382,371	7,008,541	(2,964,907)	85,426,005

(4) Operating Leases

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

Year Ending October 31,	Amount
2017	\$ 18,780
2018	18,780
Total	\$ 37,560

Rental expense for the year ended October 31, 2016 for all operating leases, except those with terms of a month or less which were not renewed, totaled \$18,780.

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the Fair Authority, except for those covered by another retirement system. Employees of the Fair Authority are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the Fair Authority contributed 8.93% of covered payroll for a total rate of 14.88%.

The Fair Authority's contributions to IPERS for the year ended October 31, 2016 were \$421,115.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At October 31, 2016, the Fair Authority reported a liability of \$4,075,738 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Fair Authority’s proportion of the net pension liability was based on the Fair Authority’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the Fair Authority’s collective proportion was 0.064763%, which was an increase of 0.001199% from its collective proportion measured as of June 30, 2015.

For the year ended October 31, 2016, the Fair Authority recognized pension expense of \$428,255. At October 31, 2016, the Fair Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,021	48,642
Changes of assumptions	62,183	-
Net difference between projected and actual earnings on IPERS' investments	580,664	-
Changes in proportion and differences between Fair Authority contributions and its proportionate share of contributions	88,794	232,052
Fair Authority contributions subsequent to the measurement date	158,055	-
Total	<u>\$ 925,717</u>	<u>280,694</u>

\$158,055 reported as deferred outflows of resources related to pensions resulting from Fair Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending October 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ 23,415
2017	23,415
2018	261,901
2019	175,266
2020	2,971
Total	<u>\$ 486,968</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core-plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Fair Authority will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Fair Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Fair Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Fair Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Rate (7.50%)	1% Increase (8.50%)
Fair Authority's proportionate share of the net pension liability	\$ 6,593,992	4,075,738	1,950,298

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to IPERS – At October 31, 2016, the Fair Authority reported payables to IPERS of \$30,368 for legally required Fair Authority contributions and \$20,199 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(6) Long Term Liabilities

A summary of changes in long-term liabilities for the year ended October 31, 2016 is as follows:

	Governmental Activities			Business Type Activities			
	Compensated			Compensated		Net Pension	
	Absences	OPEB	Total	Absences	OPEB	Liability	Total
Beginning balance	\$ 124,977	17,043	142,020	1,212,287	329,498	3,140,365	4,682,150
Additions	3,503	1,344	4,847	544,224	44,371	935,373	1,523,968
Deletions	-	-	-	590,239	-	-	590,239
Ending balance	\$ 128,480	18,387	146,867	1,166,272	373,869	4,075,738	5,615,879
Due within one year	\$ 5,930	-	5,930	314,615	-	-	314,615

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, 2016, two retired employees received benefits of \$14,951 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 \$217,900,000 for the State of Iowa as of June 30, 2016. 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, 2016. 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 \$392,256 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 capital improvement projects throughout the Fairgrounds and has spent \$1,765,571 under these contracts as of October 31, 2016. The remaining contractual obligation as of October 31, 2016 for projects already in progress totals \$2,376,388.

(8) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. Insurance coverage for auto and crime 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).

(9) New Accounting Pronouncement

The Fair Authority adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements

Iowa State Fair Authority

Required Supplementary Information

Iowa State Fair Authority

Iowa State Fair Authority

Schedule of the Fair Authority's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Required Supplementary Information

	2016	2015	2014
Fair Authority's proportion of the net pension liability	0.064763%	0.063564%	0.070552%
Fair Authority's proportionate share of the net pension liability	\$ 4,076	3,140	2,798
Fair Authority's covered-employee payroll	\$ 4,714	4,423	4,485
Fair Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	86.47%	70.99%	62.39%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Iowa State Fair Authority

Iowa State Fair Authority
 Schedule of Fair Authority Contributions
 Iowa Public Employees' Retirement System
 Last Fiscal Four Years*
 (In Thousands)

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	\$ 421	395	401	399
Contributions in relation to the statutorily required contribution	(421)	(395)	(401)	(399)
Contribution deficiency (excess)	\$ -	-	-	-
Fair Authority's covered-employee payroll	\$ 4,714	4,423	4,485	4,568
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.73%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the Fair Authority will present information for those years for which information is available.

Iowa State Fair Authority

Notes to Required Supplementary Information – Pension Liability

Year ended October 31, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Supplementary Information

Iowa State Fair Authority

Iowa State Fair Authority

Expenditures by Object
Special Revenue Funds

Year ended October 31, 2016

	Administration	Promotion	Total
Personal services	\$ 466,492	-	466,492
Travel	2,292	-	2,292
Supplies and materials	60,687	-	60,687
Contractual services	36,792	-	36,792
Miscellaneous	72,688	-	72,688
Equipment	17,588	-	17,588
Marketing	-	1,011,372	1,011,372
Donor promotion	-	503,324	503,324
Total	<u>\$ 656,539</u>	<u>1,514,696</u>	<u>2,171,235</u>

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object
Enterprise Fund

Year ended October 31, 2016

	Administration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Racetrack	Utilities and Maintenance
Personal services	\$ 2,818,434	197,442	38,927	153,588	56,302	78,513	3,151,894
Travel and conferences	117,559	-	-	-	-	-	-
Supplies and materials	84,247	74,379	433,203	127,664	377,978	-	614,244
Judging	-	-	-	220,710	-	-	-
Contractual services	365,744	69,385	13,165	159,933	1,408,708	501,813	2,216,188
Repair and improvements	-	-	-	-	-	-	15,106
Talent	-	-	-	4,500	-	3,086,358	-
Advertising	-	-	6,050	755	-	-	-
Claims and miscellaneous	358,790	18,284	9,649	69,529	35,571	1,534	62,938
Premiums	-	-	-	480,512	-	-	-
Depreciation	-	-	-	-	-	-	-
Total	\$ 3,744,774	359,490	500,994	1,217,191	1,878,559	3,668,218	6,060,370

See accompanying independent auditor's report.

Marketing and Promotion	Parking	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
-	73,255	829,701	-	6,733	10,860	-	-	7,415,649
-	-	-	-	-	-	-	-	117,559
-	-	24,546	36,534	10,008	-	-	95,966	1,878,769
-	-	-	-	2,175	-	-	-	222,885
50,376	209,525	143,435	-	189,582	-	-	435,728	5,763,582
-	-	-	-	-	-	-	-	15,106
-	-	-	-	559,969	-	-	79,065	3,729,892
845,322	-	-	-	-	-	-	-	852,127
59,147	-	-	-	55,783	27,365	-	4,369	702,959
-	-	-	-	-	-	-	-	480,512
-	-	-	-	-	-	3,411,059	-	3,411,059
954,845	282,780	997,682	36,534	824,250	38,225	3,411,059	615,128	24,590,099

Schedule 3

Iowa State Fair Authority

Summary of Operating Revenues and Paid Admissions

For the Five Years Ended October 31, 2016

Fiscal Year	Operating Revenues	Operating Income	Paid Admissions
2012	\$ 21,112,711	597,173	827,592
2013	21,810,173	1,288,096	872,383
2014	22,883,932	1,596,335	863,884
2015	24,332,919	1,332,311	896,433
2016	25,554,538	964,438	883,332

See accompanying independent auditor's report.

Iowa State Fair Authority
Grandstand Performances
Year ended October 31, 2016

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
Newsboys	5,176	\$ 188,350	106,848	81,502
Meghan Trainor	10,411	509,875	390,600	119,275
Brett Eldridge	7,485	278,735	175,988	102,747
Jason Derulo	6,833	274,254	222,500	51,754
Dierks Bentley	8,245	469,965	510,000	(40,035)
Heart/Joan Jett	9,668	379,916	273,933	105,983
Tractor and Truck Pull	5,198	131,720	66,900	64,820
Jeff Dunham	7,855	322,340	227,489	94,851
KISS	8,474	508,025	471,000	37,025
Steven Tyler	5,320	295,730	353,000	(57,270)
Lady Antebellum	5,898	318,930	325,000	(6,070)
Total	<u>80,563</u>	<u>\$ 3,677,840</u>	<u>3,123,258</u>	<u>554,582</u>

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

See accompanying independent auditor's report.

Iowa State Fair Authority

Iowa State Fair Authority

Concessionaire Sales

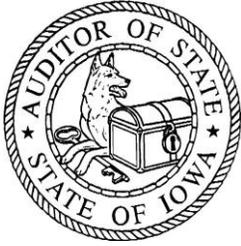
For the Five Years Ended October 31, 2016
(Unaudited)

Fiscal Year	Sales Reported by Vendor		
	Food	Beer	Merchandise
2012	\$ 9,302,603	743,607	2,760,725
2013	10,090,048	832,232	3,042,989
2014	10,207,060	681,326	3,156,928
2015	10,776,916	765,746	3,469,027
2016	11,282,577	756,805	4,034,988

This information is provided for comparative purposes only. Food and Merchandise are reported at gross sales, whereas Beer is reported at the Fair's net sales commission. The Iowa State Fair Authority receives a varying percentage of vendor proceeds.

See accompanying independent auditor's report.

Iowa State Fair Authority



OFFICE OF AUDITOR OF STATE

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

To the Board Members of the Iowa State Fair Authority:

We have audited 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, 2016, 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 July 7, 2017. Our report includes a reference to other auditors who audited the financial statements of the Foundation Endowment, as described in our report on the Iowa State Fair Authority's financial statements. The financial statements of the Foundation Endowment 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings as item (A), that we consider to be a significant deficiency.

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. We did not identify any deficiencies in compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Comments about the Iowa State Fair Authority's operations for the year ended October 31, 2016 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 Response to the Finding

The Iowa State Fair Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Iowa State Fair Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

July 7, 2017

Iowa State Fair Authority

Schedule of Findings

Year Ended October 31, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Blue Ribbon Foundation Credit Card

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition - The Blue Ribbon Foundation has credit cards for use by various employees while on Foundation business. 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.

Cause – Lack of supporting documentation for credit card charges is the result of a lack of policies and procedures requiring independent review of proper support for these charges.

Effect – Inadequate documentation could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

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 will work with all staff to emphasize proper documentation of credit card purchases, including itemized receipts and the documentation of the business purpose and individuals present.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Iowa State Fair Authority

Staff

This audit was performed by:

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