

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

October 7, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the Iowa State Fair Authority for the year ended October 31, 2019. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

**FINANCIAL HIGHLIGHTS:**

The Fair Authority's operating revenues totaled \$34,452,580 for the year ended October 31, 2019, a 16.5% increase over the prior year. Operating expenses for the year ended October 31, 2019 totaled \$33,685,467, a 14.7% increase over the prior year. The significant increase in revenues and expenses is due primarily to perfect weather and an outstanding grandstand lineup which contributed to an increase in attendance and an increase in overall Fair revenue.

The Foundation's revenues totaled \$5,196,339 for the year ended October 31, 2019, a 77.7% decrease from the prior year due to a decrease in appropriations and smaller donor donations in fiscal year 2019. Expenses for the year ended October 31, 2019 totaled \$2,192,394, a 13.5% increase over the prior year due to an increase in promotion expenses related to capital improvements in fiscal year 2019.

**AUDIT FINDING:**

Sand reported one finding pertaining to the Blue Ribbon Foundation. It is found on page 60 of this report. The finding addresses a lack of adequate support for credit card purchases. Sand provided the Foundation with a recommendation to address the finding.

The finding discussed above is repeated from the prior year. The Board has a fiduciary responsibility to provide oversight of the Foundation's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

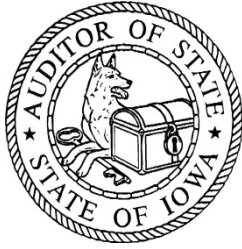
A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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

**OCTOBER 31, 2019**

**Iowa State Fair Authority**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
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State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

September 15, 2020

Officials of Iowa State Fair Authority  
Des Moines, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Iowa State Fair Authority for the year ended October 31, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Iowa State Fair Authority throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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## Iowa State Fair Authority

### Officials

<u>Name</u>	<u>Title</u>
	<b>State</b>
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	Director, North Central District
John Harms	Director, Northeast District
Dave Hoffman	President/Director, Northwest District
Darwin Gaudian	Treasurer/Director, Northwest District
Honorable Michael Naig	Secretary of Agriculture
Dr. Wendy Wintersteen	President, Iowa State University
Deb Zumbach	Director, Northeast District
Tenette Carlson	Vice-President/Director, North Central District
Randy Brown	Director, South Central District
Jerry Parkin	Director, South Central District
Gary McConnell	Director, Southeast District
C.W. Thomas	Director, Southwest District
Gary Van Aernam	Director, Southwest District
Curtis Claeys	Director, Southeast District
Gary Slater	Chief Executive Officer/Manager

**Iowa State Fair Authority**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515)281-6518

Rob Sand  
Auditor of State

## 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, 2019, 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 5.7% of the assets, 5.8% of the net position and 3.3% 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, 2019, 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, the Schedule of Fair Authority Contributions and the Schedule of Changes in the Fair Authority's Total OPEB Liability, Related Ratios and Notes on pages 8 through 13 and 44 through 48 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*

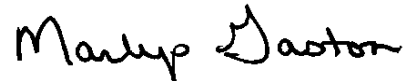
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iowa State Fair Authority's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended October 31, 2018 (which are not presented herein) and expressed unmodified opinions on those 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 presented in Schedules 1 through 4 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2020 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 solely to describe the scope of our testing of the effectiveness over the Authority's 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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

September 15, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Management of the Iowa State Fair Authority provides this Management's Discussion and Analysis of the Iowa State Fair'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, 2019. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

### **2019 FINANCIAL HIGHLIGHTS**

- Operating revenues increased 16.5% from fiscal year 2018 to fiscal year 2019. Most revenues from each department increased over the prior year. Perfect weather and an outstanding grandstand lineup contributed to an increase in attendance and increase in overall Fair revenue.
- Operating expenses increased 14.7% in comparison to last year. In fiscal year 2019, the majority of the increase came from the grandstand. Our exceptional grandstand lineup had an effect on the overall expenses of that department with the majority of it in the cost of the entertainment. Other operating expense increases occurred in payroll, concessions, computer software and credit card fees related to the increase in admission and grandstand ticket sales.
- In fiscal year 2019, Gate 13 was rebuilt and modernized and pavement for a new road was completed connecting Gate 13 to Grand Ave. The look of Gate 13 mirrors the look of the previous renovated Gate 15. A new building was also erected in the Midway servicing the concession percentage and thrill park operation. The 4-H Building also started a full renovation to be completed in 2020.

### **USING THIS ANNUAL REPORT**

This discussion and analysis is 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, as well as the Schedule of Changes in the Fair Authority's Total OPEB Liability, Related Ratios and Notes and begins on page 44. Supplementary information is also in schedule form and begins on page 51.

## **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, exhibits and attractions, competitive events and ag education, campground, grandstand entertainment, utilities and maintenance, marketing and promotion, parking and transportation, public safety, special entertainment and interim events.

### *Fund Financial Statements*

The fund financial statements focus on individual parts of the Fair, reporting the Fair's operations in more detail than the entity-wide statements. The funds of the Fair can be divided into two categories. It is important to note 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. 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 as well as the schedule of changes in the Fair Authority's total OPEB liability, related ratios and notes.

### *Supplementary Information*

The supplementary schedules begin on page 51 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 \$135.7 million at October 31, 2019 compared to approximately \$131.5 million at October 31, 2018.

Fair Authority Net Position	Governmental Activities		Business Type Activities		Total	Total
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 15,974,691	19,446,905	22,787,408	20,004,053	38,762,099	39,450,958
Capital assets	23,828	28,498	105,553,037	99,578,756	105,576,865	99,607,254
Total assets	\$ 15,998,519	19,475,403	128,340,445	119,582,809	144,338,964	139,058,212
Deferred outflows of resources	\$ 37,517	44,626	804,697	966,916	842,214	1,011,542
Current liabilities	\$ 23,630	19,156	3,069,028	2,381,813	3,092,658	2,400,969
Long-term liabilities	250,755	251,827	5,432,287	5,568,138	5,683,042	5,819,965
Total liabilities	\$ 274,385	270,983	8,501,315	7,949,951	8,775,700	8,220,934
Deferred inflows of resources	\$ 28,369	14,997	626,257	324,923	654,626	339,920
Net position:						
Net investment in capital assets	\$ 23,828	28,498	105,553,037	99,578,756	105,576,865	99,607,254
Restricted for:						
Endowment	915,729	4,644,986	-	-	915,729	4,644,986
Capital improvements	4,536,216	5,200,000	-	-	4,536,216	5,200,000
Other purposes	10,257,509	9,360,565	-	-	10,257,509	9,360,565
Unrestricted	-	-	14,464,533	12,696,095	14,464,533	12,696,095
Total net position	\$ 15,733,282	19,234,049	120,017,570	112,274,851	135,750,852	131,508,900

The largest portion of the Fair Authority's net position (77.8%) 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 (10.7%) represents assets used to meet the Fair Authority's ongoing obligations to vendors and creditors.

The remaining balance (11.5%) 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 majority of the restricted balance is due to the generous donation from the Richard O. Jacobson Trust.

Fair Authority Changes in Net Position	Governmental Activities		Business Type Activities		Total	Total
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program revenues:						
Charges for service	\$ 600,008	595,485	33,262,683	28,634,711	33,862,691	29,230,196
Operating grants and contributions	1,802,653	1,787,646	1,189,897	947,002	2,992,550	2,734,648
Capital grants and contributions	2,252,207	12,333,071	-	-	2,252,207	12,333,071
General revenues:						
State appropriation	500,000	8,500,000	-	-	500,000	8,500,000
Investment earnings	41,471	38,111	470,894	120,992	512,365	159,103
Total revenues	5,196,339	23,254,313	34,923,474	29,702,705	40,119,813	52,957,018
<b>Expenses:</b>						
Blue Ribbon Foundation fund raising	2,192,394	1,930,919	-	-	2,192,394	1,930,919
State Fair and other events	-	-	33,685,467	29,372,234	33,685,467	29,372,234
Total expenses	2,192,394	1,930,919	33,685,467	29,372,234	35,877,861	31,303,153
Change in net position before transfers	3,003,945	21,323,394	1,238,007	330,471	4,241,952	21,653,865
Transfers	(6,504,712)	(5,800,000)	6,504,712	5,800,000	-	-
Change in net position	(3,500,767)	15,523,394	7,742,719	6,130,471	4,241,952	21,653,865
Net position beginning of year	19,234,049	3,710,655	112,274,851	106,144,380	131,508,900	109,855,035
Net position end of year	\$ 15,733,282	19,234,049	120,017,570	112,274,851	135,750,852	131,508,900

Iowa State Fair business type activities revenue increased in most departments. The majority of the increases in revenue came from the grandstand. Our outstanding grandstand lineup generated an increase of almost 40,000 more people attending a concert than in 2018, increasing our overall ticket sale revenue. Approximately 59,000 more people attended the Fair than in 2018 which contributed to an increase in admission revenue, food and beverage percentage and thrill park revenue. Governmental activities revenues decreased significantly from the prior year. The Foundation received an appropriation from the State Legislature totaling \$500,000 in fiscal year 2019 compared to \$8,500,000 in fiscal year 2018. Fiscal year 2018 funds were to be used to help renovate the NW Grounds Improvement Project whereas the fiscal year 2019 funds were to be used to help renovate the 4H Building. Contributions were also down significantly in fiscal year 2019 due to the generous pledge received from the Richard O. Jacobson Trust in fiscal year 2018.

Approximately 90% of all business type activities revenues were generated from the Fair Authority's annual 11-day event, while the other 10% is from off-season rental of Fair Authority facilities and other miscellaneous sources. The largest revenue source of 32.4% comes from Concessions, commercial exhibitors and attractions, while 27.6% comes from admissions and parking, and grandstand entertainment contributes 21.7%. Revenues of approximately \$2.1 million, or 6.3%, were from off-season rental of our facilities.

The Fair Authority's expenses for the business type activities increased from the previous year. Our exceptional grandstand lineup had an effect on overall expenses of that department with the majority of it in the cost of the entertainment. Concessions expenses increased due to direct relation to the increase in revenue. An increase in attendance contributed to an increase in thrill park revenue and thrill park operator expense. Other increases were in payroll, purchase of new computer software and an increase in admission and grandstand ticket sales resulted in more credit card fees from the previous year. The Fair Authority's expenses for the governmental activities increased slightly from the previous year.

The largest business type activities expense is payroll, which accounts for 26.6% 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. Looking at overall departmental expenses, including payroll, utilities and maintenance account for the largest departmental expenses at 24.9%, while grandstand accounts for 20.9% and administration at 14.9%.

## **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 \$14.8 million, an increase of approximately \$2.3 million over 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 restricted to pay for the renovation of specific projects or is subject to other donor imposed restrictions. Continued support from donors continues to add to the overall increase in fund balance.

## 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, 2019, the Fair's proprietary fund reported an ending net position of approximately \$120 million, an increase of approximately \$7.7 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, 2019 was approximately \$165 million, net of accumulated depreciation of approximately \$59 million, leaving a net book value of approximately \$106 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 2019 included the rebuilding and modernizing of Gate 13 and pavement for a new road to connect the gate to Grand Ave was completed. The look of Gate 13 mirrors the look of the previous renovated Gate 15. A new building was also erected in the Midway servicing the concession percentage and thrill park operation. The 4-H Building was also in the planning stages of a full renovation to be completed in 2020. 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 2020 budget. With the postponement of the 2020 Fair due to COVID-19, the original budget was amended. With the majority of our revenue coming from our annual 11-day Fair, the operating revenues and expenses significantly decreased, resulting in a budgeted operating loss.

Looking at fiscal year 2021, no increases in fees are expected.

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. The postponement of the 2020 Fair results in an overall hardship on the State as a whole.

### **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.



**Iowa State Fair Authority**

## **Basic Financial Statements**

**Iowa State Fair Authority**

## Iowa State Fair Authority

## Statement of Net Position

October 31, 2019

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 13,636,503	21,072,820	34,709,323
Unexpended appropriation	753,088	-	753,088
Receivables:			
Accounts	-	713,025	713,025
Accrued interest	25,662	50,708	76,370
Pledges	345,468	-	345,468
Prepaid expenses	-	717,161	717,161
Internal balances	(233,694)	233,694	-
Inventories	198,621	-	198,621
Total current assets	14,725,648	22,787,408	37,513,056
Noncurrent assets:			
Pledges receivable	1,249,043	-	1,249,043
Capital assets, net of accumulated depreciation:			
Land	-	16,092,610	16,092,610
Buildings	-	64,268,044	64,268,044
Equipment	-	2,080,816	2,080,816
Vehicles	23,828	149,122	172,950
Infrastructure	-	20,002,331	20,002,331
Construction in progress	-	2,960,114	2,960,114
Total noncurrent assets	1,272,871	105,553,037	106,825,908
<b>Total assets</b>	15,998,519	128,340,445	144,338,964
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	34,182	732,877	767,059
OPEB related deferred outflows	3,335	71,820	75,155
<b>Total deferred outflows of resources</b>	37,517	804,697	842,214
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	1,866,605	1,866,605
Salaries payable	13,669	312,254	325,923
Unearned revenue	-	624,279	624,279
Compensated absences	9,961	265,890	275,851
Total current liabilities	23,630	3,069,028	3,092,658
Noncurrent liabilities:			
Refundable deposits	-	59,277	59,277
Compensated absences	45,345	935,088	980,433
Net pension liability	172,660	3,729,044	3,901,704
Total OPEB liability	32,750	708,878	741,628
Total noncurrent liabilities	250,755	5,432,287	5,683,042
<b>Total liabilities</b>	274,385	8,501,315	8,775,700
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	27,155	600,664	627,819
OPEB related deferred inflows	1,214	25,593	26,807
<b>Total deferred inflows of resources</b>	28,369	626,257	654,626
<b>Net Position</b>			
Net investment in capital assets	23,828	105,553,037	105,576,865
Restricted for:			
Endowment	915,729	-	915,729
Capital improvements	4,536,216	-	4,536,216
Other purposes	10,257,509	-	10,257,509
Unrestricted	-	14,464,533	14,464,533
<b>Total net position</b>	\$ 15,733,282	120,017,570	135,750,852

See notes to financial statements.

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Iowa State Fair Authority

Statement of Activities

Year ended October 31, 2019

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<b>Functions</b>	Program Revenues			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Blue Ribbon Foundation	\$ 2,192,394	600,008	1,802,653	2,252,207
Business type activities:				
State Fair and other events	33,685,467	33,262,683	1,189,897	-
Total	<u>\$ 35,877,861</u>	<u>33,862,691</u>	<u>2,992,550</u>	<u>2,252,207</u>
<b>General revenues and transfers:</b>				
State appropriation				
Investment earnings				
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
2,462,474	-	2,462,474
-	767,113	767,113
2,462,474	767,113	3,229,587
500,000	-	500,000
41,471	470,894	512,365
(6,504,712)	6,504,712	-
(5,963,241)	6,975,606	1,012,365
(3,500,767)	7,742,719	4,241,952
19,234,049	112,274,851	131,508,900
\$ 15,733,282	120,017,570	135,750,852

Iowa State Fair Authority

Balance Sheet  
Special Revenue Funds

October 31, 2019

	Special Revenue		
	Nonmajor		Total
	Blue Ribbon Foundation	Blue Ribbon Foundation Endowment	
<b>Assets</b>			
Cash and investments	\$ 12,720,774	915,729	13,636,503
Unexpended appropriation	753,088	-	753,088
Receivables:			
Accrued interest	25,662	-	25,662
Pledges	1,594,511	-	1,594,511
Inventories	198,621	-	198,621
<b>Total assets</b>	<b>\$ 15,292,656</b>	<b>915,729</b>	<b>16,208,385</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Internal balances	\$ 233,694	-	233,694
Salaries payable	13,669	-	13,669
Total liabilities	247,363	-	247,363
Deferred inflows of resources:			
Unavailable revenues	1,207,343	-	1,207,343
Fund balances:			
Nonspendable:			
Inventories	198,621	-	198,621
Restricted for:			
Endowment	-	915,729	915,729
Capital improvements	4,536,216	-	4,536,216
Administration	9,103,113	-	9,103,113
Total fund balance	13,837,950	915,729	14,753,679
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 15,292,656</b>	<b>915,729</b>	<b>16,208,385</b>
<b>Reconciliation of the Special Revenue Funds Balance Sheet to the Statement of Net Position Fund balances - Special Revenue Funds</b>	<b>\$ 13,837,950</b>	<b>915,729</b>	<b>14,753,679</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>			
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. These capital assets consist of:</p>			
Equipment	\$ 115,388		
Less accumulated depreciation	(91,560)	23,828	-
			23,828
<p>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.</p>			
		1,207,343	-
			1,207,343
<p>Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:</p>			
Deferred outflows of resources	37,517		
Deferred inflows of resources	(28,369)	9,148	-
			9,148
<p>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, net pension liability and total OPEB liability.</p>			
		(260,716)	-
			(260,716)
<b>Net position of governmental activities</b>	<b>\$ 14,817,553</b>	<b>915,729</b>	<b>15,733,282</b>

See notes to financial statements.

Iowa State Fair Authority  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Special Revenue Funds

Year ended October 31, 2019

	Special Revenue		
	Nonmajor		Total
	Blue Ribbon Foundation	Blue Ribbon Foundation Endowment	
Revenues:			
State appropriation	\$ 500,000	-	500,000
Contributions	9,336,389	85,120	9,421,509
Sales of promotional items	334,719	-	334,719
Other sales	265,289	-	265,289
In-kind support	373,776	-	373,776
Interest (loss) on investments	(44,398)	85,869	41,471
Total revenues	<u>10,765,775</u>	<u>170,989</u>	<u>10,936,764</u>
Expenditures:			
Administration	788,972	4,956	793,928
Promotion	1,373,243	-	1,373,243
Total expenditures	<u>2,162,215</u>	<u>4,956</u>	<u>2,167,171</u>
Excess of revenues over expenditures	8,603,560	166,033	8,769,593
Transfers out	(6,504,712)	-	(6,504,712)
Change in fund balances	2,098,848	166,033	2,264,881
Fund balances beginning of year	<u>11,739,102</u>	<u>749,696</u>	<u>12,488,798</u>
Fund balances end of year	<u>\$ 13,837,950</u>	<u>915,729</u>	<u>14,753,679</u>
<b>Reconciliation of the Special Revenue Funds</b>			
<b>Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities</b>			
<b>Change in fund balances - Special Revenue Funds</b>	\$ 2,098,848	166,033	2,264,881
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.	(5,740,426)	-	(5,740,426)
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 \$4,671.	(4,671)	-	(4,671)
The current year IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.	8,412	-	8,412
Compensated absences, net pension liability and total OPEB liability 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.	(28,963)	-	(28,963)
<b>Change in net position of governmental activities</b>	<u>\$ (3,666,800)</u>	<u>166,033</u>	<u>(3,500,767)</u>

See notes to financial statements.



Iowa State Fair Authority

Statement of Net Position  
Enterprise Fund

October 31, 2019

<b>Assets</b>	
Current assets:	
Cash and investments	\$ 21,072,820
Receivables:	
Accounts	713,025
Accrued interest	50,708
Prepaid expenses	717,161
Internal balances	<u>233,694</u>
Total current assets	<u>22,787,408</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Land	16,092,610
Buildings	64,268,044
Equipment	2,080,816
Vehicles	149,122
Infrastructure	20,002,331
Construction in progress	<u>2,960,114</u>
Total noncurrent assets	<u>105,553,037</u>
<b>Total assets</b>	<u>128,340,445</u>
<b>Deferred outflows of resources:</b>	
Pension related deferred outflows of resources	732,877
OPEB related deferred outflows of resources	<u>71,820</u>
<b>Total deferred outflows of resources</b>	<u>804,697</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,866,605
Salaries payable	312,254
Unearned revenue	624,279
Compensated absences	<u>265,890</u>
Total current liabilities	<u>3,069,028</u>
Noncurrent liabilities:	
Refundable deposits	59,277
Compensated absences	935,088
Net pension liability	3,729,044
Total OPEB liability	<u>708,878</u>
Total noncurrent liabilities	<u>5,432,287</u>
<b>Total liabilities</b>	<u>8,501,315</u>
<b>Deferred inflows of resources:</b>	
Pension related deferred inflows of resources	600,664
OPEB related deferred inflows of resources	<u>25,593</u>
<b>Total deferred inflows of resources</b>	<u>626,257</u>
<b>Net Position</b>	
Net investment in capital assets	105,553,037
Unrestricted	<u>14,464,533</u>
<b>Total net position</b>	<u>\$ 120,017,570</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, 2019

Operating revenues:	
Admissions	\$ 8,377,017
Concessions, exhibits and attractions	11,180,973
Grandstand entertainment	7,476,284
Special entertainment	47,667
Parking	1,147,638
Entry fees, sales and other fees	634,810
Campground fees	1,821,897
Sponsorships and administration	1,189,897
Interim events	2,158,600
Maintenance	417,797
	<u>34,452,580</u>
Total operating revenues	
Operating expenses:	
Administration	5,010,429
Admissions	535,300
Concessions, exhibits and attractions	2,568,677
Competitive events and ag education	1,267,936
Campground	76,733
Grandstand entertainment	7,047,302
Utilities and maintenance	8,383,511
Marketing and promotion	1,065,347
Parking and transportation	540,381
Public safety	1,604,251
Special entertainment	856,782
Depreciation	4,278,313
Interim events	450,505
	<u>33,685,467</u>
Total operating expenses	
Operating income	767,113
Non-operating revenues:	
Investment income	470,894
	<u>1,238,007</u>
Income before transfers	1,238,007
Transfers in	6,504,712
	<u>7,742,719</u>
Change in net position	7,742,719
Net position beginning of year	112,274,851
	<u>112,274,851</u>
Net position end of year	<u>\$ 120,017,570</u>

See notes to financial statements.

**Iowa State Fair Authority**

Iowa State Fair Authority

Statement of Cash Flows  
Enterprise Fund

Year ended October 31, 2019

Cash flows from operating activities:		
Cash received from events	\$ 34,176,892	
Cash paid to suppliers	(21,322,745)	
Cash paid to employees	<u>(7,462,603)</u>	
Net cash provided by operating activities		\$ 5,391,544
Cash flows from non-capital financing activities:		
Transfers in from other funds		9,637,375
Cash flows from capital financing activities:		
Acquisition of property and equipment		(10,252,594)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	4,185,544	
Purchase of investments	(3,405,843)	
Investment income	<u>455,638</u>	
Net cash provided by investing activities		<u>1,235,339</u>
Increase in cash and cash equivalents		6,011,664
Cash and cash equivalents beginning of year		<u>6,288,122</u>
Cash and cash equivalents end of year		12,299,786
Investments		<u>8,773,034</u>
Cash, cash equivalents and investments end of year		<u>\$ 21,072,820</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income		\$ 767,113
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 4,278,313	
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Accounts receivable	29,274	
Prepaid expenses	(698,073)	
Deferred outflows of resources	162,219	
Accounts payable	243,523	
Salaries payable	52,460	
Unearned revenue	393,111	
Compensated absences	110,299	
Refundable deposits	531	
Net pension liability	(270,833)	
Total OPEB liability	22,273	
Deferred inflows of resources	<u>301,334</u>	
Total adjustments		<u>4,624,431</u>
Net cash provided by operating activities		<u>\$ 5,391,544</u>

See notes to financial statements.

Iowa State Fair Authority

Notes to Financial Statements

October 31, 2019

**(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 Foundation 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.

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. State appropriation 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, 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 for the Fair operations 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, 2019 include bonds and certificates of deposit of \$8,773,034.

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, 2019, no interest costs were capitalized since no interest costs were incurred during the construction period.

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 in the Statement of Net Position consist of unrecognized items not yet charged to pension and OPEB 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the State of Iowa’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

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 in the governmental fund financial statements consist of pledges receivable not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Compensated Absences – 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.

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, 2019 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, 2019, the Fair Authority had the following investments in corporate notes and U.S. Government securities.

Investment	Fair Value	Maturity	Credit Risk
Federal Home Loan Bank	\$ 249,975	November 15, 2019	Aaa
US Treasury	299,841	December 15, 2019	AAA
Federal Home Loan Mortgage	399,872	January 17, 2020	Aaa
US Treasury	499,745	June 15, 2020	AAA
Federal Home Loan Mortgage	505,145	February 16, 2021	Aaa
Federal Home Loan Bank USD	258,098	June 11, 2021	AAA
US Treasury	656,220	August 15, 2021	AAA
US Treasury	303,189	February 15, 2022	AAA
US Treasury	754,223	May 15, 2022	AAA
US Treasury	507,890	June 30, 2022	AAA
US Treasury	752,460	November 15, 2022	AAA
Total	\$ 5,186,658		

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, 2019, the Foundation had investments held by Morgan Stanley which had a fair value of \$865,956.

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 (43.01%), Federal Home Loan Mortgage (10.32%) and Federal Home Loan Bank (5.79%) investments.

### (3) Capital Assets

Capital assets activity for the year ended October 31, 2019 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental activities:</b>				
Equipment	\$ 120,483	-	(5,095)	115,388
Less accumulated depreciation	(91,985)	(4,670)	5,095	(91,560)
Governmental activities capital assets, net	<u>\$ 28,498</u>	<u>(4,670)</u>	<u>-</u>	<u>23,828</u>
<b>Business type activities:</b>				
Land, not being depreciated	\$ 16,282,977	-	(190,367)	16,092,610
Buildings	105,230,220	5,430,772	(49,105)	110,611,887
Equipment	5,364,264	159,876	(37,325)	5,486,815
Vehicles	946,963	28,000	(32,525)	942,438
Infrastructure	22,706,603	5,953,960	-	28,660,563
Construction in progress, not being depreciated	4,089,761	2,789,456	(3,919,103)	2,960,114
Total capital assets	<u>154,620,788</u>	<u>14,362,064</u>	<u>(4,228,425)</u>	<u>164,754,427</u>
Less accumulated depreciation for:				
Buildings	(43,505,955)	(2,886,993)	49,105	(46,343,843)
Equipment	(3,132,683)	(310,641)	37,325	(3,405,999)
Vehicles	(768,185)	(57,656)	32,525	(793,316)
Infrastructure	(7,635,209)	(1,023,023)	-	(8,658,232)
Total accumulated depreciation	<u>(55,042,032)</u>	<u>(4,278,313)</u>	<u>118,955</u>	<u>(59,201,390)</u>
Business type activities capital assets, net	<u>\$ 99,578,756</u>	<u>10,083,751</u>	<u>(4,109,470)</u>	<u>105,553,037</u>

### (4) Operating Leases

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

Year Ending October 31,	Amount
2020	\$ 40,956
2021	41,397
2022	32,020
2023	10,835
Total	<u>\$ 125,208</u>

Rental expense for the year ended October 31, 2019 for all operating leases, except those with terms of a month or less which were not renewed, totaled \$40,380.

### (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 PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the Fair Authority contributed 9.44% of covered payroll for a total rate of 15.73%.

The Fair Authority's contributions to IPERS for the year ended October 31, 2019 were \$490,724.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At October 31, 2019, the Fair Authority reported a liability of \$3,901,704 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the Fair Authority’s collective proportion was 0.067379%, which was an increase of 0.001255% from its collective proportion measured as of June 30, 2018.

For the year ended October 31, 2019, the Fair Authority recognized pension expense of \$690,551. At October 31, 2019, 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	\$ 10,817	140,285
Changes of assumptions	417,928	-
Net difference between projected and actual earnings on IPERS' investments	-	439,675
Changes in proportion and differences between Fair Authority contributions and its proportionate share of contributions	139,220	47,859
Fair Authority contributions subsequent to the measurement date	199,094	-
Total	<u>\$ 767,059</u>	<u>627,819</u>

\$199,094 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, 2020. 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
2021	\$ 106,395
2022	(70,089)
2023	(37,616)
2024	(54,619)
2025	(3,925)
Total	<u>\$ (59,854)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Fair Authority's proportionate share of the net pension liability	\$ 6,928,166	3,901,704	1,363,140

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](http://www.ipers.org).

Payables to IPERS – At October 31, 2019, the Fair Authority reported payables to IPERS of \$40,696 for legally required Fair Authority contributions and \$27,116 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, 2019 is as follows:

	Governmental Activities				Business Type Activities			
	Compensated Absences	Total OPEB Liability	Net Pension Liability	Total	Compensated Absences	Total OPEB Liability	Net Pension Liability	Total
Beginning balance	\$ 44,347	31,689	184,609	260,645	1,090,679	686,605	3,999,877	5,777,161
Additions	11,180	1,061	-	12,241	112,257	22,273	-	134,530
Deletions	221	-	11,949	12,170	1,958	-	270,833	272,791
Ending balance	<u>\$ 55,306</u>	<u>32,750</u>	<u>172,660</u>	<u>260,716</u>	<u>1,200,978</u>	<u>708,878</u>	<u>3,729,044</u>	<u>5,638,900</u>
Due within one year	<u>\$ 9,961</u>	<u>-</u>	<u>-</u>	<u>9,961</u>	<u>265,890</u>	<u>-</u>	<u>-</u>	<u>265,890</u>

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:

<b><u>If the sick leave balance is:</u></b>	<b><u>The conversion rate is:</u></b>
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, 2019, five retired employees received benefits of \$50,175 under the SLIP program.

#### Other Postemployment Benefits

##### Plan Description

The Fair Authority's employees are provided with OPEB through the State of Iowa OPEB Plan – a cost-sharing, multiple-employer defined benefit OPEB plan administered by the State of Iowa (State OPEB Plan). 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 rate, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), requires that employers recognize the Implicit Rate Subsidy that exists in postretirement medical plans provided by governmental employers.



Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e. not eligible for Medicare) generate higher claims on average than active participants. When a medical plan is self-insured or fully insured through a third-party administrator, a premium is usually determined by analyzing the claims of the entire population in the plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

#### Plan Membership

There are 66 active and 1 retired participants in the plan.

#### Plan Benefits

The State OPEB Plan currently offers 3 plans which are available to participants: the Iowa Choice Plan, the National Choice Plan and the SPOC (State Police Officer's Council) Plan.

The contribution requirements of the plan participants are established and may be amended by the State Legislature. The State currently finances the retiree benefit plan on a pay-as-you-go basis.

#### OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At October 31, 2019, the Fair Authority reported a liability of \$741,628 for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of June 30, 2019 and was determined by an actuarial valuation performed as of January 1, 2019 and rolled forward to June 30, 2019 using generally accepted actuarial principles. The Fair Authority's proportion of the total OPEB liability was based on a ratio of the Fair Authority's active employees in relation to all active employees of the State OPEB plan. At June 30, 2019, the Fair Authority's proportion was 0.394242%.

For the year ended October 31, 2019, the Fair Authority recognized OPEB expense of \$76,183. At October 31, 2019, the Fair Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	3,075
Changes in proportion and differences in the Office's contributions and the Office's proportionate share of contributions	-	23,732
Changes of assumptions	75,155	-
Total	<u>\$ 75,155</u>	<u>26,807</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2020	\$ 7,020
2021	7,020
2022	7,020
2023	7,020
2024	7,020
Thereafter	<u>13,248</u>
	<u>\$ 48,348</u>

### Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.60%
Discount rate	3.50%
Healthcare cost trend rate	6.4% - 6.6% initial, decreasing to 4.1% ultimate.

The discount rate was based on the 20-year Bond Buyer GO Index as of the end of June 2019.

The majority of State of Iowa employees are participants in the Iowa Public Employees' Retirement Systems. For this reason, the individual salary increase, mortality withdrawal, retirement, and age of spouse assumptions are based on the assumptions used for the Iowa Public Employees' Retirement System (IPERS) actuarial valuation report as of June 30, 2019. The plan participation and coverage election at retirement assumptions are based upon the recent experience of the State of Iowa Postretirement Medical Plan.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	\$ 718,294
Changes for the year:	
Service cost	46,032
Interest	27,743
Differences between expected and actual experiences	(976)
Changes in assumptions	18,287
Change in proportionate share	(26,763)
Benefit payments	(40,989)
Net changes	<u>23,334</u>
Total OPEB liability end of year	<u>\$ 741,628</u>

Sensitivity of the Authority's Total OPEB Liability to Changes in the Discount Rate

The proportionate share of the total OPEB liability was calculated using a discount rate of 3.50%, as well as a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate. The sensitivity of the proportionate share of the total OPEB liability to changes in the discount rate is presented below:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	\$ 693,802	741,628	791,681

Sensitivity of the Authority's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The proportionate share of the total OPEB liability was calculated using a healthcare cost rate of 6.40% as well as a discount rate that is 1 percentage point lower (5.40%) or 1 percentage point higher (7.40%) than the current discount rate. The sensitivity of the proportionate share of the total OPEB liability to changes in the healthcare cost trend rate is presented below:

	1% Decrease (5.4% - 5.6%)	Healthcare Cost Trend Rate (6.4% - 6.6%)	1% Increase (7.4% - 7.6%)
Total OPEB liability	\$ 665,543	741,628	831,113

Payables to the OPEB Plan – There were no amounts due to the defined benefit State OPEB plan at June 30, 2019.

**(7) Contractual Commitments**

The Fair Authority has entered into contracts for capital improvement projects throughout the Fairgrounds and has spent \$11,232,415 under these contracts as of October 31, 2019. The remaining contractual obligation as of October 31, 2019 for projects already in progress totals \$11,434,123.

**(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) Subsequent Event**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the Fair Authority, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. The COVID-19 outbreak resulted in the postponement of the 2020 Iowa State Fair, which is a significant component of the Fair Authority operations. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the Fair Authority's operations and finances.

**Iowa State Fair Authority**

**Required Supplementary Information**

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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 Six Years\*  
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016
Fair Authority's proportion of the net pension liability	0.067379%	0.066124%	0.063373%	0.064763%
Fair Authority's proportionate share of the net pension liability	\$ 3,902	4,184	4,221	4,076
Fair Authority's covered payroll	\$ 5,198	5,118	4,882	4,714
Fair Authority's proportionate share of the net pension liability as a percentage of its covered payroll	75.07%	81.75%	86.46%	86.47%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

\* 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.

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2015	2014
0.063564%	0.070552%
3,140	2,798
4,423	4,485
70.99%	62.39%
85.19%	87.61%



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

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 491	457	436	421
Contributions in relation to the statutorily required contribution	(491)	(457)	(436)	(421)
Contribution deficiency (excess)	\$ -	-	-	-
Fair Authority's covered payroll	\$ 5,198	5,118	4,882	4,714
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%

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.

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2015	2014	2013
395	401	399
(395)	(401)	(399)
-	-	-
4,423	4,485	4,568
8.93%	8.93%	8.73%

Iowa State Fair Authority

Notes to Required Supplementary Information – Pension Liability

Year ended October 31, 2019

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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.

## **Supplementary Information**

**Iowa State Fair Authority**

Iowa State Fair Authority  
Expenditures by Object  
Blue Ribbon Foundation Special Revenue Fund

Year ended October 31, 2019

	Administration	Promotion	Total
Personal services	\$ 525,241	-	525,241
Travel	6,663	-	6,663
Supplies and materials	56,846	-	56,846
Contractual services	79,373	-	79,373
Miscellaneous	83,167	-	83,167
Equipment	37,682	-	37,682
Marketing	-	755,654	755,654
Donor promotion	-	617,589	617,589
Total	<u>\$ 788,972</u>	<u>1,373,243</u>	<u>2,162,215</u>

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object  
Enterprise Fund

Year ended October 31, 2019

	Administration	Admissions	Concessions, Exhibits and Attractions	Competitive Events and Ag Education	Campground	Grandstand Entertainment
Personal services	\$ 3,373,762	345,807	74,393	180,757	54,027	91,664
Travel and conferences	132,589	-	-	-	-	-
Supplies and materials	281,874	147,560	711,311	223,814	-	-
Judging	-	-	-	152,283	-	-
Contractual services	666,780	8,364	1,772,853	258,243	22,706	633,788
Repair and improvements	-	-	-	-	-	-
Talent	-	-	-	-	-	6,169,993
Advertising	-	-	-	1,130	-	-
Claims and miscellaneous	555,424	33,569	10,120	15,072	-	151,857
Premiums	-	-	-	436,637	-	-
Depreciation	-	-	-	-	-	-
Total	\$ 5,010,429	535,300	2,568,677	1,267,936	76,733	7,047,302

See accompanying independent auditor's report.

Utilities and Maintenance	Marketing and Promotion	Parking and Transportation	Public Safety	Special Entertainment	Depreciation	Interim Events	Total
3,947,248	-	89,538	1,149,271	7,756	-	-	9,314,223
-	-	-	-	7,534	-	-	140,123
1,472,633	-	-	79,366	22,983	-	70,708	3,010,249
-	-	-	-	2,055	-	-	154,338
2,504,919	39,247	450,843	375,614	166,402	-	302,185	7,201,944
88,405	-	-	-	-	-	-	88,405
-	-	-	-	592,879	-	73,112	6,835,984
-	948,501	-	-	-	-	-	949,631
370,306	77,599	-	-	31,653	-	4,500	1,250,100
-	-	-	-	25,520	-	-	462,157
-	-	-	-	-	4,278,313	-	4,278,313
<u>8,383,511</u>	<u>1,065,347</u>	<u>540,381</u>	<u>1,604,251</u>	<u>856,782</u>	<u>4,278,313</u>	<u>450,505</u>	<u>33,685,467</u>



**Schedule 3**

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## Iowa State Fair Authority

## Summary of Operating Revenues and Paid Admissions

For the Five Years Ended October 31, 2019

Fiscal Year	Operating Revenues	Operating Income	Paid Admissions
2015	\$ 24,332,919	1,332,311	896,433
2016	25,554,538	964,438	883,332
2017	26,874,435	412,888	895,601
2018	29,581,713	209,479	890,567
2019	34,452,580	767,113	949,630

See accompanying independent auditor's report.

Iowa State Fair Authority  
Grandstand Performances  
Year ended October 31, 2019

Main Act Performer	Attendance (Net of Complimentary Tickets)	Revenues	Performer's Share	State Fair's Share
For King & Country	6,004	\$ 253,610	159,569	94,041
The Chainsmokers	4,600	364,555	750,500	(385,945)
Slipknot	16,836	857,590	711,934	145,656
Zac Brown Band	14,723	1,137,695	1,022,156	115,539
Toby Keith	9,757	542,325	430,726	111,599
Dan & Shay	14,919	566,563	418,750	147,813
Gabriel Iglesias	10,169	408,048	286,938	121,110
Foreigner	9,444	344,043	226,234	117,809
Luke Bryan	15,053	1,130,270	975,716	154,554
Pentatonix	10,943	476,395	358,416	117,979
Hootie & the Blowfish	14,180	921,121	811,897	109,224
Total	<u>126,628</u>	<u>\$ 7,002,215</u>	<u>6,152,836</u>	<u>849,379</u>

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

See accompanying independent auditor's report.

**Iowa State Fair Authority**

## Iowa State Fair Authority

## Concessionaire Sales

For the Five Years Ended October 31, 2019  
(Unaudited)

Fiscal Year	Sales Reported by Vendor		
	Food	Beer	Merchandise
2015	\$ 10,776,916	765,746	3,469,027
2016	11,282,577	756,805	4,034,988
2017	11,858,230	943,511	4,127,309
2018	11,787,171	981,968	4,151,731
2019	13,643,073	1,029,319	5,358,568

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.



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building

Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

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

To the Board Members of the Iowa State Fair Authority:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Iowa State Fair Authority as of and for the year ended October 31, 2019, 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 September 15, 2020. 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.

Comments about the Iowa State Fair Authority's operations for the year ended October 31, 2019 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.

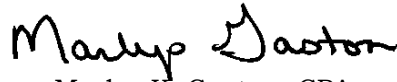
### The Iowa State Fair Authority's Response to the Finding

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.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

September 15, 2020

Iowa State Fair Authority

Schedule of Findings

Year Ended October 31, 2019

**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. Itemized credit card receipts were not always available to support credit card charges.

Cause – Lack of itemized 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 – Itemized credit card receipts should be maintained to support credit card charges.

Response – The Foundation will work with all staff to emphasize proper documentation of credit card purposes, including itemized receipts and the documentation of the business purpose and individuals present. If an itemized receipt is not issued, a notation should be made on or with the receipt by hand.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

Iowa State Fair Authority

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Jennifer L. Wall, CPA, Manager  
Micaela A. Tintjer, CPA, Senior Auditor  
Jon G. Hanson, Staff Auditor  
Sarah K. Nissen, Staff Auditor  
Silvester K. Rutto, Staff Auditor  
Megan A. Waldbillig, Staff Auditor  
Kelly M. Disney, Assistant Auditor