



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

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**NEWS RELEASE**

FOR RELEASE June 7, 2007

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an audit report on the Iowa State Fair Authority for the year ended October 31, 2006. The Iowa State Fair Blue Ribbon Foundation is included in the Fair Authority's financial statements.

The Fair Authority reported operating revenues of \$15,436,587 for fiscal year 2006, an increase of 9% over 2005. Revenues included \$6,011,899 from Fair admissions, \$2,367,486 from Fair concessions, \$1,705,167 from Fair entertainment and \$1,713,194 from interim events. Operating expenses of the Fair Authority for fiscal year 2006 totaled \$14,854,395, a 5.7% increase over the prior year. The Fair Authority reported operating income of \$582,192 for the year ended October 31, 2006 compared to operating income of \$112,255 for the prior year.

Foundation revenues were \$5,528,908 for fiscal year 2006, a 140% increase over the prior year. Revenues included capital grants and contributions of \$2,850,000, operating grants and contributions of \$1,487,106, charges for service of \$636,114 and an appropriation of \$1,000,000 from the State of Iowa for capital improvements. The Foundation had expenses during fiscal year 2006 of \$1,153,881 for administration and promotion, a 37.5% increase over the prior year. The Foundation also provided capital contributions of \$1,042,902 to the Fair Authority from contributions and legislative appropriations.

A copy of the audit report is available for review in the Iowa State Fair Authority's Office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.

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

**OCTOBER 31, 2006**

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**Iowa State Fair Authority**

**Officials**

Name

Title

**Governor**

Honorable Thomas J. Vilsack  
(Ended during January 2007)

Honorable Chester J. Culver  
(Began during January 2007)

**Treasurer of State**

Honorable Michael L. Fitzgerald

**Director, Department of Management**

Michael L. Tramontina  
(Ended during January 2007)

Charles J. Krogmeier  
(Began during January 2007)

**Director, Legislative Services Agency**

Dennis C. Prouty

**Board Members**

Jerry Parkin  
Gary VanAernam  
Jeanne Partlow  
Honorable Patty Judge  
Honorable Bill Northey  
Dr. Gregory L. Geoffroy  
Don Greiman  
James Romer  
David Huinker  
Paul Vaassen  
Bill Neubrand  
Randy Brown  
Gary McConnell  
Bob Schlutz  
C. W. Thomas  
Gary Slater

President/Director, South Central District  
Vice President/Director, Southwest District  
Treasurer, Director, Northwest District  
Secretary of Agriculture (Ended during Jan. 2007)  
Secretary of Agriculture (Began during Jan. 2007)  
Iowa State University  
Director, North Central District  
Director, North Central District  
Director, Northeast District  
Director, Northeast District  
Director, Northwest District  
Director, South Central District  
Director, Southeast District  
Director, Southeast District  
Director, Southwest District  
Chief Executive Officer/Manager

**Iowa State Fair Authority**



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Independent Auditor's Report

To the Board Members of the Iowa State Fair Authority:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2006, which collectively comprise the Iowa State Fair Authority's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Iowa State Fair Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

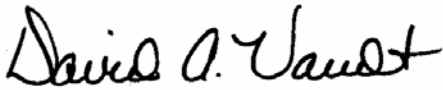
As discussed in Note 1, the financial statements of the Iowa State Fair Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business type activities and each major fund of the State that is attributable to the transactions of the Iowa State Fair Authority. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of October 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of the Iowa State Fair Authority as of October 31, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 2, 2007 on our consideration of the Iowa State Fair Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 2, 2007



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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, 2006. We encourage readers to consider this information in conjunction with the Fair's financial statements, which follow.

### **FINANCIAL HIGHLIGHTS**

- Fair operating revenue increased approximately \$1.3 million from 2005 to 2006. The increase was due largely to an increase in admission and camping prices. Admission prices increased for the first time since 2001. Concessions revenue also showed a modest increase. In 2006, the attendance was up approximately 9,000 people.
- Operating expenses for the fair were approximately \$805,000 more in 2006 than in 2005. Administration, fair services, grandstand and racetrack and utilities and maintenance showed the greatest increases.
- Two major capital projects were started in 2006. They are the animal learning center and the renovation of the original state fair museum. The animal learning center will be a 23,000 square foot building where fair patrons will be educated on animal husbandry. The original state fair museum will be home to many of the State Fair's precious keepsakes. The swine barn renovation project continued in 2006. The electrical system was updated and new pens were purchased. The amphitheater and restroom in heritage village were completed in 2006.

### **USING THIS ANNUAL REPORT**

This discussion and analysis are intended to serve as an introduction to the Iowa State Fair Authority's basic financial statements. The Fair Authority's basic financial statements consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 through 17) provide information about the activities of the Fair Authority as a whole and present a longer-term view of the Fair Authority's finances. Governmental fund financial statements show the activity of the Iowa State Fair Blue Ribbon Foundation. These statements tell how the Foundation raised and used funds for the purpose of renovation projects at the Iowa State Fairgrounds. These basic financial statements also include the notes to the financial statements that explain some of the information in the statements and provide more detail. Supplementary information is also in schedule form and begins on page 33.

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

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the Fair's finances is "Is the Fair as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Fair as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The entity-wide financial statements include two statements.

The Statement of Net Assets presents all of the Fair's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Fair's net assets may serve as a useful indicator of whether the financial position of the Fair Authority is improving or deteriorating.

The Statement of Activities presents information showing how the Fair's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Both of these 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 created to launch a major capital campaign for the renovation of the Iowa State Fairgrounds. These renovation efforts are supported by money raised through contributions, in-kind services and state appropriations. Governmental activities include administration and promotion.

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

#### Fund Financial Statements

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

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

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

**Proprietary Fund Financial Statements** – The Iowa State Fair's activities are reported through this fund. This fund is used to show activities that operate more like those of commercial enterprises. Because this fund charges fees for services provided to outside customers, including local government, it is known as an enterprise fund. Proprietary fund financial statements

provide the same type of information as the entity-wide financial statements, only in more detail. Like the entity-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. There is no reconciliation needed between the entity-wide financial statements for business-type activities and the proprietary fund financial statements.

#### Notes to Financial Statements

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

#### Supplementary Information

The supplementary schedules begin on page 33 and provide detailed information about expenditures or expenses by object and other financial data, including revenue comparisons for the past 5 years.

### GOVERNMENTAL FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Fair Authority's combined net assets (government and business-type activities) totaled \$59.6 million at the end of 2006 compared to \$54.4 million at the end of the previous year.

Fair Authority Net Assets	Governmental Activities		Business type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$5,714,612	2,498,873	10,645,677	10,258,212	16,360,289	12,757,085
Capital assets	33,874	37,388	44,524,843	43,195,874	44,558,717	43,233,262
Total assets	\$5,748,486	2,536,261	55,170,520	53,454,086	60,919,006	55,990,347
Current liabilities	\$ 321,184	445,151	666,257	855,017	987,441	1,300,168
Long-term liabilities	9,779	5,713	271,170	240,618	280,949	246,331
Total liabilities	\$ 330,963	450,864	937,427	1,095,635	1,268,390	1,546,499
Net Assets:						
Invested in capital assets	\$ 33,874	37,388	44,524,843	43,195,874	44,558,717	43,233,262
Restricted for capital improvements	3,815,662	973,886	-	-	3,815,662	973,886
Unrestricted	1,567,986	1,074,123	9,708,251	9,162,577	11,276,237	10,236,700
Total net assets	\$5,417,522	2,085,397	54,233,094	52,358,451	59,650,616	54,443,848

The largest portion of the Fair Authority's net assets (75%) reflects its investment in capital assets, such as land, buildings, equipment, vehicles and infrastructure (road, utilities and other immovable assets), less any related depreciation. The Fair Authority uses these capital assets to provide services. Consequently, these assets are not available for future spending.

Unrestricted net assets (19%) represents assets used to meet the Fair Authority's ongoing obligations to vendors and creditors. The remaining balance (6%) represents resources subject to external restrictions on how they may be used. These restricted net assets will eventually be paid to the business side of the Fair for more investment in its capital assets.

Fair Authority Changes in Net Assets	Governmental		Business type		Totals	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues:						
Charges for service	\$ 636,114	423,802	14,762,205	13,537,520	15,398,319	13,961,322
Operating grants and contributions	1,487,106	1,091,770	674,382	624,022	2,161,488	1,715,792
Capital grants and contributions	2,350,000	-	-	100,000	2,350,000	100,000
General revenues:						
State appropriation	1,000,000	750,000	-	-	1,000,000	750,000
Investment earnings	55,688	39,092	247,366	120,136	303,054	159,228
Gain on sale of capital assets	-	-	2,183	2,000	2,183	2,000
<b>Total revenues</b>	<b>5,528,908</b>	<b>2,304,664</b>	<b>15,686,136</b>	<b>14,383,678</b>	<b>21,215,044</b>	<b>16,688,342</b>
<b>Expenses:</b>						
Blue Ribbon Foundation fund raising	1,153,881	839,086	-	-	1,153,881	839,086
State Fair and other events	-	-	14,854,395	14,049,287	14,854,395	14,049,287
<b>Total expenses</b>	<b>1,153,881</b>	<b>839,086</b>	<b>14,854,395</b>	<b>14,049,287</b>	<b>16,008,276</b>	<b>14,888,373</b>
Increase in net assets before transfers	4,375,027	1,465,578	831,741	334,391	5,206,768	1,799,969
Transfers	(1,042,902)	(1,599,705)	1,042,902	1,599,705	-	-
Increase (decrease) in net assets	3,332,125	(134,127)	1,874,643	1,934,096	5,206,768	1,799,969
Net assets beginning of year	2,085,397	2,219,524	52,358,451	50,424,355	54,443,848	52,643,879
Net assets end of year	\$5,417,522	2,085,397	54,233,094	52,358,451	59,650,616	54,443,848

The Fair Authority's net assets increased approximately \$5.2 million, or 9.5%. The majority of the increase comes from the governmental activities. Capital grants and contributions, which increased by \$2.3 million, was the source of the greatest increase. The business type activities revenues also increased approximately \$1.3 million. The first increase in admissions since 2001 contributed to most of the increase.

Approximately 88% of all business type activities revenues were generated from the Fair Authority's annual 11-day event, while the other 12% is from off-season rental of Fair Authority facilities and other miscellaneous sources. The largest revenue source of 39% comes from admissions, while concessions, exhibitors and attractions contribute 25% and entertainment contribute 11%. Revenues of \$1.7 million, or 11%, were from off-season rental of our facilities.

For governmental activities, the Foundation's revenue consists of state appropriated funds, contributions and sale of promotional items. Contributions increased in 2006 due to specific contributions received from donors for the museum project and the animal learning center. Sale of promotional items also increased due to selling more merchandise and promotional items in 2006 than in 2005. The Fair also received a \$1,000,000 appropriation, compared to a \$750,000 appropriation in 2005, from the Iowa State Legislature to be used for capital improvement projects.

On the expense side of things, the Fair Authority's expenses increased \$1.1 million. The majority of this increase is attributed to the business type activities, which increased by \$805,000. The increase was mainly due to implementing an on-line entry system and increased entertainment and contractual service costs. On the governmental activities side, expenses increased \$315,000, mainly due to the promotion and purchasing of the limited John Deere collector tractors. These tractors are purchased every other year and are sold as promotional type revenue.

The largest business type activities expense is payroll, which accounts for 35% of all expenses. The Fair employs approximately 1,550 people at different times during the year, with the majority working during the 11-day event. Contractual services account for 20% of all expenses. Examples of contractual services are utilities, including electricity and water, waste and garbage removal and contract services as needed throughout the year. Payments made to grandstand performers and other entertainment during the fair account for 11% of all expenses.

## **FINANCIAL ANALYSIS OF THE FAIR AUTHORITY'S INDIVIDUAL FUNDS**

### Governmental Fund:

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

As of the end of the current fiscal year, the Fair's governmental fund reported an ending fund balance of \$3.3 million, a significant increase over the prior year. 60% of the fund balance is reserved, which indicates it is not available for spending because it has already been committed to pay for the renovation of specific projects or is subject to other donor imposed restrictions.

### Proprietary Fund:

The Fair's proprietary fund provides information on the Fair Authority's operating and non-operating activities. For the year ended October 31, 2006, the Fair's proprietary fund reported operating income of \$582,000. The proprietary fund reported a \$54.2 million net asset balance for the year, an increase of \$1.9 million from the prior year. The majority of the increase in net assets is directly attributable to the transfers from the governmental fund for reimbursement of certain capital expenses. The remaining increase is attributed to income and interest earned on investments.

## **CAPITAL ASSETS**

The Fair Authority's investment in capital assets for its governmental and business-type activities at October 31, 2006 was \$67 million, net of accumulated depreciation of \$22.5 million, leaving a net book value of \$44.5 million. This investment in capital assets includes land, buildings, infrastructures, equipment, vehicles and construction in progress. Infrastructure assets are items that are normally immovable, such as streets and sidewalks, drainage systems, lighting systems and similar items.

The total increase in the Fair Authority's investment in capital assets for the current fiscal year was about \$1.3 million.

The Fair Authority's fiscal year 2007 capital budget includes \$6 million for capital projects, principally for the completion of phase 1 and the start of phase 2 of the swine barn, the construction of the new animal learning center, renovation of the original state fair museum, continuation of additional property purchases and various other upgrades of additional building and infrastructure. Funds to pay for the completion of these projects will come from the Fair Authority's revenues as well as contributions and the \$1,000,000 state appropriation received in fiscal year 2006. More detailed information about the Fair Authority's capital assets is presented in Note 3 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Fair Authority's elected officials and management considered many factors when setting the 2007 fiscal year budget and fees to be charged for the various Fair's activities. Our greatest increase in budget will be in capital improvements. The Fair anticipates spending an additional \$4 million in capitals in comparison to the prior year. Other increases are expected in wage and cost of living adjustments, employee health insurance costs, maintenance and utilities and entertainment. Revenues are expected to rise slightly. Admission, concession and grandstand revenue are expected to increase due to the trend of increase in attendance. With the increase in capital assets, and with a portion of these expenses reimbursed through the Blue Ribbon Foundation, the Fair Authority's net assets are expected to significantly increase by the close of 2007.

The Fair is an 11-day economic boom for the city and state. It annually attracts more than one million people who enjoy the Fair and its neighboring attractions, events and restaurants during their visit, resulting in more than \$150 million total economic impact to Central Iowa.

## **CONTACTING THE FAIR AUTHORITY'S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

**Iowa State Fair Authority**



Iowa State Fair Authority

Statement of Net Assets

October 31, 2006

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and investments	\$ 2,415,359	10,093,661	12,509,020
Unexpended appropriation	1,000,000	-	1,000,000
Accounts receivable	-	244,475	244,475
Interest receivable	16,242	-	16,242
Pledges receivable	752,568	-	752,568
Due from other funds	-	307,541	307,541
Inventories	177,119	-	177,119
<b>Total current assets</b>	<b>4,361,288</b>	<b>10,645,677</b>	<b>15,006,965</b>
Noncurrent assets:			
Pledges receivable	1,353,324	-	1,353,324
Capital assets (net of accumulated depreciation):			
Land	-	3,990,895	3,990,895
Buildings	-	36,046,864	36,046,864
Equipment	33,874	781,399	815,273
Vehicles	-	139,189	139,189
Infrastructure	-	3,419,698	3,419,698
Construction in progress	-	146,798	146,798
<b>Total noncurrent assets</b>	<b>1,387,198</b>	<b>44,524,843</b>	<b>45,912,041</b>
<b>Total assets</b>	<b>5,748,486</b>	<b>55,170,520</b>	<b>60,919,006</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	293,449	293,449
Due to other funds	307,541	-	307,541
Salaries payable	6,434	118,417	124,851
Compensated absences	7,209	187,866	195,075
Capital lease	-	8,890	8,890
Refundable deposits	-	57,635	57,635
<b>Total current liabilities</b>	<b>321,184</b>	<b>666,257</b>	<b>987,441</b>
Noncurrent liabilities:			
Accounts payable	-	71,531	71,531
Compensated absences	9,779	167,787	177,566
Capital lease	-	31,852	31,852
<b>Total noncurrent liabilities</b>	<b>9,779</b>	<b>271,170</b>	<b>280,949</b>
<b>Total liabilities</b>	<b>330,963</b>	<b>937,427</b>	<b>1,268,390</b>
<b>Net Assets</b>			
Invested in capital assets	33,874	44,524,843	44,558,717
Restricted for capital improvements	3,815,662	-	3,815,662
Unrestricted	1,567,986	9,708,251	11,276,237
<b>Total net assets</b>	<b>\$ 5,417,522</b>	<b>54,233,094</b>	<b>59,650,616</b>

See notes to financial statements.

Iowa State Fair Authority  
Statement of Activities  
Year ended October 31, 2006

<b>Functions</b>	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Blue Ribbon Foundation fundraising	\$ 1,153,881	636,114	1,487,106	2,350,000
Business type activities:				
State Fair and other events	14,854,395	14,762,205	674,382	-
<b>Total</b>	<b>\$16,008,276</b>	<b>15,398,319</b>	<b>2,161,488</b>	<b>2,350,000</b>

General revenues:  
State appropriation  
Investment earnings  
Gain on sale of capital assets  
Transfers  
Total general revenues and transfers

Change in net assets

Net assets beginning of year

Net assets end of year

See notes to financial statements.

Net (Expense) Revenue and Change in Net Assets		
Governmental Activities	Business type Activities	Total
3,319,339	-	3,319,339
-	582,192	582,192
3,319,339	582,192	3,901,531
1,000,000	-	1,000,000
55,688	247,366	303,054
-	2,183	2,183
(1,042,902)	1,042,902	-
12,786	1,292,451	1,305,237
3,332,125	1,874,643	5,206,768
2,085,397	52,358,451	54,443,848
\$ 5,417,522	54,233,094	59,650,616

**Exhibit C**

## Iowa State Fair Authority

Balance Sheet  
Special Revenue Fund

October 31, 2006

**Assets**

## Assets:

Cash and investments	\$ 2,415,359
Unexpended appropriation	1,000,000
Interest receivable	16,242
Pledges receivable	2,105,891
Inventories	177,119
<b>Total assets</b>	<b>\$ 5,714,611</b>

**Liabilities and Fund Balance**

## Liabilities:

Due to other funds	\$ 307,541
Salaries payable	6,434
Deferred revenue	2,104,500
<b>Total liabilities</b>	<b>2,418,475</b>

## Fund balance:

Reserved for:	
Inventories	177,119
Capital improvements	1,815,285
Unreserved	1,303,732
<b>Total fund balance</b>	<b>3,296,136</b>

**Total liabilities and fund balance****\$ 5,714,611****Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets****Fund balance - Special Revenue Fund**

\$ 3,296,136

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

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

Equipment	\$ 52,717	
Less accumulated depreciation	(18,843)	33,874

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

2,104,500

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

(16,988)

**Net assets of governmental activities****\$ 5,417,522**

See notes to financial statements.

Iowa State Fair Authority

Statement of Revenues, Expenditures and Changes in Fund Balance  
Special Revenue Fund

Year ended October 31, 2006

Revenues:	
State appropriation	\$ 1,000,000
Contributions	1,903,253
Sales of promotional items	450,088
Other sales	186,026
In-kind support	108,714
Interest on investments	55,688
Total revenues	<u>3,703,769</u>
Expenditures:	
Administration	433,344
Promotion	711,541
Total expenditures	<u>1,144,885</u>
Excess of revenues over expenditures	2,558,884
Other financing uses:	
Transfers out	<u>(1,042,902)</u>
Net change in fund balance	1,515,982
Fund balance beginning of year	<u>1,780,154</u>
Fund balance end of year	<u>\$ 3,296,136</u>
<b>Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities</b>	
<b>Net change in fund balance - Special Revenue Fund</b>	<b>\$ 1,515,982</b>
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 fund until available.	1,825,139
The governmental fund reports capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense in the current year was \$3,514.	
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.	<u>(5,482)</u>
<b>Change in net assets of governmental activities</b>	<b>\$ 3,332,125</b>

See notes to financial statements.

**Exhibit E**

## Iowa State Fair Authority

Statement of Net Assets  
Enterprise Fund

October 31, 2006

**Assets**

Current assets:	
Cash and investments	\$ 10,093,661
Accounts receivable	244,475
Due from other funds	307,541
Total current assets	<u>10,645,677</u>
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Land	3,990,895
Buildings	36,046,864
Equipment	781,399
Vehicles	139,189
Infrastructure	3,419,698
Construction in progress	146,798
Total noncurrent assets	<u>44,524,843</u>
<b>Total assets</b>	<u>55,170,520</u>

**Liabilities**

Current liabilities:	
Accounts payable	293,449
Salaries payable	118,417
Compensated absences	187,866
Capital lease	8,890
Refundable deposits	57,635
Total current liabilities	<u>666,257</u>
Noncurrent liabilities:	
Accounts payable	71,531
Compensated absences	167,787
Capital lease	31,852
Total noncurrent liabilities	<u>271,170</u>
<b>Total liabilities</b>	<u>937,427</u>

**Net Assets**

Invested in capital assets	44,524,843
Unrestricted	9,708,251
<b>Total net assets</b>	<u>\$ 54,233,094</u>

See notes to financial statements.

Iowa State Fair Authority

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

Year ended October 31, 2006

Operating revenues:	
Admissions	\$ 6,011,899
Attractions	888,388
Commercial exhibitors	642,138
Concessions	2,367,486
Grandstand and racetrack entertainment	1,705,167
Entry fees	373,162
Campground fees and services	937,389
Sponsorships	674,382
Interim events	1,713,194
Miscellaneous	123,382
Total operating revenues	<u>15,436,587</u>
Operating expenses:	
Administration	2,356,133
Admissions	437,872
Concessions	92,679
Entry and competitive events	1,028,189
Fair services	1,161,801
Grandstand and racetrack	1,614,897
Utilities and maintenance	3,851,744
Marketing and promotion	568,426
Public safety	680,481
Sponsorship	25,513
Special entertainment	587,890
Treasurer	35,060
Depreciation	2,225,225
Interim events	188,485
Total operating expenses	<u>14,854,395</u>
Operating income	582,192
Non-operating revenues:	
Interest income	247,366
Gain on sale of capital assets	2,183
Income before transfers	831,741
Operating transfers in	<u>1,042,902</u>
Change in net assets	1,874,643
Net assets beginning of year	<u>52,358,451</u>
Net assets end of year	<u>\$ 54,233,094</u>

See notes to financial statements.

**Exhibit G**

## Iowa State Fair Authority

Statement of Cash Flows  
Enterprise Fund

Year ended October 31, 2006

Cash flows from operating activities:		
Cash received from events	\$ 15,402,702	
Cash paid to suppliers	(8,122,090)	
Cash paid to employees	(4,665,290)	
Net cash provided by operating activities		\$ 2,615,322
Cash flows from non-capital financing activities:		
Transfers in from other funds		1,169,407
Cash flows from capital financing activities:		
Acquisition of property and equipment		(3,552,012)
Cash flows from investing activities:		
Interest on investments	247,366	
Proceeds from sale and maturities of investments	6,928,381	
Purchase of investments	(9,191,923)	
Net cash used by investing activities		(2,016,176)
Net decrease in cash and cash equivalents		(1,783,459)
Cash and cash equivalents beginning of year, as restated		6,626,388
Cash and cash equivalents end of year		4,842,929
Investments		5,250,732
Cash and investments		\$ 10,093,661
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income		\$ 582,192
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	\$ 2,225,225	
Changes in assets and liabilities:		
(Increase) in accounts receivable	(33,887)	
(Decrease) in accounts payable	(223,138)	
Increase in salaries payable	36,460	
Increase in capital lease payable	40,742	
Increase in refundable deposits	1,890	
(Decrease) in compensated absences	(14,162)	
Total adjustments		2,033,130
Net cash provided by operating activities		\$ 2,615,322

See notes to financial statements.



Iowa State Fair Authority

Notes to Financial Statements

October 31, 2006

**(1) Summary of Significant Accounting Policies**

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

The Fair Authority's board consists of fifteen members. The fifteen members consist of the Governor, Secretary of Agriculture 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 or capital projects or major maintenance improvements at the Iowa State Fairgrounds.

The financial statements of the Iowa State Fair Authority have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Fair Authority's accounting policies are described below.

A. Reporting Entity

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

B. Entity-wide and fund financial statements

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

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

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

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

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

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

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

The Fair Authority reports the following major governmental fund:

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

The Fair Authority reports the following major proprietary fund:

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

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

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

D. Budgets, Budgetary Accounting and State Appropriations

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

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

State appropriations received by the Foundation that are unexpended as of October 31, 2006 are classified as restricted net assets on the Statement of Net Assets because their use is restricted to reimbursement to the Fair Authority for capital improvements.

E. Assets, Liabilities and Net Assets/Fund Balance

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

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

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

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

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the year ended October 31, 2006, no interest costs were capitalized since the Fair Authority's policy is not to capitalize interest costs on assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	20-40
Equipment	5-10
Vehicles	5-10
Infrastructure	20-40

Compensated Absences – Employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death, or retirement. The cost of earned vacation, sick and compensatory pay are recorded as liabilities. These liabilities for compensated absences are based on current rates of pay.

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

**(2) Cash, Cash Equivalents and Investments**

The Iowa State Fair Authority’s deposits in banks and with the Treasurer of State throughout the period and at October 31, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Fair Authority is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Iowa State Fair Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value.

At October 31, 2006, the Fair Authority had the following investments:

Type	Fair Value	Maturity	Credit Risk
Kraft Foods, Inc.	\$ 405,000	November 2006	A3
American General Fin. Ser. H	409,672	November 2006	A1
Federal Home Loan Note	776,802	December 2006	N/A
Walt Disney Co. Global	465,186	December 2006	A3
United Health Group, Inc.	549,670	January 2007	A2
Bank of America Corp. Senior Notes	509,694	February 2007	Aa2
St Paul Companies, Inc.	1,131,808	March 2007	A3
Textron Financial Corp.	1,002,900	June 2007	A3
Total	<u>\$ 5,250,732</u>		

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.

Concentration of credit risk. The Fair Authority places no limit on the amount that may be invested in any one issuer. More than 5% of the Fair Authority’s investments are in the Federal Home Loan Note, United Health Group, Inc., Bank of America Corp. Senior Notes, St. Paul Companies, Inc. and Textron Financial Corp. The Fair Authority’s investment in the Federal Home Loan Note, United Health Group, Inc, Bank of America Corp. Senior Notes, St. Paul Companies, Inc. and Textron Financial Corp. were 7.70%, 5.44%, 5.05%, 11.21% and 9.94%, respectively, of the Fair Authority’s cash and investments.

### (3) Capital Assets

Capital assets activity for the year ended October 31, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental activities:</b>				
Equipment	\$ 52,717	-	-	52,717
Less accumulated depreciation	(15,329)	(3,514)	-	(18,843)
Governmental activities capital assets, net	\$ 37,388	(3,514)	-	33,874
<b>Business type activities:</b>				
Land, not being depreciated	\$ 3,843,785	147,110	-	3,990,895
Buildings	51,065,048	3,520,324	(16,203)	54,569,169
Equipment	1,837,164	193,914	(111,190)	1,919,888
Vehicles	579,310	48,538	(10,460)	617,388
Infrastructure	5,758,911	65,409	-	5,824,320
Construction in progress, not being depreciated	566,231	142,505	(561,938)	146,798
Total capital assets	63,650,449	4,117,800	(699,791)	67,068,458
Less accumulated depreciation for:				
Buildings	(16,826,004)	(1,712,504)	16,203	(18,522,305)
Equipment	(1,115,102)	(132,909)	109,522	(1,138,489)
Vehicles	(458,417)	(30,242)	10,460	(478,199)
Infrastructure	(2,055,052)	(349,570)	-	(2,404,622)
Total accumulated depreciation	(20,454,575)	(2,225,225)	136,185	(22,543,615)
Business type activities capital assets, net	\$43,195,874	1,892,575	(563,606)	44,524,843

### (4) Capital Lease Purchase Agreement

The Iowa State Fair Authority has entered into a capital lease purchase agreement for copiers. The following is a schedule of the future minimum lease payments, including interest at 4.55% per annum, and the present value of net minimum lease payments under the agreement in effect at October 31, 2006.

Year Ending June 30,	Amount
2007	\$ 10,560
2008	10,560
2009	10,560
2010	10,560
2011	2,640
Total minimum lease payments	44,880
Less amount representing interest	4,138
Present value of net minimum lease payments	\$ 40,742

Payments under capital lease purchase agreements totaled \$6,408 for the year ended October 31, 2006.

**(5) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the Fair Authority is required to contribute 5.75% of annual covered payroll for the years ended October 31, 2006, 2005 and 2004. Contribution requirements are established by state statute. The Fair Authority's contributions to IPERS for the years ended October 31, 2006, 2005 and 2004 were \$198,661, \$184,433 and \$187,419, respectively, equal to the required contributions for each year.

**(6) Other Post Employment Benefits**

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

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

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

The incentives are financed on a pay-as-you-go basis. Early retirement costs for the year ended October 31, 2006 totaled \$42,795 for three participants in the Enterprise Fund. The balance of \$64,193 remaining at October 31, 2006 has been accrued in the Enterprise Fund.

In accordance with Chapter 70A.23 of the Code of Iowa, the Iowa State Fair Authority provides, upon retirement, credit for all unused sick leave (commonly referred to as the SLIP program) as follows:

Accumulated, unused sick leave shall be converted at current value and credited to the employee's account for the purpose of paying the state portion of the employee's continuation of state group health insurance coverage.

The benefits are funded on a pay-as-you go basis for Iowa State Fair Authority retirees. For the year ended October 31, 2006, one retiree received benefits totaling \$2,524.

**(7) Contractual Commitments**

The Iowa State Fair Authority has entered into contracts for planned capital improvement projects throughout the fairgrounds and has spent approximately \$1,660,000 under these contracts as of October 31, 2006. The remaining contractual obligation as of October 31, 2006 for current projects already in progress totals approximately \$575,000.

**(8) Risk Management**

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

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

**(9) Restatement**

The beginning cash and cash equivalents balance has been restated to exclude investments previously included in beginning cash and cash equivalents. The restatement decreased the beginning cash and cash equivalent balance, as follows:

Cash and cash equivalents October 31, 2005, as previously reported	\$ 9,613,578
Investments previously included in cash and cash equivalents in error	<u>(2,987,190)</u>
Cash and cash equivalents November 1, 2005, as restated	<u>\$ 6,626,388</u>



## **Supplementary Information**

**Iowa State Fair Authority**

## Iowa State Fair Authority

Expenditures by Object  
Special Revenue Fund

Year ended October 31, 2006

	Adminis- tration	Promotion	Total
Personal services	\$ 300,856	-	300,856
Travel	4,489	-	4,489
Supplies and materials	71,041	-	71,041
Contractual services	30,316	-	30,316
Miscellaneous	810	-	810
Equipment	25,832	-	25,832
Marketing	-	538,692	538,692
Donor promotion	-	172,849	172,849
	<hr/>		
Total	\$ 433,344	711,541	1,144,885

See accompanying independent auditor's report.

Iowa State Fair Authority

Expenses by Object  
Enterprise Fund

Year ended October 31, 2006

	Admin- istration	Admissions	Concessions	Entry and Competitive Events	Fair Services	Grandstand and Race track
Personal services	\$ 1,767,068	248,106	23,560	223,419	58,852	51,319
Travel and conferences	82,329	-	-	-	-	-
Supplies and materials	56,726	47,054	67,024	107,779	263,038	-
Judging	-	-	-	169,191	-	-
Contractual services	269,417	131,956	1,975	51,249	818,579	310,664
Repair and improvements	-	-	-	-	-	-
Talent	-	-	-	-	-	1,220,495
Other grandstand events	-	-	-	-	-	30,095
Advertising	-	-	-	445	-	-
Claims and miscellaneous	180,593	10,756	120	37,463	21,332	2,324
Premiums	-	-	-	438,643	-	-
Depreciation	-	-	-	-	-	-
<b>Total</b>	<b>\$ 2,356,133</b>	<b>437,872</b>	<b>92,679</b>	<b>1,028,189</b>	<b>1,161,801</b>	<b>1,614,897</b>

See accompanying independent auditor's report.

Utilities and Maintenance	Marketing and Promotion	Public Safety	Sponsorship	Special Entertain- ment	Treasurer	Depreciation	Interim Events	Total
2,192,209	3,956	628,912	-	4,858	14,340	-	-	5,216,599
-	-	-	-	-	-	-	-	82,329
436,937	1,749	7,771	25,513	8,780	-	-	55,392	1,077,763
-	-	-	-	3,925	-	-	-	173,116
1,180,779	26,581	43,798	-	57,003	-	-	124,969	3,016,970
6,759	-	-	-	-	-	-	-	6,759
-	-	-	-	451,810	-	-	-	1,672,305
-	-	-	-	-	-	-	-	30,095
-	518,917	-	-	-	-	-	-	519,362
35,060	17,223	-	-	61,514	20,720	-	8,124	395,229
-	-	-	-	-	-	-	-	438,643
-	-	-	-	-	-	2,225,225	-	2,225,225
3,851,744	568,426	680,481	25,513	587,890	35,060	2,225,225	188,485	14,854,395

**Schedule 3**

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Iowa State Fair Authority  
Summary of Operating Revenues and State Fair Attendance  
For the Five Years Ended October 31, 2006

Fiscal Year	Operating Revenues	Operating Income (Loss)	State Fair Attendance (Unaudited)
2002	\$ 13,368,569	548,578	1,008,000
2003	13,350,962	(18,804)	1,012,000
2004	14,743,748	628,841	1,054,000
2005	14,161,542	112,255	1,005,000
2006	15,436,587	582,192	1,014,000

See accompanying independent auditor's report.

Iowa State Fair Authority  
Grandstand Performances  
Year ended October 31, 2006

Main Act Performer	Attendance (Net of Complimentary Tickets)	Receipts	Performer's Share	State Fair's Share
Brad Paisley, Eric Church & The Wreckers	5,906	\$ 207,700	200,000	7,700
James Taylor	10,611	401,253	326,565	74,688
Rock 'N' Roll Reunion XXVII	5,237	130,925	91,750	39,175
Montgomery Gentry with Miranda Lambert	5,395	161,850	175,000	(13,150)
Trace Adkins with Chris Cagle	7,072	176,800	98,530	78,270
George Jones with Craig Morgan	4,514	99,308	70,000	29,308
Smashmouth with Bowling for Soup	3,031	60,620	70,000	(9,380)
Monster Truck Championships	3,425	61,710	42,500	19,210
Big and Rich with Cowboy Troy	5,923	207,305	155,000	52,305
Total	<u>51,114</u>	<u>\$ 1,507,471</u>	<u>1,229,345</u>	<u>278,126</u>

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

See accompanying independent auditor's report.

**Schedule 5**

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## Iowa State Fair Authority

## Concessionaire Sales

For the Five Years Ended October 31, 2006  
(Unaudited)

Fiscal Year	Sales Reported by Vendor		
	Food	Beer	Merchandise
2002	\$ 5,908,943	539,250	1,848,177
2003	5,966,939	578,250	1,881,310
2004	7,176,188	644,875	2,162,481
2005	6,984,456	601,250	2,142,264
2006	7,416,559	615,375	2,112,042

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

See accompanying independent auditor's report.





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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Board Members of the  
Iowa State Fair Authority:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of the Iowa State Fair Authority, a component unit of the State of Iowa, as of and for the year ended October 31, 2006, which collectively comprise the Iowa State Fair Authority's basic financial statements listed in the table of contents, and have issued our report thereon dated May 2, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

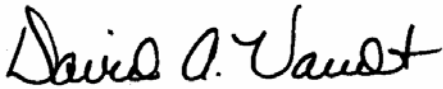
Compliance and Other Matters

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.

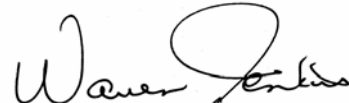
Comments involving other matters about the Iowa State Fair Authority's operations for the year ended October 31, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Iowa State Fair Authority. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comment involving other legal matters is not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the State of Iowa and other parties to whom the Iowa State Fair Authority may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa State Fair Authority during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 2, 2007

Iowa State Fair Authority

Schedule of Findings

Year ended October 31, 2006

**Findings Related to Financial Statements:**

**REPORTABLE CONDITIONS:**

- (A) Blue Ribbon Foundation Expenditures – The Blue Ribbon Foundation incurs various expenses, including meals, for fundraising and promotional activities. Supporting documentation for such activities does not always include the business purpose and the names of those individuals present at the event.

Recommendation – The Blue Ribbon Foundation’s supporting documentation for fundraising and promotional activities should include the business purpose and the names of those individuals present at the event.

Response – The Iowa State Fair will develop procedures to document the public purpose of such expenses.

Conclusion – Response accepted.

- (B) Credit Card – Various Iowa State Fair Authority employees use the Authority’s credit card. Certain purchases with the credit card were not in compliance with the travel or credit card policy. In addition, detailed credit card receipts were not always available to support credit card charges and were not always reconciled to the credit card statements from which payment was made.

Recommendation – The Iowa State Fair Authority should ensure all expenditures are in compliance with travel and credit card policies. Also, credit card receipts should be maintained and reconciled to credit card statements prior to payment.

Response – The Iowa State Fair will develop procedures to reconcile credit card receipts to the statement prior to payment. We will also work toward making sure all expenses are in compliance with our travel and credit card policies.

Conclusion – Response accepted.

- (C) Timeliness of Deposits – Various collections received by the Blue Ribbon Foundation were not deposited timely.

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

Response – The Iowa State Fair will implement new procedures to ensure all receipts are deposited timely.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

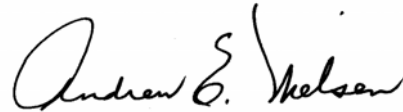
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Iowa State Fair Authority

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor II  
Tiffany A. Gossweiler, Staff Auditor  
Karen J. Kibbe, Staff Auditor  
Jennifer L. Wall, Staff Auditor  
Adam D. Steffensmeier, Assistant Auditor  
Scott G. Anderson, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State