

**Report 12-10  
June 2012**

# State Fair Park

STATE OF WISCONSIN



Legislative Audit Bureau ■



# **State Fair Park**

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State Fair Park Map

**Response**

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From the Chief Executive Officer of State Fair Park



**STATE OF WISCONSIN**  
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Joe Chrisman  
State Auditor

June 8, 2012

Senator Robert Cowles and  
Representative Samantha Kerkman, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As required by s. 13.94(1)(dm), Wis. Stats., we have completed our annual financial audit of State Fair Park. We have issued an unqualified opinion on State Fair Park's financial statements for fiscal year (FY) 2010-11. In addition, we have continued to monitor its financial condition.

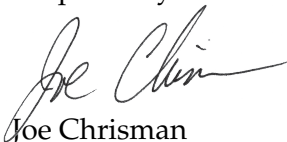
State Fair Park's operating revenue exceeded expenditures by \$2.4 million in FY 2010-11, on a cash basis, primarily because of a successful 2010 Wisconsin State Fair. State Fair Park's cash deficit was reduced to \$235,000 as of June 30, 2011. State Fair Park projects positive operating results for FY 2011-12 that would allow it to eliminate the deficit.

Although State Fair Park's financial condition continues to improve, close monitoring of the operations of the Milwaukee Mile racetrack, the Wisconsin Exposition Center, and the Wisconsin State Fair's ride and amusement area will be important. We note that State Fair Park continues to be involved in a legal dispute with a former racetrack promoter, the outcome of which may affect State Fair Park's financial condition in the future.

We again report a weakness in State Fair Park's internal controls related to financial reporting, which we discuss in the Report on Internal Control and Compliance included in this report. Although State Fair Park has made some improvements to the financial reporting process, we identified material errors in the FY 2010-11 financial statements. State Fair Park corrected the financial statements and agreed to take steps to continue to improve its financial reporting.

We appreciate the courtesy and cooperation extended to us by staff of State Fair Park. A response from the Chief Executive Officer follows the appendix.

Respectfully submitted,



Joe Chrisman  
State Auditor

JC/CS/ss





## Introduction ■

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State Fair Park, the State's 190-acre fairgrounds located in the cities of West Allis and Milwaukee, has been home to the Wisconsin State Fair since 1892 and has operated as a separate state agency—the State Fair Park Board—since 1990. Other agricultural, industrial, educational, and recreational fairs, exhibits, and promotional events are also held at the fairgrounds each year.

***State Fair Park's operations are funded primarily by revenue from the Wisconsin State Fair.***

Attendance fees and other revenue from the annual Wisconsin State Fair are State Fair Park's primary source of funding, but operation of the Wisconsin Exposition Center and the Milwaukee Mile racetrack, which are shown in the appendix, have a significant effect on State Fair Park's operations and financial condition:

- The Wisconsin Exposition Center is a 271,000-square foot exhibition hall purchased by the State of Wisconsin in December 2009 and operated by State Fair Park since that time. In fiscal year (FY) 2010-11, State Fair Park became responsible for the debt service payments on the bonds issued to purchase the facility. As of June 30, 2011, remaining debt service payments on these bonds were scheduled to continue through FY 2030-31 and total \$21.3 million.
- The Milwaukee Mile racetrack and its grandstand seating area encompass more than one-quarter of the fairgrounds and have been managed internally by State Fair Park since

July 2009. Debt service payments related to Milwaukee Mile grandstand and racetrack improvements are funded by State Fair Park program revenue. As of June 30, 2011, remaining debt service payments related to the grandstand represent the most significant portion of outstanding debts and were scheduled to continue through FY 2026-27 and total \$17.5 million.

State Fair Park's budget was \$18.7 million for FY 2010-11. 2011 Wisconsin Act 32, the 2011-13 Biennial Budget Act, established State Fair Park's FY 2011-12 budget at \$20.5 million. The increase relates primarily to operations of the Wisconsin Exposition Center.

As required by s. 13.94(1)(dm), Wis. Stats., we have completed a financial audit of State Fair Park. We have issued an unqualified opinion on the FY 2010-11 financial statements, which are included in this report. In addition, we continued to monitor State Fair Park's financial condition.

### **State Fair Park Board and Staff**

Under s. 15.445(4)(a), Wis. Stats., the State Fair Park Board's members include:

- the Secretary of the Department of Tourism or designee;
- the Secretary of the Department of Agriculture, Trade and Consumer Protection or designee;
- five representatives of business, including three with general business experience, one with agricultural experience, and one with technology experience;
- one resident of the City of West Allis;
- one Wisconsin resident from anywhere in the state; and
- four legislators: two from the Assembly and two from the Senate.

Except for the legislators and department secretaries, State Fair Park Board members are appointed to the Board by the Governor and confirmed by the Senate for staggered five-year terms.

**State Fair Park is authorized 39.9 full-time equivalent positions, which are funded by program revenue.**

Although the Board is attached to the Department of Tourism for administrative purposes, State Fair Park's Chief Executive Officer is responsible for day-to-day operations. 2011 Wisconsin Act 32 authorized the transfer of one human resources position from the Department of Administration to State Fair Park, increasing State Fair Park's authorized staffing level to 39.9 full-time equivalent positions. State Fair Park also employs approximately 1,200 limited-term employees, most of whom work exclusively during the 11-day Wisconsin State Fair. All positions are funded by program revenue.

## State Fair Park Finances

**Revenue from operations exceeded expenditures by \$2.4 million in FY 2010-11.**

Although State Fair Park has faced financial challenges since the late 1990s, it has generated a surplus in each of the past five years. As shown in Table 1, revenue from operations exceeded expenditures by \$2.4 million in FY 2010-11.

Table 1

### State Fair Park Revenue and Expenditures<sup>1</sup>

Fiscal Year	Revenue	Expenditures <sup>2</sup>	Revenue Less Expenditures
2006-07	\$17,467,763	\$16,138,719	\$1,329,044
2007-08	16,152,084	15,081,538	1,070,546
2008-09	16,065,356	15,237,095	828,261
2009-10	19,003,689	17,431,443	1,572,246
2010-11	20,264,485	17,838,074	2,426,411

<sup>1</sup> Shown on a cash basis.

<sup>2</sup> Includes program revenue-funded debt service payments.

State Fair Park attributes its FY 2010-11 operating results to the success of the Wisconsin State Fair held in August 2010. Fair attendance increased from 833,000 in 2009 to 876,000 in 2010 and resulted in additional revenue from admissions fees and food and beverage sales. Revenue related to Wisconsin Exposition Center events also increased in FY 2010-11, which was the first full year State Fair Park operated the facility.

**State Fair Park's cash deficit was \$235,000 as of June 30, 2011.**

Operating results over the past five years, receipt of \$1.4 million in cash from the acquisition of the Wisconsin Exposition Center in FY 2009-10, and \$1.9 million received under the terms of a letter of

credit agreement with a former racetrack promoter allowed State Fair Park to reduce the cash deficit in its ongoing program revenue appropriation. This deficit, which was \$11.5 million as of June 30, 2006, was reduced to \$235,000 as of June 30, 2011.

Although final financial data for FY 2011-12 are not yet available, State Fair Park projects that revenue will exceed expenditures by approximately \$1.0 million, which would allow it to eliminate the cash deficit that has existed since FY 2002-03.

To fund the cost of improvements to the fairgrounds, State Fair Park has relied on program revenue– and general purpose revenue (GPR)–supported borrowing. From FY 2011-12 through FY 2030-31, debt service payments related to program revenue–supported debt outstanding as of June 30, 2011, are expected to total approximately \$56.1 million. The issuance of \$13.9 million in program revenue–supported bonds during FY 2010-11 to finance the purchase of the Wisconsin Exposition Center significantly increased debt service to be paid from State Fair Park program revenue. As of June 30, 2011, remaining debt service payments on these bonds were scheduled to total \$21.3 million. From FY 2011-12 through FY 2030-31, debt service payments related to GPR–supported debt outstanding as of June 30, 2011, are expected to total approximately \$31.7 million.

## Future Considerations

As noted, State Fair Park’s financial condition has improved since FY 2005-06. Over this time period, State Fair Park began managing more operations internally, including the Milwaukee Mile racetrack, the Wisconsin Exposition Center, and, more recently, the Wisconsin State Fair ride and amusement area. State Fair Park has been focused on enhancing the quality of its operations while improving its financial condition. However, the operations of the Milwaukee Mile racetrack, the Wisconsin Exposition Center, and the Wisconsin State Fair ride and amusement area will require close monitoring.

### Milwaukee Mile Racetrack

***Debt service payments on the Milwaukee Mile grandstand are expected to average nearly \$1.5 million annually through FY 2022-23.***

Although the Milwaukee Mile racetrack has been managed both by external private promoters and internally by State Fair Park, it has experienced limited financial success. This is due partly to changes within the racing industry, including reduced attendance at events and decreases in corporate sponsorships. In addition, State Fair Park is responsible for debt service payments related to past Milwaukee Mile grandstand and racetrack improvements. Annual debt service payments related to the grandstand will be nearly \$1.5 million through FY 2022-23, with lesser payments through 2026-27.

**Revenue from operation of the Milwaukee Mile racetrack was \$291,000 in FY 2010-11.**

Since July 2009, State Fair Park has managed the racetrack internally, primarily hosting small regional and local racing events, racing team tire testing, and sports car club races. Revenue from racing events at the Milwaukee Mile increased from \$129,000 in FY 2009-10 to \$291,000 in FY 2010-11. State Fair Park attributes this increase to the national IndyCar Series racing event hosted by a private promoter in June 2011. Although this event had limited financial success, State Fair Park received a track rental fee and reimbursement for event services it provided, and it experienced an increase in tire and race car testing contracts prior to the event.

In February 2012, State Fair Park contracted with a different private promoter to host another IndyCar Series racing event at the Milwaukee Mile in June 2012. The success of this event may influence whether other national races will be held at the Milwaukee Mile racetrack in the future.

**State Fair Park continues to be involved in a legal dispute with a former racetrack promoter.**

Finally, State Fair Park continues to be involved in a legal dispute with one former promoter, Milwaukee Mile Holdings, LLC, over a letter of credit agreement. State Fair Park received payment of \$2.6 million under the agreement, including \$679,000 in deferred license fees and \$1.9 million under the termination provisions of the license agreement. However, because of the outstanding legal dispute, the likelihood that State Fair Park will retain the full amount is unknown at this time.

## **Wisconsin Exposition Center**

Since December 2009, operations of the Wisconsin Exposition Center have been managed internally by State Fair Park. Event revenue is the principal means of funding Exposition Center operating expenditures, debt service costs, and future maintenance and improvement costs. During FY 2010-11, the Exposition Center generated \$3.1 million in revenue from events held at the facility. However, because State Fair Park no longer separately tracks expenditures related to the Exposition Center, it could not quantify the profit or loss generated by the operations of the Exposition Center for FY 2010-11.

**It is important that State Fair Park continue to closely monitor operations of the Wisconsin Exposition Center.**

The *Comparative Summary of Budget Recommendations for 2011 Wisconsin Act 32*, prepared by the Legislative Fiscal Bureau, included an estimate of expenditures for the Exposition Center of \$3.0 million annually, including \$1.1 million in debt service costs. State Fair Park is projecting event revenue of \$3.1 million in FY 2011-12 and \$2.9 million in FY 2012-13. Using the estimated expenditures of \$3.0 million, Exposition Center operations would generate a profit of \$100,000 in FY 2011-12 and a loss of \$100,000 in FY 2012-13. These estimates do not consider potential new events to be held at the facility in the future or unanticipated maintenance costs. However, they do indicate the

challenges State Fair Park faces in operating the Exposition Center. It will be important for State Fair Park to closely monitor operations of the Exposition Center and continue to promote the facility through marketing and other initiatives.

### **State Fair Ride and Amusement Area**

***Internal management of ride and amusement area operations will begin with the August 2012 fair.***

Starting with the August 2012 Wisconsin State Fair, State Fair Park has chosen to internally manage operations of the ride and amusement area. In prior years, State Fair Park entered into an agreement with a private contractor to manage these operations and received a guaranteed annual payment, which totaled \$1.0 million for the August 2011 fair.

State Fair Park believes managing the operations internally will improve the quality of the rides and games offered, provide fair attendees a better experience in a safer environment, and increase net revenue. However, internal management will also make State Fair Park more susceptible to various business risks, such as changes in attendance at the annual fair. State Fair Park projects revenue from these operations will exceed expenditures by \$1.2 million for the August 2012 fair and will increase in future years. In addition to assessing improvements in the quality of the ride and amusement area operations, it will be important for State Fair Park to track revenue and expenditures in order to determine and evaluate the financial results from internal management of these operations.

### **Financial Monitoring**

While State Fair Park has started to manage more operations internally, it does not separately evaluate the operating results of its major business units, such as the Wisconsin Exposition Center and the Milwaukee Mile racetrack. State Fair Park monitors its financial operations as a single entity that provides event services through its various facilities. However, given the level of outstanding debt, there may be continued legislative interest in the operating results of each major business unit. Monitoring this financial information in this manner may also be helpful to the State Fair Park Board and management in making long-term decisions affecting its major business units. Although State Fair Park prepares a summary of operating results by major business unit, this summary relies heavily on imprecise estimates to allocate expenditures. To provide more precise operating results by major business unit, State Fair Park could better track and allocate expenditures. We discussed this concern with State Fair Park during our audit, encouraged it to continue preparing its business unit summary of operating results, and suggested that it refine and improve its expenditure allocation process.

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# Audit Opinion ■

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## ***Independent Auditor's Report on the Financial Statements of the Wisconsin State Fair Park***

We have audited the accompanying financial statements of the Wisconsin State Fair Park as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Wisconsin State Fair Park's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that our audit provides a reasonable basis for our opinion.


As discussed in Note 1, the financial statements referred to above present only the Wisconsin State Fair Park and do not purport to, and do not, present fairly the financial position of the State of Wisconsin as of June 30, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Wisconsin State Fair Park as of June 30, 2011, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2012, on our consideration of the Wisconsin State Fair Park's internal control over financial reporting; our tests of its compliance with certain provisions of laws, regulations, and contracts; 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Wisconsin State Fair Park. The supplementary information included as Management's Discussion and Analysis on pages 11 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. We have applied certain limited procedures to the information, 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 financial statements, and other knowledge we obtained during our audit of the 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.

May 30, 2012

LEGISLATIVE AUDIT BUREAU  
by   
Carolyn Stittleburg  
Audit Director



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# Management's Discussion and Analysis ■

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## *Prepared by State Fair Park's Management*

This section presents management's discussion and analysis of the financial performance of State Fair Park for the fiscal year ended June 30, 2011. This discussion should be read in conjunction with the accompanying financial statements and notes. The financial statements, notes, and this discussion are the responsibility of State Fair Park's management.

### **Description of State Fair Park**

State Fair Park is located in the cities of West Allis and Milwaukee. The Wisconsin State Fair, which is held on State Fair Park grounds, is one of the oldest and largest events in Wisconsin and typically hosts in excess of 800,000 people during its 11-day duration. In addition to the annual fair, State Fair Park hosts cultural, sporting, agricultural, domestic, and commercial interest events.

State Fair Park is a separate state agency within the administrative structure of the State of Wisconsin. State Fair Park is governed by a 13-member board. The current charter of the Wisconsin State Fair Park Board reads as follows:

The State Fair Park Board is directed to manage State Fair Park and supervise its use for fairs, exhibits, or promotional events for agricultural, commercial, educational, and recreational purposes, to lease or license the property's use for other purposes when not needed for a public purpose, and to charge reasonable rents and fees for use of the premises. The Board is also directed to develop new facilities at State Fair Park and to provide a permanent location for an annual Wisconsin State Fair, major sports events, agricultural and industrial expositions, and other programs of civic interests.

State Fair Park's financial activity is reported as an enterprise fund in the State of Wisconsin's financial statements.

The State Fair Park Exposition Center, Inc., which owned and operated the Wisconsin Exposition Center facility until December 2009, was presented as a discrete component in the State Fair Park report during FY 2009-10 and previous fiscal years. The Wisconsin Exposition Center was purchased by the State of Wisconsin and transferred to State Fair Park during FY 2009-10. Because State Fair Park owned and operated the Wisconsin Exposition Center for all of FY 2010-11, the State Fair Park Exposition Center, Inc., is no longer presented as a discrete component unit in the State Fair Park report. State Fair Park Exposition Center, Inc., was officially dissolved by resolution of its Board in March 2011.

### **Financial Highlights**

At the end of FY 2010-11, the assets of the State Fair Park Fund exceeded its liabilities by \$27.9 million (net assets). This total consists of \$31.6 million invested in capital assets, net of related debt, \$0.3 million restricted for debt service, and a deficit of \$4.0 million in unrestricted net assets. The State Fair Park Fund's total net assets increased by \$0.2 million during FY 2010-11.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the financial statements of the Wisconsin State Fair Park.

The Statement of Net Assets includes all assets and liabilities. Over time, increases and decreases in net assets are an indicator of State Fair Park's financial health.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year on an accrual basis. Activities are reported as either operating or nonoperating. The utilization of capital assets is reflected in the financial statements as depreciation expense, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows and helps measure the ability to meet financial obligations as they mature.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Financial Analysis of the State Fair Park Fund

An analysis of the State Fair Park Fund's financial position begins with a review of the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets. These two statements report the net assets and changes therein. As noted, changes in net assets may serve as a useful indicator of the State Fair Park Fund's financial condition.

The State Fair Park Fund has \$31.6 million of net assets that are invested in capital assets (e.g., land, buildings, equipment, improvements, and construction in progress). Total net capital assets are \$70.4 million, while the related outstanding debt is \$38.8 million. State Fair Park uses these assets to provide services to users of the fairgrounds; thus, they are not available for future spending. Although the State Fair Park Fund's investment in its capital assets is net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A presents summary financial information with comparisons to the prior year. Current liabilities decreased substantially in FY 2010-11 because \$13.9 million due to the Capital Improvement Fund related to the purchase of the Exposition Center was repaid using proceeds of program revenue-supported bonds issued during FY 2010-11. The issuance of this debt accounts for the large increase to long-term liabilities. The increase to operating revenue is primarily the result of a successful 2010 fair and State Fair Park operating the Exposition Center facility for all of FY 2010-11. The increase to operating expenses is largely the result of State Fair Park operating the Exposition Center for all of FY 2010-11.

State Fair Park reported special items during FY 2009-10 related to proceeds received from the former racetrack promoter, Milwaukee Mile Holdings, LLC, and to the purchase of the Exposition Center facility. No special items were reported in FY 2010-11.

Table A

**Condensed Financial Information**  
State Fair Park Fund

	FY 2010-11	FY 2009-10	Increase/(Decrease)
Current Assets	\$ 3,826,309	\$ 1,441,922	\$ 2,384,387
Noncurrent Assets	690,348	1,577,809	(887,461)
Capital Assets (Net of Depreciation)	70,418,993	73,013,530	(2,594,537)
<b>Total Assets</b>	<b><u>74,935,650</u></b>	<b><u>76,033,261</u></b>	<b><u>(1,097,611)</u></b>
Current Liabilities	9,259,829	21,955,044	(12,695,215)
Long-Term Liabilities	37,801,644	26,418,821	11,382,823
<b>Total Liabilities</b>	<b><u>47,061,473</u></b>	<b><u>48,373,865</u></b>	<b><u>(1,312,392)</u></b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	31,587,885	33,317,937	(1,730,052)
Restricted for Debt Service	272,000	0	272,000
Unrestricted (Deficit)	(3,985,708)	(5,658,541)	1,672,833
<b>Total Net Assets</b>	<b><u>27,874,177</u></b>	<b><u>27,659,396</u></b>	<b><u>214,781</u></b>
Operating Revenues	20,602,010	18,941,286	1,660,724
Operating Expenses	19,081,364	17,939,076	1,142,288
Operating Income (Loss)	1,520,646	1,002,210	518,436
Nonoperating Revenues (Expenses)	(1,637,597)	(1,127,362)	(510,235)
Special Items	0	20,436,469	(20,436,469)
Transfers In	402,633	97,450	305,183
Transfers Out	(70,901)	(301,251)	230,350
Changes in Net Assets	214,781	20,107,516	(19,892,735)
Net Assets—Beginning of the Year	27,659,396	7,551,880	20,107,516
<b>Net Assets—End of the Year</b>	<b><u>\$27,874,177</u></b>	<b><u>\$27,659,396</u></b>	<b><u>\$ 214,781</u></b>

## Financial Commentary for the State Fair Park Fund

### Operating Revenues

The source of operating revenues for the State Fair Park Fund is program generated. That is, various activities conducted on State Fair Park grounds and in State Fair Park facilities generate numerous types of revenues.

Table B includes a comparison of revenues by activity (rounded to the nearest \$1,000) for FY 2010-11 and FY 2009-10.

Table B

#### Revenues by Activity State Fair Park Fund

	FY 2010-11	Percentage of Total	FY 2009-10	Percentage of Total	Increase/(Decrease)
Annual State Fair	\$12,311,000	59.8%	\$11,484,000	60.5%	\$ 827,000
Non-Fair Events	1,005,000	4.9	982,000	5.2	23,000
Milwaukee Mile Racetrack Events	291,000	1.4	129,000	0.7	162,000
RV Park	405,000	2.0	373,000	2.0	32,000
Youth Center	543,000	2.6	413,000	2.2	130,000
Exposition Center	3,056,000	14.8	2,652,000	14.0	404,000
Sponsorship	2,267,000	11.0	2,194,000	11.6	73,000
In-Kind Support	572,000	2.8	696,000	3.7	(124,000)
Other Income	152,000	0.7	18,000	0.1	134,000
<b>Total</b>	<b><u>\$20,602,000</u></b>		<b><u>\$18,941,000</u></b>		<b><u>\$1,661,000</u></b>

Attendance for the annual Wisconsin State Fair increased by 43,000 people, from 833,000 for the 2009 fair to 876,000 for the 2010 fair. This increase in attendance resulted in increases in admissions, food and beverage, and main stage event revenue. The increase in Milwaukee Mile racetrack event revenue is the result of increased track rental. The increase in Exposition Center revenue is the result of State Fair Park operating the facility for all of FY 2010-11.

### Operating Expenses

Table C includes a comparison of operating expenses (rounded to the nearest \$1,000) for FY 2010-11 and FY 2009-10.

Table C

**Operating Expenses**  
State Fair Park Fund

	FY 2010-11	Percentage of Total	FY 2009-10	Percentage of Total	Increase/(Decrease)
Personal Services	\$ 6,583,000	34.5%	\$ 5,533,000	30.8%	\$1,050,000
Advertising	623,000	3.3	691,000	3.9	(68,000)
Entertainment	1,495,000	7.8	1,310,000	7.3	185,000
Other Expenses <sup>1</sup>	5,895,000	30.9	6,231,000	34.7	(336,000)
Depreciation	3,913,000	20.5	3,478,000	19.4	435,000
In-Kind Support	572,000	3.0	696,000	3.9	(124,000)
<b>Total</b>	<b><u>\$19,081,000</u></b>		<b><u>\$17,939,000</u></b>		<b><u>\$1,142,000</u></b>

<sup>1</sup> Other expenses include utilities, maintenance and repairs, equipment rental, governmental services, prizes and awards, and contracted services (excluding entertainment).

Personal services expenses, which include both permanent and limited-term employee salaries, as well as the associated fringe benefits, increased primarily due to the addition of the Exposition Center operations. Advertising expenses decreased as budgeted. Entertainment expenses, which include fees paid to entertainers performing at the Wisconsin State Fair, increased \$185,000 in FY 2010-11, as a result of a conscious effort to improve the quality of performers. One of the primary drivers in other expenses decreasing was the termination of the management agreement with State Fair Park Exposition, Inc., which managed day-to-day operations at the Exposition Center from the time the facility was purchased in December 2009 until State Fair Park was able to fully integrate operations of the facility into existing operations in November 2010. Depreciation expense increased as a result of State Fair Park owning and operating the Exposition Center facility for all of FY 2010-11.

### Capital Assets

Table D includes a comparison of capital assets for FY 2010-11 and FY 2009-10.

Table D

**Capital Assets**  
State Fair Park Fund

	FY 2010-11	FY 2009-10	Increase/(Decrease)
Capital Assets	\$121,076,281	\$119,757,419	\$ 1,318,862
Accumulated Depreciation	(50,657,288)	(46,743,889)	3,913,399
<b>Net Capital Assets</b>	<b><u>\$ 70,418,993</u></b>	<b><u>\$ 73,013,530</u></b>	<b><u>\$(2,594,537)</u></b>
Depreciation Expense	\$3,913,399	\$3,478,259	\$435,140

Capital assets increased by \$1.3 million during FY 2010-11. Asset additions consisted of building and improvement project costs and miscellaneous machinery and equipment. Depreciation expense increased primarily due to a full year of Exposition Center depreciation in FY 2010-11.

**Debt—Program Revenue—Funded**

Table E includes a comparison for FY 2010-11 and FY 2009-10 of debt funded with program revenue.

Table E

**Program Revenue—Funded Debt**  
State Fair Park Fund

	FY 2010-11	FY 2009-10	Increase/(Decrease)
Commercial Paper	\$ 8,795	\$ 213,639	\$ (204,844)
General Obligation Bonds	40,475,575	28,136,030	12,339,545
<b>Total Debt</b>	<b><u>\$40,484,370</u></b>	<b><u>\$28,349,669</u></b>	<b><u>\$12,134,701</u></b>

The change in commercial paper debt reflects payments on the existing debt. The change in general obligation bonds reflects the issuance of bonds for new projects and principal payments on existing debt. General obligation bonds outstanding increased significantly as a result of \$13.9 million in bonds being issued to finance the purchase of the Exposition Center. See Note 5 for detailed information about the future debt service requirements to be paid from State Fair Park's program revenue.

**Debt—General Purpose Revenue—Funded**

Table F includes a comparison for FY 2010-11 and FY 2009-10 of debt funded by the State's General Fund.

Table F

**GPR—Funded Debt Related to State Fair Park**

	FY 2010-11	FY 2009-10	Increase/(Decrease)
Commercial Paper	\$ 1,075,156	\$ 1,075,156	\$ 0
General Obligation Bonds	23,057,785	23,060,950	(3,165)
<b>Total</b>	<b><u>\$24,132,941</u></b>	<b><u>\$24,136,106</u></b>	<b><u>\$(3,165)</u></b>

During FY 2010-11, no principal payments were required to be made on outstanding commercial paper and no new commercial paper was issued. The change in general obligation bonds reflects the issuance of bonds for new projects, principal payments on existing debt, and the refunding of debt, which involves paying off some bonds with the issuance of new bonds. See Note 5 for detailed information about State Fair Park's future debt service requirements to be paid from the State's General Fund.

**Other Known Facts**

State Fair Park is involved in litigation with a former racetrack promoter, Milwaukee Mile Holdings, LLC, regarding a dispute over a letter of credit that was intended to protect State Fair Park in the case of default or early termination of the license agreement. In August 2009, the financial institution holding the letter of credit paid State Fair Park \$2.6 million in outstanding contract fees. The lawsuit is still pending in Dane County Circuit Court.



## **Contacting State Fair Park Management**

This financial report is designed to provide a general overview of State Fair Park's financial performance for FY 2010-11. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

**State Fair Park**

Richard Frenette, Chief Executive Officer

640 South 84<sup>th</sup> Street

West Allis, Wisconsin 53214

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## **Financial Statements ■**

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## Statement of Net Assets

### June 30, 2011

	June 30, 2011
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents (Notes 2D and 6)	\$ 2,293,317
Receivables (Net of Estimated Uncollectible Accounts) (Note 11)	185,814
Due from Other Funds (Notes 2H and 11)	1,158,704
Prepaid Items	188,474
Total Current Assets	<u>3,826,309</u>
Noncurrent Assets:	
Receivables (Note 11)	50,000
Due from Other Funds (Notes 2H and 11)	519,462
Deferred Charges	120,886
Capital Assets (Net of Accumulated Depreciation) (Notes 2F and 3)	70,418,993
Total Noncurrent Assets	<u>71,109,341</u>
<b>TOTAL ASSETS</b>	<b><u><u>74,935,650</u></u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable (Note 11)	848,636
Due to Other Funds (Notes 2H and 11)	177,398
Tax and Other Deposits	428,708
Unearned Revenue (Note 2E)	4,122,113
Interest Payable	309,112
Capital Leases (Note 4)	88,156
Compensated Absences (Notes 2G and 9)	106,102
Notes Payable (Note 5)	1,295
General Obligation Bonds Payable (Note 5)	3,178,309
Total Current Liabilities	<u>9,259,829</u>
Noncurrent Liabilities:	
Capital Leases (Note 4)	224,870
Compensated Absences (Notes 2G and 9)	95,817
Postemployment Benefits (Note 10)	176,191
Notes Payable (Note 5)	7,500
General Obligation Bonds Payable (Note 5)	37,297,266
Total Noncurrent Liabilities	<u>37,801,644</u>
<b>TOTAL LIABILITIES</b>	<b><u><u>47,061,473</u></u></b>
<b>NET ASSETS</b>	
Net Assets (Note 2):	
Invested in Capital Assets Net of Related Debt	31,587,885
Restricted for Debt Service	272,000
Unrestricted	(3,985,708)
<b>TOTAL NET ASSETS</b>	<b><u><u>\$ 27,874,177</u></u></b>

The accompanying notes are an integral part of this statement.

## Statement of Revenues, Expenses, and Changes in Net Assets for the Year Ended June 30, 2011

For the Year Ended  
June 30, 2011

### **OPERATING REVENUES**

Charges for Sales and Services:	
Annual State Fair	\$ 12,311,174
Non-Fair Events	1,004,922
Milwaukee Mile Racetrack Events	291,285
RV Park	404,564
Youth Center	543,046
Exposition Center (Note 1)	3,055,768
Total Charges for Sales and Services	17,610,759
Sponsorships	2,267,232
In-Kind Support (Note 7)	571,853
Other Income	152,166
<b>Total Operating Revenues</b>	<b>20,602,010</b>

### **OPERATING EXPENSES**

Personal Services	6,583,118
Supplies and Services (Note 7)	8,542,882
Depreciation Expense (Notes 2F and 3)	3,913,399
Other Expenses	41,965
<b>Total Operating Expenses</b>	<b>19,081,364</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,520,646</b>

### **NONOPERATING REVENUES (EXPENSES)**

Investment and Interest Income	9,036
Gifts and Donations	4,992
Interest Expense	(1,657,409)
Other Income	5,784
Total Nonoperating Revenues (Expenses)	(1,637,597)
Income (Loss) Before Transfers	(116,951)
Transfers In (Notes 2I and 12)	402,633
Transfers Out (Notes 2I and 12)	(70,901)
<b>CHANGE IN NET ASSETS</b>	<b>214,781</b>

### **NET ASSETS**

Total Net Assets—Beginning of the Year	27,659,396
Total Net Assets—End of the Year	<b>\$ 27,874,177</b>

## Statement of Cash Flows for the Year Ended June 30, 2011

### **CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$	20,740,646
Cash Payments to Suppliers for Goods and Services		(7,853,634)
Cash Payments to Employees for Services		(6,501,130)
Other Operating Revenues		152,166
Other Miscellaneous Revenues		5,784
<b>Net Cash Provided by Operating Activities</b>		<b>6,543,832</b>

### **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers Out		(70,901)
Proceeds from Gifts and Donations		4,992
Change in Interfund Loans		(844,569)
<b>Net Cash Used by Noncapital Financing Activities</b>		<b>(910,478)</b>

### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Issuance of Debt		14,459,007
Transfers In for Capital Building Projects		166,433
Repayment of Long-Term Debt		(2,324,306)
Interest Paid		(1,569,437)
Capital Lease Payments		(91,159)
Proceeds from Bond Security and Redemption Fund to Pay Pettit Center Debt Service		867,918
Purchase of Capital Assets		(1,051,118)
Payment to Capital Improvement Fund from Debt Issuance Proceeds		(13,900,000)
Other Cash Flows from Capital and Related Financing Activities		(26,911)
<b>Net Cash Used by Capital and Related Financing Activities</b>		<b>(3,469,573)</b>

### **CASH FLOWS FROM INVESTING ACTIVITIES**

Investment and Interest Receipts		9,036
<b>Net Cash Provided by Investing Activities</b>		<b>9,036</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>2,172,817</b>
Cash and Cash Equivalents—Beginning of the Year		120,500
Cash and Cash Equivalents—End of the Year	\$	<b>2,293,317</b>

**RECONCILIATION OF NET OPERATING INCOME TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$	1,520,646
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense		3,913,399
Other Miscellaneous Revenues		5,784
Change in Provision for Uncollectible Accounts		41,965
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables		(23,475)
Decrease (Increase) in Due from Other Funds		(27,435)
Decrease (Increase) in Inventories		2,520
Decrease (Increase) in Prepaid Items		77,508
Increase (Decrease) in Accounts Payable		67,113
Increase (Decrease) in Due to Other Funds		16,566
Increase (Decrease) in Deposits		159,614
Increase (Decrease) in Unearned Revenues		753,951
Increase (Decrease) in Postemployment Benefits		30,697
Increase (Decrease) in Compensated Absences		4,979
Total Adjustments		<u>5,023,186</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$</b>	<b><u>6,543,832</u></b>
Noncash Activities:		
Contributed In-Kind Support	\$	571,853
Assets Acquired through Capital Leases		265,729

The accompanying notes are an integral part of this statement.





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# Notes to the Financial Statements ■

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## 1. DESCRIPTION OF STATE FAIR PARK

State Fair Park is located in the cities of West Allis and Milwaukee. In addition to holding the annual Wisconsin State Fair, State Fair Park hosts cultural, sporting, agricultural, domestic, and commercial interest events.

State Fair Park is a separate state agency within the administrative structure of the State of Wisconsin. State Fair Park's financial activity is accounted for within the State Fair Park Fund, which is part of the State of Wisconsin financial reporting entity.

State Fair Park Exposition Center, Inc., which owned and operated the Wisconsin Exposition Center facility until December 2009, was presented as a discrete component unit in the FY 2009-10 State Fair Park report and during previous fiscal years. The Wisconsin Exposition Center was purchased by the State of Wisconsin and transferred to State Fair Park during FY 2009-10. Because State Fair Park owned and operated the Wisconsin Exposition Center for all of FY 2010-11, State Fair Park Exposition Center, Inc., is no longer presented as a discrete component unit in the State Fair Park report. State Fair Park Exposition Center, Inc., was officially dissolved by resolution of its Board in March 2011.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE STATE FAIR PARK FUND

### A. Fund Accounting and Basis of Presentation

The financial statements of the State Fair Park Fund have been prepared in conformance with generally accepted accounting principles (GAAP)

for proprietary funds as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying financial statements were prepared based upon the flow of economic resources measurement focus and full accrual basis of accounting, with revenues recognized when earned and expenses recognized when incurred.

The Statement of Revenues, Expenses, and Changes in Net Assets classifies the State Fair Park Fund's fiscal year activity as either operating or nonoperating. Because the State Fair Park Fund is an enterprise fund, which is a type of proprietary fund, it accounts for operations in a manner similar to a private business in which operating revenues are generally derived from exchange transactions, such as sales. Operating expenses include salaries, supplies, and depreciation of capital assets. Revenues and expenses from in-kind support transactions are estimated and recorded in the period received.

Certain revenues and expenses that are not related to the State Fair Park Fund's primary purpose, such as the gain or loss on the disposal of capital assets and interest expense, are reported as nonoperating revenues and expenses.

The State Fair Park Fund applies all 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 (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**B. Accounting Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates. An estimate that is particularly susceptible to change is the estimate for in-kind support as described in Note 7.

**C. Revenue Recognition**

The State Fair Park Fund derives the majority of its revenue from events such as the Wisconsin State Fair held annually at the park site. Revenue for an event is recognized at the time the event is held.

**D. Cash and Cash Equivalents**

Cash and cash equivalents reported on the State Fair Park Fund's Statement of Net Assets and the Statement of Cash Flows include:

- cash deposited with a commercial financial institution;
- currency on hand at State Fair Park; and
- cash in the State Investment Fund.

**E. Unearned Revenue**

For cash receipts collected in advance of events from vendors or the general public, revenue is not recognized until the event occurs. Therefore, unearned revenue is recorded based upon payments received before events occur.

**F. Capital Assets**

Capital assets purchased for \$5,000 or more are recorded at cost and are depreciated using the straight-line method according to the following schedule:

	<u>Estimated Life</u>
Buildings and Improvements	15 to 31.5 years
Machinery and Equipment	3 to 7 years

**G. Employee Compensated Absences**

The State Fair Park Fund’s compensated absence liability consists of accumulated unpaid leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested as of June 30, 2011. The liability and expense for compensated absences are based on current rates of pay.

**H. Due to (from) Other State Funds**

During the course of operations, transactions for goods provided or services rendered occur among individual state programs. The Statement of Net Assets classifies related receivables and payables as “Due from Other Funds” or “Due to Other Funds.”

**I. Transfers In (Out)**

Transfers In (Out) represent transfers between state agencies. “Transfers In” consists of GPR to fund improvement, repair, or construction of State Fair Park’s facilities and grounds and the reversal of a prior year lapse to the General Fund. “Transfers Out” consists of transfers to the Wisconsin Department of Administration to cover costs paid by other state funds.

**J. Net Assets**

Net assets represent the difference between the State Fair Park Fund’s assets and liabilities and are reported in three categories: invested in capital assets net of related debt, restricted for debt service, and unrestricted. Unrestricted net assets represent amounts that, if positive, could be used at State Fair Park’s discretion, subject to authorization by the Legislature.

**3. CAPITAL ASSETS**

The State Fair Park Fund’s capital asset transactions for the year ended June 30, 2011, are summarized as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 2,629,072	\$ 9,530	\$ 0	\$ 2,638,602
Construction in Progress	<u>22,000</u>	<u>639,046</u>	<u>0</u>	<u>661,046</u>
Total Capital Assets Not Being Depreciated	2,651,072	648,576	0	3,299,648
Capital Assets Being Depreciated:				
Buildings and Improvements	114,701,731	247,634	0	114,949,365
Machinery and Equipment	<u>2,404,616</u>	<u>422,652</u>	<u>0</u>	<u>2,827,268</u>
Total Capital Assets Being Depreciated	117,106,347	670,286	0	117,776,633
Less Accumulated Depreciation for:				
Buildings and Improvements	(44,596,457)	(3,694,074)	0	(48,290,531)
Machinery and Equipment	<u>(2,147,432)</u>	<u>(219,325)</u>	<u>0</u>	<u>(2,366,757)</u>
Total Accumulated Depreciation	<u>(46,743,889)</u>	<u>(3,913,399)</u>	<u>0</u>	<u>(50,657,288)</u>
Total Capital Assets Being Depreciated, Net	<u>70,362,458</u>	<u>(3,243,113)</u>	<u>0</u>	<u>67,119,345</u>
Total Capital Assets, Net	<u>\$73,013,530</u>	<u>\$(2,594,537)</u>	<u>\$ 0</u>	<u>\$70,418,993</u>

**4. LEASE OBLIGATIONS**

Equipment items, including street signs and other signage to direct visitors to and around the fairgrounds, have been leased through capital leases and are included in the State Fair Park Fund’s capital assets. Leased equipment is depreciated over a period of between two and seven years. The accumulated depreciation on this leased equipment totaled \$980,310, resulting in a net book value of \$212,584. Total lease payments for the fiscal year ended June 30, 2011, were \$91,159. Future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2011, are as follows:

For the Year Ending:	
June 30, 2012	\$102,224
June 30, 2013	64,068
June 30, 2014	64,068
June 30, 2015	64,068
June 30, 2016	<u>64,068</u>
Total Minimum Lease Payments	358,496
Less: Amount Representing Interest	<u>(45,470)</u>
Present Value of Minimum Lease Payments	<u>\$313,026</u>

During the year ended June 30, 2011, the following changes occurred in the State Fair Park Fund’s capital lease liability:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Capital Leases	\$138,456	\$265,729	\$(91,159)	\$313,026	\$88,156

**5. DEBT OBLIGATIONS**

State of Wisconsin general obligation bonds and commercial paper are issued to finance the construction, development, improvement, and major repair of facilities on the State Fair Park grounds and to refund existing debt. All general obligation bonds and commercial paper authorized and issued by the State are secured by the full faith, credit, and taxing power of the State of Wisconsin. Funding to cover debt service payments comes from program revenue received from State Fair Park Fund operations, as well as from GPR of the State of Wisconsin.

*Debt to Be Repaid from State Fair Park Fund Program Revenue*

Program revenue-supported bonding is reported on the State Fair Park Fund’s Statement of Net Assets. The changes in the State Fair Park Fund’s portion of long-term debt are as follows:

	<u>Balance June 30, 2010</u>	<u>New Debt Proceeds</u>	<u>Principal Payments</u>	<u>Balance June 30, 2011</u>
Notes Payable—				
Commercial Paper	\$ 213,639	\$ 0	\$ (204,844)	\$ 8,795
General Obligation				
Bonds Payable	<u>28,136,030</u>	<u>14,459,007</u>	<u>(2,119,462)</u>	<u>40,475,575</u>
Total	<u>\$28,349,669</u>	<u>\$14,459,007</u>	<u>\$(2,324,306)</u>	<u>\$40,484,370</u>

The general obligation bond debt has fixed interest rates, while the commercial paper has a variable interest rate that changes daily. New debt proceeds from bonds include amounts issued for new projects. Reductions in the long-term liability for bonds reflect principal payments on outstanding debt.

As of June 30, 2011, estimated future debt service requirements to be paid from State Fair Park Fund program revenue are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 3,179,604	\$ 1,873,378	\$ 5,052,982
2013	3,315,437	1,722,734	5,038,171
2014	2,526,684	1,587,507	4,114,191
2015	2,603,676	1,470,903	4,074,579
2016	2,700,724	1,347,188	4,047,912
2017-2021	13,729,289	4,819,451	18,548,740
2022-2026	7,471,522	2,051,386	9,522,908
2027-2031	<u>4,957,434</u>	<u>757,081</u>	<u>5,714,515</u>
Total	<u>\$40,484,370</u>	<u>\$15,629,628</u>	<u>\$56,113,998</u>

*Debt to Be Repaid from State of Wisconsin General Purpose Revenue*

Debt service payments to be made from the State of Wisconsin’s GPR are not a debt of the State Fair Park Fund. The debt liability and debt service payments are reported as governmental activities of the State of Wisconsin, while the related assets and repair expense are reported in the financial statements of the State Fair Park Fund. The changes in the State of Wisconsin’s General Fund long-term debt to be paid on behalf of the State Fair Park Fund are as follows:

	<u>Balance June 30, 2010</u>	<u>New Debt Proceeds</u>	<u>Principal Payments and Refunds</u>	<u>Balance June 30, 2011</u>
Commercial Paper	\$ 1,075,156	\$ 0	\$ 0	\$ 1,075,156
Bonds	<u>23,060,950</u>	<u>1,649,212</u>	<u>(1,652,377)</u>	<u>23,057,785</u>
Total	<u>\$24,136,106</u>	<u>\$1,649,212</u>	<u>\$(1,652,377)</u>	<u>\$24,132,941</u>

The bond debt has fixed interest rates, while the commercial paper has a variable interest rate that changes daily. New debt proceeds from bonds include amounts received from bonds issued to refund existing debt. Reductions in the long-term liability for bonds reflect principal payments on outstanding debt and refunds of existing debt.

As of June 30, 2011, estimated future debt service requirements to be paid from State of Wisconsin GPR are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 1,705,624	\$1,193,013	\$ 2,898,637
2013	2,217,420	1,111,308	3,328,728
2014	2,282,811	997,248	3,280,059
2015	2,376,190	879,974	3,256,164
2016	2,471,644	757,420	3,229,064
2017-2021	9,685,862	2,169,292	11,855,154
2022-2026	3,052,695	400,614	3,453,309
2027-2031	<u>340,695</u>	<u>40,730</u>	<u>381,425</u>
Total	<u>\$24,132,941</u>	<u>\$7,549,599</u>	<u>\$31,682,540</u>

**6. CASH AND CASH EQUIVALENTS**

The State Fair Park Fund’s cash and cash equivalents balance consists of cash on hand at State Fair Park totaling \$320,747, deposits in a commercial checking account of \$67,663, and shares in the State Investment Fund of \$1,904,907. GASB Statement 40, *Deposit and Investment Risk Disclosures—An Amendment of GASB Statement 3*, requires certain disclosures related to the State Fair Park Fund’s deposits and shares in the State Investment Fund.

**A. Deposits**

*Custodial Credit Risk for Deposits*—Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, deposits may not be returned. If deposits are covered by depository insurance, they are not exposed to custodial credit risk. As of June 30, 2011, the State Fair Park Fund’s deposits in its commercial checking account were fully insured by the Federal Deposit Insurance Corporation. Therefore, none of the Fund’s June 30 commercial checking account balance was exposed to custodial credit risk.

**B. State Investment Fund**

Funds deposited with the State must be invested in the State Investment Fund. The State Investment Fund is a short-term investment pool of state and local funds managed by the State of Wisconsin Investment Board, with oversight by its Board of Trustees and in accordance with Wisconsin Statutes. The State Investment Fund is not registered with the Securities and Exchange Commission. The types of securities in which the State Investment Fund may invest are enumerated in ss. 25.17(3)(b), (ba), (bd), and (dg), Wis. Stats., and include direct obligations of the United States or its agencies, corporations wholly owned by the United States or chartered by an act

of Congress, securities guaranteed by the United States, unsecured notes of financial and industrial issuers, direct obligations of or guaranteed by the government of Canada, certificates of deposit issued by banks in the United States and solvent financial institutions in Wisconsin and bankers acceptances. The Investment Board’s trustees may specifically approve other prudent investments.

*Credit Risk*—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Fund is unrated; however, the State Investment Fund’s investment guidelines establish specific maximum exposure limits by security types based on the minimum credit ratings as issued by nationally recognized statistical rating organizations.

*Interest Rate Risk*—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Investment Fund uses the weighted average maturity method to analyze interest rate risk. Its investment guidelines mandate that the weighted average maturity for the entire portfolio not exceed one year. The State Investment Fund’s weighted average maturity as of June 30, 2011 was 73 days.

**7. IN-KIND SUPPORT**

In-kind support includes the goods and services businesses provide State Fair Park in support of the Wisconsin State Fair, including items such as advertising and equipment rentals. State Fair Park provides the businesses with admission tickets, space on the grounds during the fair, advertising, and other items. In-kind support is reported as both revenue and expense in the year received, and therefore has no effect on net assets.

State Fair Park estimates it received \$571,853 in goods and services through in-kind support during FY 2010-11. The estimate was developed based on documented fees typically charged by businesses for the types of goods or services provided.

In-kind support is included in the Statement of Revenues, Expenses, and Changes in Net Assets as a revenue, “In-Kind Support,” and as an offsetting expense included in the “Supplies and Services” account. State Fair Park estimates it received in-kind support for the following items during FY 2010-11:

	<u>FY 2010-11</u>
Advertising/Promotion	\$283,633
Equipment Rental/Service	<u>288,220</u>
Total In-Kind Support	<u>\$571,853</u>



**8. EMPLOYEE RETIREMENT PLAN**

As permanent full-time employees of the State of Wisconsin, employees of State Fair Park are participants in the Wisconsin Retirement System, a cost-sharing, multiple employer, defined benefit plan governed by ch. 40, Wis. Stats. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee’s final highest three-year average earnings, 2) years of creditable service, and 3) a formula factor. If an employee’s contributions, matching employer’s contributions, and interest credited to the employee’s account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit. The Wisconsin Retirement System is considered part of the State of Wisconsin’s financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information is publicly available at <http://etf.wi.gov> or may be obtained by writing to:

Department of Employee Trust Funds  
P.O. Box 7931  
Madison, Wisconsin 53707-7931

Generally, the State’s policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the retirement system. Prior service costs are amortized over 40 years, beginning January 2, 1990. However, in December 2003 the State issued bonds and subsequently liquidated its prior service liability balance as of January 2003. In addition, state agencies are required to make contributions to fund bond payments.

The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee’s classification, plus employer contributions at a rate determined annually. Both employee and employer contributions are included as part of personal service expenses each year. The State Fair Park Fund’s contributions to the plan were \$324,350 for FY 2010-11. The relative position of the State Fair Park Fund in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

**9. COMPENSATED ABSENCES**

The State Fair Park Fund’s compensated absences activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated Absences	\$196,940	\$7,737	\$(2,758)	\$201,919	\$106,102

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requires the State to report other postemployment benefit (OPEB) expenses and related liabilities in its financial statements and notes. The FY 2010-11 financial statements include State Fair Park’s portion of the State’s OPEB expenses as part of personal service expenses and the related liabilities.

**A. Health Insurance**

The State’s Health Insurance Program, a cost-sharing, multiple-employer, defined benefit plan not held in trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State that was created under ch. 40, Wis. Stats. The Wisconsin Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under ss. 15.165(2) and 40.03(6), Wis. Stats.

Under this plan, retired employees of the State contribute the same healthcare premium as active employees, creating an implicit rate subsidy for retirees. This implicit rate subsidy, which is calculated to cover pre-age 65 retirees (since at age 65 retirees are eligible to enroll in Medicare), is treated as an OPEB.

As of June 30, 2011, the State’s net OPEB obligation was \$367.5 million. The portion of this obligation allocated to the State Fair Park Fund for FY 2010-11 was \$176,191, which reflects the amortization of the actuarially accrued liability for FY 2010-11 plus the current expense for active employees. Health insurance OPEB activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
FY 2010-11	\$145,494	\$30,697	\$0	\$176,191	\$0

The State’s Comprehensive Annual Financial Report includes financial statements, additional note disclosures, and required supplementary information for this OPEB plan. That report is publicly available at <http://doa.wi.gov> or may be obtained by writing to:

State Controller’s Office  
 Department of Administration  
 101 East Wilson Street  
 Madison, Wisconsin 53703

**B. Life Insurance and Duty Disability**

The State's Life Insurance Program, a cost-sharing, multiple-employer, defined benefit plan held in trust, provides post-employment coverage to all eligible employees. The plan is administered under s. 40.70, Wis. Stats. Beginning at age 65, retirees and terminating members continue to receive, at no cost to them, basic life insurance coverage at a reduced level, representing an OPEB. Retirees and terminating members under age 65 must continue to pay the employee premium to maintain coverage. The amount contributed by the State Fair Park Fund to this plan is not readily determinable because this is a statewide, multiple-employer plan.

The State's Duty Disability Program, a cost-sharing, multiple-employer, defined benefit OPEB plan held in trust, offers special disability insurance for employees in protective occupations. This plan covers State Fair Park's police officers. It is administered under s. 40.65, Wis. Stats. Qualified employees receive benefits under this program that approximate 80 percent of salary, less certain offsets, based upon the type and level of disability suffered and the implications of the disability on their ability to work. There are no employee contributions associated with this plan. State Fair Park contributed \$1,482 to this program during calendar year 2011.

The Department of Employee Trust Funds issues publicly available financial reports that include financial statements, additional note disclosures, and required supplementary information for these OPEB plans. The reports are available at <http://etf.wi.gov> or may be obtained by writing to:

Department of Employee Trust Funds  
P.O. Box 7931  
Madison, Wisconsin 53707-7931

**11. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Accounts receivable and accounts payable balances, which are both presented in aggregate on the State Fair Park Fund's financial statements, are disaggregated as follows:

**A. State Fair Park Fund Accounts Receivable and Due from Other Funds**

	As of <u>June 30, 2011</u>
Accounts Receivable:	
Current	
State Fair Park Youth Foundation	\$ 20,000
Miscellaneous (net of estimated uncollectible accounts of \$80,475)	<u>165,814</u>
Total Current Accounts Receivable	185,814
Noncurrent	
State Fair Park Youth Foundation	<u>50,000</u>
Total Accounts Receivable	<u>\$235,814</u>
Due from Other Funds:	
Current	
Bond Security and Redemption	\$ 894,372
General Fund to Reverse Prior Year Lapse	236,200
Miscellaneous	<u>28,132</u>
Total Current Due from Other Funds	1,158,704
Noncurrent	
Bond Security and Redemption	<u>519,462</u>
Total Due from Other Funds	<u>\$1,678,166</u>

The Wisconsin State Fair Park Youth Foundation was established to develop public and private partnerships to support youth programming and facilities development at State Fair Park. In addition, the Foundation provides financial and volunteer services to the Blue Ribbon Sale of Champions Foundation. In February 2007, State Fair Park provided a \$50,000 interest-free loan to the Foundation. Another \$50,000 interest-free loan was made in February 2008. As of June 30, 2011, the Foundation has repaid \$30,000 of the loans. The remaining loan balance will be repaid over several years with the last payment scheduled to be made in 2014.

**B. State Fair Park Fund Accounts Payable and Due to Other Funds**

	As of <u>June 30, 2011</u>
Accounts Payable:	
Vendors	\$625,478
Employees	<u>223,158</u>
Total Accounts Payable	<u>\$848,636</u>
Due to Other Funds	<u>\$177,398</u>

**12. INTERFUND TRANSFERS**

Interfund transfers that occurred during FY 2010-11 are as follows:

Transfers In for Capital Building Projects	\$166,433
Transfer In from General Fund to Reverse Prior Year Lapse <sup>1</sup>	<u>236,200</u>
Total Transfers In	\$402,633
Transfers Out for Prior Service Cost Bond Contributions	\$70,901

<sup>1</sup> This represents the reversal of a lapse that the Department of Administration made inappropriately during FY 2009-10.

**13. PETTIT NATIONAL ICE CENTER DEBT SERVICE**

In January 2007, State Fair Park sold the Pettit National Ice Center to Pettit National Ice Center, Inc. State Fair Park continues to be responsible for the general obligation bonds related to the Pettit Center, and this liability is reflected on the Statement of Net Assets. Proceeds from the sale were deposited into the State’s Bond Security and Redemption Fund. The balance in the Bond Security and Redemption Fund related to the Pettit Center sale is reported as “Due from Other Funds” on State Fair Park’s financial statements.

Based on estimates of future interest earnings, it was anticipated that the sale proceeds plus interest earnings would fund the entire remaining Pettit Center debt service. However, with the recent decline in interest rates earned by the State’s Bond Security and Redemption Fund, that no longer appears likely. As of June 30, 2011, \$1.97 million in debt service costs were outstanding and \$1.41 million in sales proceeds and interest earnings were available in the Bond Security and Redemption Fund. While the sale proceeds will continue to earn interest, State Fair Park officials estimate that beginning in FY 2012-13 State Fair Park could be liable for an estimated \$561,000 of the remaining Pettit Center debt service when the sales proceeds are exhausted.

**14. POLLUTION REMEDIATION OBLIGATIONS**

In accordance with the provisions of GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, state and local governments are required to display and disclose in financial reports pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

In April 2009, State Fair Park acquired from AmeriGas L.P., a large propane company, a 2.54-acre parcel of land located on the fairgrounds. Because of

past uses of the property, State Fair Park hired a consultant to conduct environmental studies and determine whether there are pollution remediation costs. As of June 30, 2011, State Fair Park incurred \$69,449 for these studies and was awaiting final determination by the Wisconsin Department of Natural Resources (DNR) on what, if any, remediation activities were needed. Since total remediation costs could not be reasonably determined as of June 30, 2011, a liability has not been reported in the Statement of Net Assets.

Subsequent to June 30, 2011, in March 2012, DNR issued a letter indicating that no further investigation or remediation of the property is required. However, State Fair Park is obligated to maintain the existing barrier (soil and gravel) covering the contaminated soil, have an annual inspection of the property, maintain an inspection log, and complete repairs as necessary. State Fair Park expects that costs associated with these obligations will be insignificant. However, State Fair Park will need to address the presence of waste materials and obtain an exemption from DNR if any future development of the property is planned.

#### **15. PENDING LITIGATION—MILWAUKEE MILE LICENSE AGREEMENT**

In December 2008, Milwaukee Mile Holdings, LLC, the private racetrack promoter, notified State Fair Park that it was exercising its right to terminate the February 2008 Milwaukee Mile racetrack and grandstand license agreement. The agreement stipulated that once Milwaukee Mile Holdings terminated the contract, it was responsible for two years of licensing fees, and thus it was anticipated that Milwaukee Mile Holdings would manage the track for two years, through the 2010 racing season. However, because of a dispute over the letter of credit, which was intended to protect State Fair Park in case of default or early termination, State Fair Park terminated the agreement with Milwaukee Mile Holdings in February 2009.

The Wisconsin Department of Justice, on behalf of State Fair Park, subsequently requested payment on the letter of credit. Milwaukee Mile Holdings filed a lawsuit requesting a restraining order to stop this payment alleging fraud, misrepresentation, and breach of contract by State Fair Park. However, the Dane County Circuit Court denied the request for a restraining order, and the financial institution holding the letter of credit paid State Fair Park \$2.6 million in outstanding contract fees, including 2007 and 2008 deferred license fees totaling \$679,000, and 2009 and 2010 license fees totaling \$1.9 million. These amounts were recognized as revenue in prior fiscal years. However, the lawsuit is still pending in Dane County Circuit Court, and the probability of State Fair Park retaining the full \$2.6 million is unknown at this time.

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# Report on Internal Control and Compliance ■

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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*

We have audited the financial statements of the Wisconsin State Fair Park as of and for the year ended June 30, 2011, and have issued our report thereon dated May 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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**

Management of the Wisconsin State Fair Park is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Wisconsin State Fair Park's internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wisconsin State Fair Park's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wisconsin State Fair Park's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore

there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the following paragraphs, we identified a deficiency in internal control that we consider to be a material weakness.

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 to 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 that a material misstatement of the entity's financial statements will not be prevented or will not be detected and corrected on a timely basis. We consider the following deficiency to be a material weakness.

Wisconsin State Fair Park's process for preparing, reviewing, and approving the financial statements was not effective in ensuring that they were free of material errors. We identified a number of material errors in the FY 2010-11 financial statements that were not prevented or detected during preparation and review by Wisconsin State Fair Park management and staff, including the following examples:

- On the Statement of Net Assets, capital assets were understated by \$590,000 and operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets were overstated by the same amount because Wisconsin State Fair Park expensed capital projects and other costs that should have been capitalized.
- On the Statement of Net Assets, Wisconsin State Fair Park did not appropriately account for restrictions placed on net assets. As a result, net assets restricted for debt service were understated by \$272,000 and unrestricted net assets were overstated by the same amount.
- On the Statement of Net Assets, cash and cash equivalents were understated by \$258,000, and other accounts, primarily unearned revenue, were misstated because Wisconsin State Fair Park did not account for cash and checks on hand at June 30, 2011, when preparing the financial statements.

After we brought these errors to the attention of Wisconsin State Fair Park management, the FY 2010-11 financial statements were corrected.

We have reported concerns with internal controls over Wisconsin State Fair Park's financial reporting process for several years. Over time, Wisconsin State Fair Park has made some improvements to the process, including completing additional analytical reviews. In previous audits, the errors identified primarily related to unique, non-recurring transactions. The errors identified during the FY 2010-11 audit were smaller in dollar value than in previous years and related to routine accounting processes and transactions. We recommend Wisconsin State Fair Park continue to improve its preparation and review of its financial statements.



Management agrees with our finding and will take steps to continue to improve financial reporting. Policies and procedures have been developed to appropriately account for these items in the future.

## COMPLIANCE AND OTHER MATTERS


As part of obtaining reasonable assurance about whether the Wisconsin State Fair Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of Wisconsin State Fair Park in a separate communication dated April 24, 2012.

The Wisconsin State Fair Park's response to the finding identified is described in the preceding paragraphs. We did not audit the Wisconsin State Fair Park's response and, accordingly, express no opinion on it.

This independent auditor's report is intended solely for the information and use of the Wisconsin State Fair Park Board and management and the Wisconsin Legislature. This report is a matter of public record and its distribution is not limited. However, because we do not express an opinion on the effectiveness of the Wisconsin State Fair Park's internal control or on compliance, this report is not intended to be used by anyone other than these specified parties.

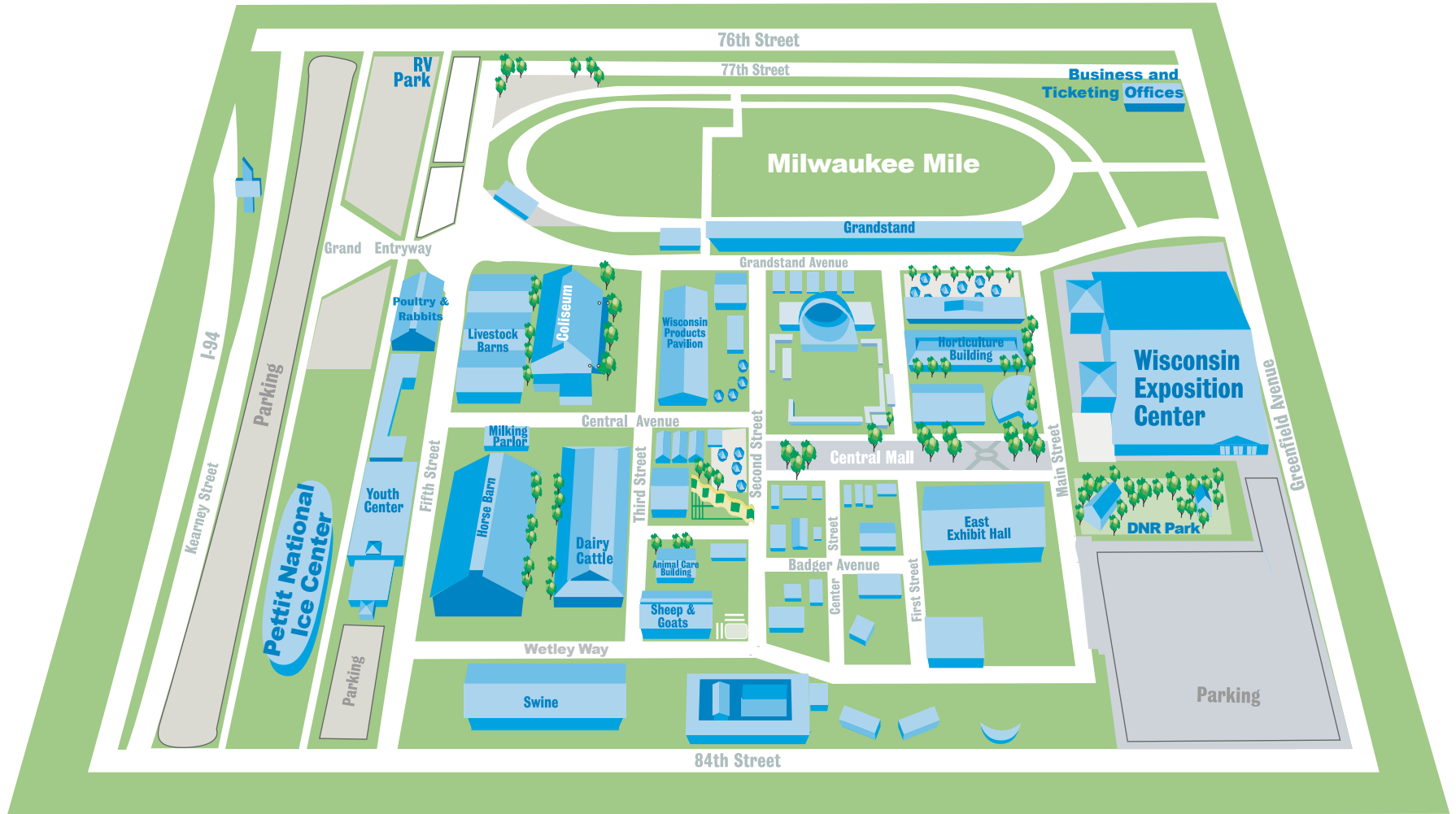
May 30, 2012

LEGISLATIVE AUDIT BUREAU  
  
by Carolyn Stittleburg  
Audit Director



Appendix

# Wisconsin State Fair Park







June 1, 2012

Joe Chrisman, State Auditor  
State of Wisconsin Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53703

Dear Mr. Chrisman,

Thank you and your audit team for the comprehensive audit of State Fair Park's Fiscal Year (FY) 2010-11 financial statements and the review of certain management issues. The auditors were professional and extremely thorough while being considerate of staff time.

The audit issues identified in the Internal Control section of the report are important to State Fair Park and appropriate action will be taken to resolve them.

State Fair Park's staff is in the process of preparing an internal operating budget for FY 2012-13 which will project a net surplus of \$1.0 million from the operation of the new ride and amusement area (SpinCity) for the 2012 Fair event.

Also, State Fair Park management feels that the Exposition Center will continue to generate a net operating surplus in FY 2012-13. Anticipated revenue reductions will be partially offset by decreases in variable costs.

Please contact me at any time if you wish to discuss the issues raised in the report, our planned actions, or any other topic related to State Fair Park.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Richard Frenette', is written over the word 'Sincerely,'.

Richard Frenette  
Chief Executive Officer