

An Audit

State Fair Park

2011-2012 Joint Legislative Audit Committee Members

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State Fair Park Map

Response

From the Chief Executive Officer of State Fair Park



STATE OF WISCONSIN

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Janice Mueller
State Auditor

June 10, 2011

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 issued an unqualified opinion on the financial statements State Fair Park prepared for fiscal year (FY) 2009-10, and we have continued to monitor efforts to improve its financial performance.

In FY 2009-10, State Fair Park's operating revenue exceeded expenditures by \$1.6 million on a cash basis, largely because of positive operating results generated by the Wisconsin Exposition Center. These results, along with \$1.4 million in one-time funding received as part of the December 2009 acquisition of the Wisconsin Exposition Center, allowed State Fair Park to reduce the cash deficit in its program revenue operating appropriation to \$4.6 million as of June 30, 2010.

State Fair Park has begun to take steps to address concerns we raised in our prior audit regarding inadequate policies and procedures governing in-kind support, such as equipment or advertising, that it solicits from businesses in exchange for tickets to the Wisconsin State Fair and advertising exposure on the fairgrounds. However, because necessary changes were not fully implemented during FY 2009-10, we continue to report this weakness in internal controls, along with another financial reporting concern, in the Report on Internal Control and Compliance included in this report.

Finally, we note that operations of the Wisconsin Exposition Center, debt service payments related to the Exposition Center and the Pettit National Ice Center, and a continuing legal dispute with a former racetrack promoter may affect State Fair Park's financial condition in the future and will warrant close attention by management and staff.

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,

Janice Mueller
State Auditor

JM/CS/ss

Introduction ■

State Fair Park 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. As part of our statutorily required audit of the financial statements prepared by State Fair Park for fiscal year (FY) 2009-10, we have issued an unqualified audit opinion and continued to monitor State Fair Park’s efforts to improve its financial performance.

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

State Fair Park’s operating budget was \$16.9 million for FY 2009-10 and \$18.7 million for FY 2010-11. Attendance fees and other revenue from the annual Wisconsin State Fair are its primary source of funding, but other facilities on the fairgrounds, 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 that was purchased by the State of Wisconsin in December 2009 and subsequently operated by State Fair Park. In FY 2010-11, State Fair Park assumed responsibility for debt service payments on bonds that funded the purchase. Those payments are expected to be made from State Fair Park’s program revenue.
- The Milwaukee Mile racetrack and grandstand seating area encompass more than one-quarter of the fairgrounds and have been managed internally by State Fair Park since July 2009. A

lawsuit pending in Dane County Circuit Court will determine whether or not State Fair Park retains the \$2.6 million it received under a letter of credit that was part of a contract with former racetrack promoter, Milwaukee Mile Holdings, LLC. Further, the success of an upcoming national racing event will influence whether similar events will be held at the Milwaukee Mile racetrack in the future.

- The Pettit National Ice Center is a United States Olympic training facility that State Fair Park sold in January 2007 to the not-for-profit corporation that had previously leased and managed it. A combination of proceeds from the sale plus interest earnings was expected to fully fund annual debt service payments still owed by State Fair Park related to the facility, but it is now estimated that some of the debt service will have to be funded with program revenue beginning in FY 2012-13.

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 his or her designee;
- the Secretary of the Department of Agriculture, Trade and Consumer Protection or his or her 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 by the Governor and confirmed by the Senate for staggered five-year terms.

State Fair Park is authorized 38.9 full-time equivalent positions, which are funded by program revenue.

While 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. The current Chief Executive Officer was appointed by the State Fair Park Board through the State's unclassified employment system in February 2010. In March 2010, State Fair Park was authorized to increase its staffing from 29.4 to 38.9 full-time equivalent positions to allow for hiring of additional staff to manage operations and events at the Wisconsin Exposition Center and the Milwaukee Mile racetrack. All positions are funded by program revenue. State Fair Park also employs approximately 1,400 limited-term employees, most of whom work exclusively during the 11-day Wisconsin State Fair.

State Fair Park Finances

Since the late 1990s, State Fair Park has faced financial challenges that led to several years in which expenditures exceeded revenue. However, as discussed in prior reports, State Fair Park has taken steps over time to improve its financial condition, including reducing utility costs, increasing the use of in-kind support and sponsorship arrangements, and amending the midway and dairy bakery contracts to provide for a more steady stream of revenue. Changes related to the Pettit Center, the Milwaukee Mile, and the Wisconsin Exposition Center also helped State Fair Park improve its annual operating results during the past four-year period.

Revenue and Expenditures

Operations of the Wisconsin Exposition Center contributed to State Fair Park's positive operating results for FY 2009-10.

As shown in Table 1, revenue from operations exceeded expenditures—including operating, capital, and debt service costs—by nearly \$1.6 million in FY 2009-10. Two factors significantly contributed to these results: the Wisconsin Exposition Center, which State Fair Park began operating in December 2009, generated a surplus of \$1.4 million, and State Fair Park received \$679,000 in deferred license fees from its former racetrack promoter, Milwaukee Mile Holdings. The increase in FY 2009-10 expenditures is largely attributable to Exposition Center operations costs.

Table 1

State Fair Park Revenue and Expenditures¹

Fiscal Year	Revenue	Expenditures	Revenue Less Expenditures
2005-06	\$18,541,520	\$20,258,268	\$(1,716,748)
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 ²	1,572,246

¹ Data are provided on the cash basis of accounting.

² Includes a statutorily required lapse to the State's General Fund of \$236,200 in FY 2009-10. This lapse was included in a letter addressing budgetary concerns that we issued in January 2011.

Cash Deficit

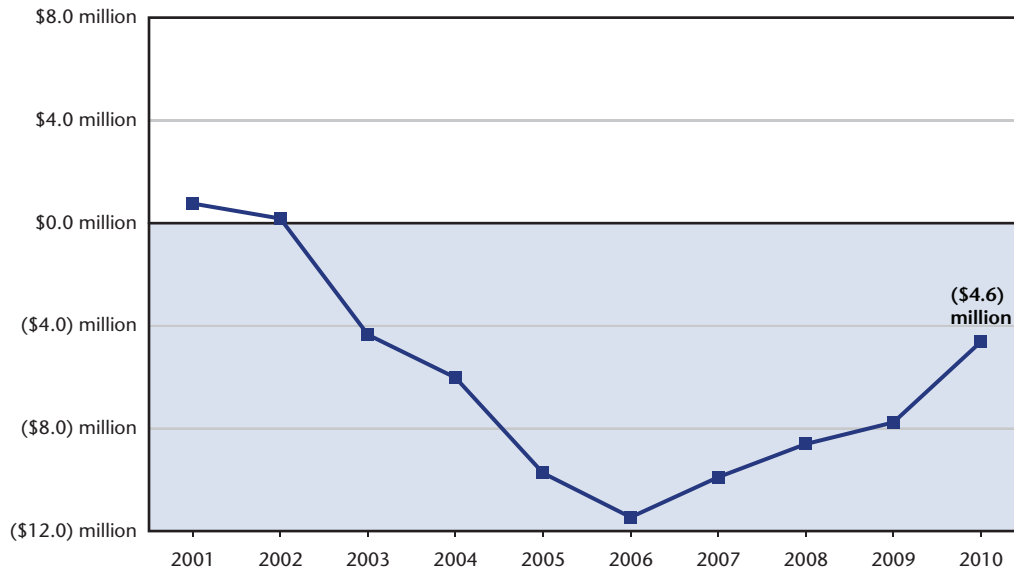
State Fair Park's cash deficit was \$4.6 million as of June 30, 2010.

Despite its recent positive operating results, State Fair Park's ongoing program revenue appropriation has been in a deficit position since FY 2002-03, as shown in Figure 1. As of June 30, 2010, the cash deficit was \$4.6 million. Along with improved operating results, the one-time receipt of \$1.4 million in cash from the acquisition of the Wisconsin Exposition Center has helped State Fair Park reduce its cash deficit.

While final financial data are not yet available, State Fair Park is projecting that revenue will exceed expenditures by approximately \$1.0 million in FY 2010-11, which would further reduce the accumulated cash deficit.

Figure 1

State Fair Park's Program Revenue Cash Deficit^{1, 2, 3}
As of June 30



¹ Excludes the capital reserve appropriation, which had a balance of \$728,000 as of June 30, 2010.

² Because of an ongoing legal dispute, the \$1.9 million received under the terms of a letter of credit agreement with Milwaukee Mile Holdings, LLC, is not reflected in the balance as of June 30, 2010.

³ Includes statutorily required lapses in FY 2002-03, FY 2003-04, FY 2004-05, and FY 2009-10.

Debt Service Costs

To fund the cost of improvements to the fairgrounds, State Fair Park has relied on program revenue and general purpose revenue (GPR)-supported bonds. In FY 2009-10, debt service payments on debt funded with program revenue totaled \$2.7 million; debt service payments on debt funded with GPR totaled \$1.1 million.

We note that subsequent to our audit period, the State of Wisconsin issued \$13.9 million in program revenue-supported bonds to finance the purchase of the Exposition Center facility. State Fair Park is responsible for making the debt service payments on these bonds, which were issued in September 2010. Debt service was first payable in FY 2010-11, and debt service payments are currently scheduled to continue through FY 2030-31. The cost is expected to total \$22.2 million.

In-Kind Support

In addition to admissions, concessions, and parking revenue from the annual Wisconsin State Fair, which is its primary funding source, State Fair Park also relies on cash sponsorships and in-kind support provided by businesses in exchange for advertising exposure, admission to the Wisconsin State Fair, and other tickets. During our prior audit (report 10-10), we raised concerns that State Fair Park had few policies and procedures in place to ensure this activity is conducted appropriately, monitored adequately, and reported properly in its financial statements.

State Fair Park has taken some steps to address our concerns and has indicated plans are being developed to continue to improve processes. For example, in FY 2010-11 an employee was assigned responsibility to oversee and manage ticket disbursements, and State Fair Park developed written policies and procedures for the review and approval process managers are expected to use when requesting and distributing tickets. The policies were first implemented for the Wisconsin State Fair held in August 2010.

State Fair Park has taken some steps to improve its oversight of tickets and in-kind support, and it expects to develop additional guidelines by January 31, 2012.

State Fair Park has also made improvements related to in-kind support transactions. It developed an estimate and reported in-kind support of \$696,000 on its FY 2009-10 financial statements and continues to work on developing and maintaining formal policies and procedures. Further, State Fair Park began to maintain more complete documentation of in-kind support transactions in FY 2010-11, although it has yet to develop guidelines or an approval process for managers. Management indicates that additional guidelines are expected to be in place by January 31, 2012, and the Chief Executive Officer or his designee will more closely monitor and approve in-kind support transactions for the Wisconsin State Fair held in August 2011. However, because State Fair Park was not able to fully implement changes in FY 2009-10, our Report on Internal Control and Compliance continues to describe a material weakness related to internal controls over in-kind support.

Future Considerations

While State Fair Park's financial condition has improved steadily since FY 2005-06, circumstances surrounding the Wisconsin Exposition Center, the Milwaukee Mile racetrack, and the Pettit National Ice Center will also affect State Fair Park's future financial condition and will warrant close monitoring by management and staff.

First, in addition to operating and maintenance costs, the Exposition Center facility must generate sufficient program revenue to fund \$1.1 million in annual debt service costs for the next 20 years. An initial interest-only payment of \$427,000 was made in May 2011.

Event revenue is the principal means of funding Exposition Center operating expenditures, debt service costs, and future maintenance and improvement costs. While the number of large events, such as trade shows, continues to fluctuate between 27 and 34 per year, there has been an overall decline in total events held at the Exposition Center. There were 69 events in 2006, but only 43 in FY 2009-10, and 46 are projected for FY 2010-11. Therefore, continued success in promoting the facility through marketing and other initiatives should remain an important priority.

Second, the Milwaukee Mile racetrack has been managed internally by State Fair Park and by external private promoters, but has had limited financial success over time. 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. Although it received payment of \$2.6 million under the agreement, because of the outstanding legal dispute the probability that State Fair Park will retain the full amount is unknown at this time.

Since State Fair Park has not found an external racing promoter to manage operations for a full racing season, it continues to manage racing events internally, including racing team tire testing, regional and local racing events, and sports car club races. In addition, after one season without a national race, State Fair Park contracted with a private promoter to manage a national Indy Racing League (IRL) event at the Milwaukee Mile on June 19, 2011. The private promoter will manage operations of this one event. The success of this event will influence whether national races will be held at the Milwaukee Mile racetrack in the future.

Finally, when State Fair Park sold the Pettit National Ice Center to the not-for-profit corporation that had been operating the facility, it was expected that the sale proceeds plus interest earnings would fully fund the remaining debt service costs. However, because interest earnings have been lower than expected, State Fair Park officials now estimate that beginning in FY 2012-13, the sales proceeds will be exhausted and State Fair Park will need to make debt service payments of as much as \$560,000, which will further increase its need for program revenue.

■ ■ ■ ■

Audit Opinion ■

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, 2010, 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 did not audit the financial statements of the State Fair Park Exposition Center, Inc., which represent 100.0 percent of the financial activity of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the State Fair Park Exposition Center, Inc., is based on the report of the other auditors.

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. The financial statements of the State Fair Park Exposition Center, Inc., were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to in the first paragraph 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 and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.


In our opinion, based on our audit and the report of the other auditors, 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, 2010, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16 to the financial statements, the State Fair Park Exposition Center, Inc., which is reported in the financial statements as a discretely presented component unit of the Wisconsin State Fair Park, sold the Wisconsin Exposition Center facility to the State of Wisconsin in December 2009. Title to the facility was transferred to State Fair Park in May 2010. The financial statements report the calendar year 2009 activity of the component unit in a separate column labeled "Component Unit—State Fair Park Exposition Center, Inc." Operating results of the Wisconsin Exposition Center facility from December 2009 through June 2010 are reported in the "State Fair Park Fund" column of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 2011, 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 13 through 21 is presented for purposes of additional analysis and is not a required part of the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

June 1, 2011

LEGISLATIVE AUDIT BUREAU

by
Carolyn Stittleburg
Audit Director

Management's Discussion and Analysis ■

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, 2010. 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.

State Fair Park Exposition Center, Inc., which owned and managed the Wisconsin Exposition Center until December 2009, is considered a component unit of the State of Wisconsin for financial reporting purposes. It is shown as a discretely presented component unit in the State of Wisconsin's Comprehensive Annual Financial Report and, because of its financial and operational affiliation with the State Fair Park Fund, it is also presented with the State Fair Park Fund's financial statements.

Financial Highlights

At the end of FY 2009-10, the assets of the State Fair Park Fund exceeded its liabilities by \$27.7 million (net assets). This total consists of \$33.3 million invested in capital assets, net of related debt and a deficit of \$5.6 million in unrestricted net assets.

The State Fair Park Fund's total net assets increased by \$20.1 million during FY 2009-10 due primarily to the acquisition of the Exposition Center facility in December 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of 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 indication of the State Fair Park Fund's financial condition.

The State Fair Park Fund has \$33.3 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 \$73.0 million, while the related outstanding debt, including amounts owed to the Capital Improvement Fund, is \$39.7 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. The acquisition of the Wisconsin Exposition Center in December 2009 resulted in several changes in the presentation of State Fair Park's FY 2009-10 financial statements in comparison to the prior year. Capital assets increased by \$27.9 million primarily due to the reporting of the Exposition Center facility. Current liabilities increased due to the reporting of a \$13.9 million liability State Fair Park owes to the State for the purchase of the facility. This was offset somewhat by a \$6.0 million decline in interfund payables that was attributed to cash balance transfers from the acquisition of the Exposition Center and cash generated from Wisconsin State Fair operations during the year. The financial statements also include three special items for FY 2009-10, totaling \$20.4 million:

- \$1.9 million in proceeds from the letter of credit agreement with former racetrack promoter Milwaukee Mile Holdings;
- \$17.1 million adjustment of the Exposition Center facility to reflect the book value on State Fair Park's financial statements; and
- \$1.4 million cash State Fair Park received as part of the acquisition of the Exposition Center facility.

Table A
Condensed Financial Information
 State Fair Park Fund

	FY 2009-10	FY 2008-09 ¹	Increase/(Decrease)
Current Assets	\$ 1,441,922	\$ 2,129,122	\$ (687,200)
Noncurrent Assets	1,577,809	2,462,973	(885,164)
Capital Assets (Net of Depreciation)	73,013,530	45,063,534	27,949,996
Total Assets	<u>76,033,261</u>	<u>49,655,629</u>	<u>26,377,632</u>
Current Liabilities	21,955,044	13,437,048	8,517,996
Long-Term Liabilities	26,418,821	28,666,701	(2,247,880)
Total Liabilities	<u>48,373,865</u>	<u>42,103,749</u>	<u>6,270,116</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	33,317,937	17,750,706	15,567,231
Unrestricted (Deficit)	(5,658,541)	(10,198,826)	4,540,285
Total Net Assets	<u>27,659,396</u>	<u>7,551,880</u>	<u>20,107,516</u>
Operating Revenues	18,941,286	17,145,920	1,795,366
Operating Expenses	17,939,076	16,225,954	1,713,122
Operating Income (Loss)	1,002,210	919,966	82,244
Nonoperating Revenues (Expenses)	(1,127,362)	(1,360,583)	233,221
Special Items	20,436,469	0	20,436,469
Transfers In	97,450	1,539,719	(1,442,269)
Transfers Out	(301,251)	(61,009)	(240,242)
Change in Net Assets	20,107,516	1,038,093	19,069,423
Net Assets—Beginning of Year	7,551,880	6,513,787	1,038,093
Net Assets—End of the Year	<u>\$27,659,396</u>	<u>\$7,551,880</u>	<u>\$20,107,516</u>

¹ FY 2008-09 balances have been restated to reflect a prior-period adjustment. (See Note 17 to the financial statements.)

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 2009-10 and FY 2008-09.

Table B

Revenues by Activity State Fair Park Fund

	FY 2009-10	Percentage of Total	FY 2008-09	Percentage of Total	Increase/(Decrease)
Annual State Fair	\$11,484,000	60.5%	\$11,742,000	68.5%	\$ (258,000)
Non-Fair Events	982,000	5.2	1,091,000	6.4	(109,000)
Milwaukee Mile Racetrack Events	129,000	0.7	65,000	0.4	64,000
RV Park	373,000	2.0	598,000	3.5	(225,000)
Youth Center	413,000	2.2	499,000	2.9	(86,000)
Exposition Center	2,652,000	14.0	0	0.0	2,652,000
Sponsorship	2,194,000	11.6	2,097,000	12.2	97,000
In-Kind Support	696,000	3.7	1,046,000	6.1	(350,000)
Other Income	18,000	0.1	8,000	0.0	10,000
Total	<u>\$18,941,000</u>		<u>\$17,146,000</u>		<u>\$1,795,000</u>

Attendance at the annual Wisconsin State Fair decreased by 39,500 people, from 872,500 for the 2008 fair to 833,000 for the 2009 fair. This decrease in attendance resulted in decreases in admissions, food and beverage, and main stage event revenue. Non-fair event revenue has been reduced primarily due to fewer events utilizing the Wisconsin Products Pavilion. The increase in Milwaukee Mile racetrack event revenue is the result of increased track rental. Exposition Center revenue is the result of the State acquiring the Exposition Center facility on December 1, 2009. As a result of the aforementioned transaction, State Fair Park became the owner of the business and assumed responsibility for facility management.

State Fair Park refined its estimation process for identifying and quantifying in-kind support. It estimated that it received \$0.7 million in in-kind support in FY 2009-10, compared to the FY 2008-09 estimate of \$1.0 million. In-kind support is generated through various agreements with private businesses as described in Note 7.

Operating Expenses

Table C includes a comparison of operating expenses (rounded to the nearest \$1,000) for FY 2009-10 and FY 2008-09.

Table C

Operating Expenses State Fair Park Fund

	FY 2009-10	Percentage of Total	FY 2008-09	Percentage of Total	Increase/(Decrease)
Personal Services	\$ 5,533,000	30.8%	\$ 5,422,000	33.4%	\$ 111,000
Advertising	691,000	3.9	641,000	4.0	50,000
Entertainment	1,310,000	7.3	1,408,000	8.7	(98,000)
Other Expenses ¹	6,231,000	34.7	4,717,000	29.1	1,514,000
Depreciation	3,478,000	19.4	2,992,000	18.4	486,000
In-Kind Support	696,000	3.9	1,046,000	6.4	(350,000)
Total	<u>\$17,939,000</u>		<u>\$16,226,000</u>		<u>\$1,713,000</u>

¹ 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 a Chief Executive Officer. Other expenses increased primarily due to Exposition Center expenses in the amount of \$1,335,000. Advertising expenses were increased as budgeted. Depreciation expense increased due to the acquisition of the Exposition Center facility. As noted, in-kind support declined due to the refinement in State Fair Park's estimation process.

Capital Assets

Table D includes a comparison of capital assets for FY 2009-10 and FY 2008-09.

Table D

Capital Assets
State Fair Park Fund

	FY 2009-10	FY 2008-09	Increase/(Decrease)
Capital Assets	\$119,757,419	\$81,318,089	\$38,439,330
Accumulated Depreciation	(46,743,889)	(36,254,555)	10,489,334
Net Capital Assets	<u>\$73,013,530</u>	<u>\$45,063,534</u>	<u>\$27,949,996</u>
Depreciation Expense	\$3,478,259	\$2,992,294	\$485,965

Capital assets increased by \$38.4 million during FY 2009-10. Asset additions consisted primarily of building and building improvement additions due to the acquisition of the Exposition Center facility. The change to accumulated depreciation and the depreciation expense account are also related to the acquisition of the Exposition Center facility.

Debt—Program Revenue—Funded

Table E includes a comparison for FY 2009-10 and FY 2008-09 of debt funded with program revenue.

Table E

Program Revenue—Funded Debt
State Fair Park Fund

	FY 2009-10	FY 2008-09	Increase/(Decrease)
Commercial Paper	\$ 213,639	\$ 408,692	\$ (195,053)
General Obligation Bonds	28,136,030	30,091,929	(1,955,899)
Total Debt	<u>\$28,349,669</u>	<u>\$30,500,621</u>	<u>\$(2,150,952)</u>

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. This table does not reflect the general obligation bonds issued to finance the acquisition of the Exposition Center facility,

which were issued subsequent to the end of FY 2009-10. See Note 18 for more information. See Note 5 for detailed information about the future debt service requirements to be paid from State Fair Park's program revenue.

Debt—GPR-Funded

Table F includes a comparison for FY 2009-10 and FY 2008-09 of debt funded by the State's General Fund.

Table F

GPR-Funded Debt Related to State Fair Park

	FY 2009-10	FY 2008-09	Increase/(Decrease)
Commercial Paper	\$ 1,075,156	\$ 1,075,156	\$ 0
General Obligation Bonds	23,060,950	22,833,576	227,374
Total	<u>\$24,136,106</u>	<u>\$23,908,732</u>	<u>\$227,374</u>

No principal payments were due on the outstanding commercial paper and no new commercial paper was issued during FY 2009-10. 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

While State Fair Park had a license agreement with a private racetrack promoter to manage the Milwaukee Mile racetrack and grandstand through the 2009 racing season, it did not contract with an external promoter for the 2010 racing season. In addition, State Fair Park was not able to secure a national racing event to be held at the Milwaukee Mile for the 2010 racing season. State Fair Park has entered into an agreement with an outside party to promote an Indy Racing League (IRL) event at the Milwaukee Mile in June 2011.

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 pending in Dane County Circuit Court.

In September 2010, the State issued 2010 Series C and D general obligation bonds, \$13.9 million of which was used to finance the acquisition of the Exposition Center facility. State Fair Park is responsible for making the semiannual debt service payments on the \$13.9 million, beginning in May 2011.

Component Unit

The State Fair Park Exposition Center, Inc., a separate not-for-profit organization that reports on a calendar year, was established to finance, build, manage, and maintain an exposition center on the Wisconsin State Fair Park grounds. Following the guidance of the Governmental Accounting Standards Board (GASB), the corporation is reported as a discretely presented component unit of the State of Wisconsin and, because of its close relationship with the State Fair Park Fund, is included in these financial statements as well.

The component unit is reported for the year ended December 31, 2009. Financial highlights include:

- 1) Cash and cash equivalents decreased \$4.9 million from 2008, to \$0.2 million for 2009.
- 2) Total operating revenue increased \$100,396 from 2008 to 2009, while operating expenses decreased by \$235,808.
- 3) Interest expense decreased \$129,447 from 2008, to \$2.3 million for 2009.
- 4) Income from operations was \$1.6 million in 2009, compared to \$1.2 million for 2008.
- 5) Unrestricted net assets increased from a deficit of \$4.3 million in 2008 to a positive balance of \$33,888 in 2009.

Contacting State Fair Park Management

This financial report is designed to provide a general overview of State Fair Park's financial performance for FY 2009-10 and the financial performance of the State Fair Park Exposition Center, Inc., for calendar year 2009. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

State Fair Park
 Rick Frenette, Chief Executive Officer
 640 South 84th Street
 West Allis, Wisconsin 53214

■ ■ ■ ■

Financial Statements ■

Statement of Net Assets

	State Fair Park Fund (As of June 30, 2010)	Component Unit— State Fair Park Exposition Center, Inc. (As of December 31, 2009)	Total (Memorandum Only)
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 2D and 6)	\$ 120,500	\$ 193,970	\$ 314,470
Receivables (net of estimated uncollectible accounts) (Note 11)	184,304	0	184,304
Due from other funds (Notes 2H and 11)	868,616	0	868,616
Inventories	2,520	0	2,520
Prepaid Items	265,982	45,689	311,671
Total Current Assets	1,441,922	239,659	1,681,581
Noncurrent Assets:			
Receivables (Note 11)	70,000	0	70,000
Due from other funds (Notes 2H and 11)	1,410,630	0	1,410,630
Deferred charges	97,179	0	97,179
Capital assets (net of accumulated depreciation) (Notes 2F and 3)	73,013,530	7,401	73,020,931
Total Noncurrent Assets	74,591,339	7,401	74,598,740
TOTAL ASSETS	76,033,261	247,060	76,280,321
LIABILITIES			
Current Liabilities:			
Accounts payable (Note 11)	792,442	148,807	941,249
Due to other funds (Notes 2H and 11)	14,047,899	0	14,047,899
Interfund payables (Note 11)	844,569	0	844,569
Tax and other deposits	269,094	0	269,094
Unearned revenue (Note 2E)	3,368,162	0	3,368,162
Interest payable	221,140	0	221,140
Capital leases (Note 4)	91,159	0	91,159
Compensated absences (Notes 2G and 9)	2,758	0	2,758
Other accrued expenses	0	64,365	64,365
Notes payable (Note 5)	204,843	0	204,843
General obligation bonds payable (Note 5)	2,112,978	0	2,112,978
Total Current Liabilities	21,955,044	213,172	22,168,216
Noncurrent Liabilities:			
Capital leases (Note 4)	47,297	0	47,297
Compensated absences (Notes 2G and 9)	194,182	0	194,182
Postemployment benefits (Note 10)	145,494	0	145,494
Notes payable (Note 5)	8,796	0	8,796
General obligation bonds payable (Note 5)	26,023,052	0	26,023,052
Total Noncurrent Liabilities	26,418,821	0	26,418,821
TOTAL LIABILITIES	48,373,865	213,172	48,587,037
NET ASSETS			
Net Assets (Note 2J):			
Invested in capital assets net of related debt	33,317,937	0	33,317,937
Unrestricted	(5,658,541)	33,888	(5,624,653)
TOTAL NET ASSETS	\$ 27,659,396	\$ 33,888	\$ 27,693,284

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Assets

	State Fair Park Fund (For the Year Ended June 30, 2010)	Component Unit— State Fair Park Exposition Center, Inc. (For the Year Ended December 31, 2009)	Total (Memorandum Only)
OPERATING REVENUES			
Charges for Sales and Services:			
Annual State Fair	\$ 11,484,344	\$ 0	\$ 11,484,344
Non-Fair Events	981,873	0	981,873
Milwaukee Mile Racetrack Events	128,940	0	128,940
RV Park	373,177	0	373,177
Youth Center	413,216	0	413,216
Exposition Center (Note 1)	<u>2,651,538</u>	<u>4,061,114</u>	<u>6,712,652</u>
Total Charges for Sales and Services	<u>16,033,088</u>	<u>4,061,114</u>	<u>20,094,202</u>
Sponsorships	2,194,343	0	2,194,343
In-Kind Support (Note 7)	695,966	0	695,966
Other Income	<u>17,889</u>	<u>298,604</u>	<u>316,493</u>
Total Operating Revenues	<u>18,941,286</u>	<u>4,359,718</u>	<u>23,301,004</u>
OPERATING EXPENSES			
Personal Services	5,533,204	1,019,721	6,552,925
Supplies and Services (Note 7)	8,909,971	842,907	9,752,878
Depreciation Expense (Notes 2F and 3)	3,478,259	934,032	4,412,291
Other Expenses	<u>17,642</u>	<u>8,997</u>	<u>26,639</u>
Total Operating Expenses	<u>17,939,076</u>	<u>2,805,657</u>	<u>20,744,733</u>
OPERATING INCOME (LOSS)	<u>1,002,210</u>	<u>1,554,061</u>	<u>2,556,271</u>
NONOPERATING REVENUES (EXPENSES)			
Investment and Interest Income	13,443	153,010	166,453
Gifts and Donations	177,796	0	177,796
Interest Expense	(1,330,212)	(2,302,002)	(3,632,214)
Loss on Sale of Capital Assets	0	(18,925,137)	(18,925,137)
Forgiveness of Industrial Revenue Bonds	0	23,895,000	23,895,000
Other Income	<u>11,611</u>	<u>0</u>	<u>11,611</u>
Total Nonoperating Revenues (Expenses)	<u>(1,127,362)</u>	<u>2,820,871</u>	<u>1,693,509</u>
Income (Loss) Before Special Items and Transfers	<u>(125,152)</u>	<u>4,374,932</u>	<u>4,249,780</u>
SPECIAL ITEMS AND TRANSFERS			
Proceeds from Letter of Credit (Note 15)	1,914,146	0	1,914,146
Exposition Center Acquisition—Difference Between Book Value and Purchase Price (Note 16)	17,079,201	0	17,079,201
Exposition Center Acquisition—Cash Received (Note 16)	1,443,122	0	1,443,122
Transfers In (Notes 2I and 12)	97,450	0	97,450
Transfers Out (Notes 2I and 12)	<u>(301,251)</u>	<u>0</u>	<u>(301,251)</u>
CHANGE IN NET ASSETS	<u>20,107,516</u>	<u>4,374,932</u>	<u>24,482,448</u>
NET ASSETS			
Total Net Assets—Beginning of Year	8,191,880	(4,341,044)	3,850,836
Prior-Period Adjustment (Note 17)	(640,000)	0	(640,000)
Total Net Assets—End of the Year	<u>\$ 27,659,396</u>	<u>\$ 33,888</u>	<u>\$ 27,693,284</u>

The accompanying notes are an integral part of this statement.

**Statement of Cash Flows—State Fair Park Fund
for the Year Ended June 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 19,370,323
Cash Payments to Suppliers for Goods and Services	(8,209,076)
Cash Payments to Employees for Services	(5,457,423)
Other Operating Revenues	17,889
Other Miscellaneous Revenues	11,611
Proceeds from Letter of Credit	<u>1,914,146</u>
Net Cash Provided by Operating Activities	<u>7,647,470</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating Transfers Out	(301,251)
Proceeds from Gifts and Donations	177,796
Change in Interfund Loans	<u>(6,023,543)</u>
Net Cash Used by Noncapital Financing Activities	<u>(6,146,998)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Issuance of Debt	60,498
Transfers In	97,450
Repayment of Long-Term Debt	(2,211,450)
Interest Paid	(1,348,961)
Capital Lease Payments	(93,719)
Proceeds from Bond Security and Redemption Fund to Pay Pettit Center Debt Service	866,159
Purchase of Capital Assets	(14,276,151)
Proceeds from the Capital Improvement Fund for Exposition Center Acquisition	13,900,000
Exposition Center Acquisition—Cash Received	1,443,122
Other Cash Flows from Capital and Related Financing Activities	<u>9,137</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,553,915)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment and Interest Receipts	<u>13,443</u>
Net Cash Provided by Investing Activities	<u>13,443</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(40,000)</u>
Cash and Cash Equivalents—Beginning of the Year	<u>160,500</u>
Cash and Cash Equivalents—End of the Year	<u>\$ 120,500</u>

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

Operating Income	\$ 1,002,210
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation expense	3,478,259
Other miscellaneous revenues	11,611
Proceeds from letter of credit	1,914,146
Change in provision for uncollectible accounts	17,642
Changes in assets and liabilities:	
Decrease (Increase) in receivables	738,972
Decrease (Increase) in due from other funds	827
Decrease (Increase) in inventories	10,316
Decrease (Increase) in prepaid items	(110,689)
Increase (Decrease) in accounts payable	83,083
Increase (Decrease) in due to other funds	39,470
Increase (Decrease) in deposits	105,512
Increase (Decrease) in unearned revenues	297,581
Increase (Decrease) in postemployment benefits	29,111
Increase (Decrease) in compensated absences	29,419
Total Adjustments	<u>6,645,260</u>
Net Cash Provided by Operating Activities	<u>\$ 7,647,470</u>
Noncash Activities:	
Contributed in-kind support	\$ 695,966
Exposition Center acquisition—difference between book value and purchase price	17,079,201

Statement of Cash Flows: Component Unit—State Fair Park Exposition Center, Inc. for the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	4,374,932
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Adjustment to allowance for bad debts	\$	3,000
Gain on sale of marketable securities		(129,930)
Forgiveness of industrial revenue bonds		(23,895,000)
Loss on sale of Exposition Center		18,925,137
Depreciation expense		934,032
Amortization expense		26,389
Changes in assets and liabilities:		
Decrease (Increase) in receivables		(345,521)
Decrease (Increase) in prepaid items		(8,617)
Increase (Decrease) in accounts payable		(56,528)
Increase (Decrease) in accounts payable, related party		126,150
Increase (Decrease) in accrued bond interest		(1,036,873)
Increase (Decrease) in other accrued expenses		80,861
Increase (Decrease) in unearned license fees		(248,342)
Total Adjustments		(5,625,242)
Net Cash Used by Operating Activities		(1,250,310)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of Industrial Revenue Bonds		(16,900,000)
Net Cash Used by Capital and Related Financing Activities		(16,900,000)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Marketable Securities		1,583,018
Purchase of Marketable Securities		(1,202,406)
Proceeds from Sale of Exposition Center		12,854,004
Purchase of Fixed Assets		(12,547)
Net Cash Provided by Investing Activities		13,222,069
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,928,241)
Beginning of the Year—Cash and Cash Equivalents		5,122,211
End of the Year—Cash and Cash Equivalents	\$	193,970
Supplemental Disclosure:		
Cash paid during the year for:		
Interest	\$	3,319,697

Notes to the Financial Statements ■

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.

Until December 2009, the Wisconsin Exposition Center, which is located on State Fair Park grounds, was owned and operated by the State Fair Park Exposition Center, Inc., a nonstock, not-for-profit corporation. The governing board of the State Fair Park Exposition Center, Inc., includes the chairperson of the State Fair Park Board, one other member of the State Fair Park Board, and three members appointed by the Exposition Center Board. In accordance with Governmental Accounting Standards Board (GASB) Statement 14, the corporation is considered a discrete component unit of the State of Wisconsin. In addition, although the corporation is legally separate from the State of Wisconsin and the State Fair Park Fund, its relationship with the State Fair Park Fund is such that exclusion may cause the State Fair Park Fund's financial statements to be misleading or incomplete. Therefore, financial statements for the State Fair Park Exposition Center, Inc., are included in this report.

The State of Wisconsin purchased the Wisconsin Exposition Center in December 2009 and transferred ownership of the facility to State Fair Park in

May 2010. The State Fair Park Exposition Center, Inc., calendar year 2009 activity is included in a separate column of the financial statements. Exposition Center-related activity from December 2009 through June 2010 is included in the State Fair Park Fund column of the financial statements. See Note 16 for more information on the purchase of the Exposition Center facility.

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 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 private businesses 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, or as a special item.

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. Estimates that are particularly susceptible to change are 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; and
- currency on hand at State Fair Park.

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 absences liability consists of accumulated unpaid leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested as of June 30, 2010. 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 these receivables and payables as “Due from Other Funds” or “Due to Other Funds.”

I. Transfers In (Out)

Transfers In (Out) represent transfers of cash between state agencies. "Transfers In" consist of GPR provided to the State Fair Park Fund to fund improvement, repair, or construction of State Fair Park's facilities and grounds. "Transfers Out" consist of transfers to the Wisconsin Department of Administration to cover costs paid by other state funds or to meet required lapses to the General Fund.

J. Net Assets

Net assets represent the difference between the State Fair Park Fund's assets and liabilities and are reported in two categories: invested in capital assets net of related debt, and unrestricted. Unrestricted net assets represent amounts that, if positive, could be used at State Fair Park's discretion.

3. CAPITAL ASSETS

The State Fair Park Fund's capital asset transactions for the year ended June 30, 2010, are summarized as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$2,532,440	\$ 96,632	\$ 0	\$ 2,629,072
Construction in Progress	<u>327,573</u>	<u>22,000</u>	<u>(327,573)</u>	<u>22,000</u>
Total Capital Assets Not Being Depreciated	2,860,013	118,632	(327,573)	2,651,072
Capital Assets Being Depreciated:				
Buildings and Improvements	76,196,987	38,504,744	0	114,701,731
Machinery and Equipment	<u>2,261,089</u>	<u>143,527</u>	<u>0</u>	<u>2,404,616</u>
Total Capital Assets Being Depreciated	78,458,076	38,648,271	0	117,106,347
Less Accumulated Depreciation for:				
Buildings and Improvements	(34,241,921)	(10,354,536)	0	(44,596,457)
Machinery and Equipment	<u>(2,012,634)</u>	<u>(134,798)</u>	<u>0</u>	<u>(2,147,432)</u>
Total Accumulated Depreciation	<u>(36,254,555)</u>	<u>(10,489,334)</u>	<u>0</u>	<u>(46,743,889)</u>
Total Capital Assets Being Depreciated, Net	<u>42,203,521</u>	<u>28,158,937</u>	<u>0</u>	<u>70,362,458</u>
Total Capital Assets, Net	<u>\$45,063,534</u>	<u>\$28,277,569</u>	<u>\$(327,573)</u>	<u>\$73,013,530</u>

See Note 19 for information on the State Fair Park Exposition Center, Inc.'s capital assets.

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 \$846,750, resulting in a net book value of \$80,415. Total lease payments for the fiscal year ended June 30, 2010, were \$93,719. Future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2010, are as follows:

For the Year Ending:	
June 30, 2011	\$ 96,957
June 30, 2012	<u>48,478</u>
Total Minimum Lease Payments	145,435
Less: Amount Representing Interest	<u>(6,979)</u>
Present Value of Minimum Lease Payments	<u>\$138,456</u>

During the year ended June 30, 2010, 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	\$232,175	\$0	\$(93,719)	\$138,456	\$91,159

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:

	Balance <u>June 30, 2009</u>	New Debt <u>Proceeds</u>	Principal Payments and Refunds	Balance <u>June 30, 2010</u>
Notes Payable—				
Commercial Paper	\$ 408,692	\$ 0	\$ (195,053)	\$ 213,639
General Obligation				
Bonds Payable	<u>30,091,929</u>	<u>60,498</u>	<u>(2,016,397)</u>	<u>28,136,030</u>
Total	<u>\$30,500,621</u>	<u>\$60,498</u>	<u>\$(2,211,450)</u>	<u>\$28,349,669</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 received from bonds issued to fund payments on outstanding debt. Reductions in the long-term liability for bonds reflect principal payments on outstanding debt.

As of June 30, 2010, estimated future debt service requirements to be paid from State Fair Park Fund program revenue are as follows:

Fiscal Year <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$2,317,821	\$1,346,585	\$3,664,406
2012	2,612,894	1,230,667	3,843,561
2013	2,741,829	1,101,494	3,843,323
2014	1,964,669	988,812	2,953,481
2015	2,039,941	895,887	2,935,828
2016-2020	10,649,957	2,977,595	13,627,552
2021-2025	5,797,370	617,143	6,414,513
2026-2030	<u>225,188</u>	<u>24,635</u>	<u>249,823</u>
Total	<u>\$28,349,669</u>	<u>\$9,182,818</u>	<u>\$37,532,487</u>

Debt to Be Repaid from State of Wisconsin GPR

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:

	Balance <u>June 30, 2009</u>	New Debt <u>Proceeds</u>	Principal Payments and Refunds	Balance <u>June 30, 2010</u>
Commercial Paper	\$ 1,075,156	\$ 0	\$ 0	\$ 1,075,156
Bonds	<u>22,833,576</u>	<u>1,311,503</u>	<u>(1,084,129)</u>	<u>23,060,950</u>
Total	<u>\$23,908,732</u>	<u>\$1,311,503</u>	<u>\$(1,084,129)</u>	<u>\$24,136,106</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, 2010, estimated future debt service requirements to be paid from State of Wisconsin GPR are as follows:

Fiscal Year <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	Total <u>Debt Service</u>
2011	\$1,162,811	\$1,213,542	\$2,376,353
2012	1,933,232	1,138,666	3,071,898
2013	2,080,609	1,042,307	3,122,916
2014	2,139,170	935,087	3,074,257
2015	2,247,779	824,996	3,072,775
2016-2020	9,752,370	2,507,839	12,260,209
2021-2025	4,340,550	596,417	4,936,967
2026-2030	<u>479,585</u>	<u>59,017</u>	<u>538,602</u>
Total	<u>\$24,136,106</u>	<u>\$8,317,871</u>	<u>\$32,453,977</u>

See Note 19 for information on the State Fair Park Exposition Center, Inc.'s debt obligations.

6. DEPOSITS

GASB Statement 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement 3*, requires certain disclosures related to custodial credit risk. Custodial credit risk is the risk that in the event of a failure of a depository financial institution, deposits may not be returned. As of June 30, 2010, \$69,730 of the State Fair Park Fund's cash balance was deposited in a commercial checking account. The State Fair Park Fund's deposits in this commercial checking account are insured by the Federal Deposit Insurance Corporation. Since accounts at the banks are insured by the Federal Deposit Insurance Corporation up to \$250,000, none of the Fund's June 30 balance would be considered uninsured and uncollateralized. The remaining \$50,770 was on hand at State Fair Park for use during State Fair Park events.

See Note 19 for information on the State Fair Park Exposition Center, Inc.'s cash and cash equivalent balances.

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. 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 an expense in the year received, and therefore has no effect on net assets.

State Fair Park estimates it received \$695,966 in goods and services through in-kind support during FY 2009-10. 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 2009-10:

	<u>FY 2009-10</u>
Advertising	\$495,062
Equipment/Service	<u>200,904</u>
Total In-Kind Support	<u>\$695,966</u>

8. EMPLOYEE RETIREMENT PLAN

Permanent full-time 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 may be obtained by writing to:

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

The report is also available on the Department of Employee Trust Funds' Web site, <http://etf.wi.gov>.

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 \$259,358 for FY 2009-10. 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, multiple-employer plan.

9. COMPENSATED ABSENCES

The State Fair Park Fund’s compensated absences activity for the fiscal year ended June 30, 2010, 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	\$167,521	\$91,060	\$(61,641)	\$196,940	\$2,758

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 2009-10 financial statements include the State Fair Park Fund’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 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, 2010, the State’s net OPEB obligation was \$291.9 million. The portion of this obligation allocated to the State Fair Park Fund for FY 2009-10 was \$145,494, which reflects the amortization of the actuarial accrued liability for FY 2009-10 plus the current expense for active employees.

The State's Comprehensive Annual Financial Report includes financial statements, additional note disclosures, and required supplementary information for this 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 themselves, basic life insurance coverage at a reduced level. 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 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 approximating 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 \$1,977 to this program during calendar year 2010.

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

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, 2010</u>
Accounts Receivable:	
State Fair Park Youth Foundation	\$ 80,000
Miscellaneous	<u>174,304</u>
Total Accounts Receivable	<u>\$254,304</u>
Due from Other Funds:	
Bond Security and Redemption—	
Related to Pettit Center	\$2,278,549
Miscellaneous	<u>697</u>
Total Due from Other Funds	<u>\$2,279,246</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 Governor’s Blue Ribbon Livestock Auction Committee. 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. The Foundation repaid \$20,000 of the loan during FY 2009-10. In April 2010, State Fair Park deferred \$10,000 of the \$20,000 payment due by December 31, 2010, to December 31, 2014.

B. State Fair Park Fund Accounts Payable, Due to Other Funds, and Interfund Payables

	As of <u>June 30, 2010</u>
Accounts Payable:	
Vendors	\$615,596
Employees	<u>176,846</u>
Total Accounts Payable	<u>\$792,442</u>
Due to Other Funds:	
Capital Improvement Fund—	
Related to Exposition	
Center Acquisition	\$13,900,000
Other State Funds	<u>147,899</u>
Total Due to Other Funds	<u>\$14,047,899</u>
Interfund Payables:	
Amounts Due to Other Funds for	
Short-Term Loans to Cover the	
State Fair Park Fund’s Cash	
Overdraft	<u>\$844,569</u>
Total Interfund Payables	<u>\$844,569</u>

12. INTERFUND TRANSFERS

Interfund transfers that occurred during FY 2009-10 are as follows:

A. State Fair Park Fund Transfers In	
For Capital Building Projects	<u>\$97,450</u>
Total Transfers In	\$97,450
B. State Fair Park Fund Transfers Out	
For Required Lapse to the General Fund	\$236,200
For Prior Service Cost Bond Contributions	<u>65,051</u>
Total Transfers Out	\$301,251

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. 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 rate 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, 2010, outstanding debt service costs were \$2.8 million, and \$2.3 million in sale 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 \$560,000 of the remaining Pettit Center debt service when the sale 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. Through June 30, 2010, State Fair Park has incurred \$59,920 for these studies. While several studies have been completed, State Fair Park awaits final determination by the Wisconsin Department of Natural Resources on what, if any, remediation activities are needed. Since total remediation costs cannot be reasonably determined, a liability has not been reported in the Statement of Net Assets.

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 that 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 and 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, consisting of \$679,000 in deferred license fees for 2007 and 2008 and \$1.9 million in license fees for 2009 and 2010. The \$679,000 was recognized as revenue in previous fiscal years and is reported on the FY 2009-10 Statement of Cash Flows as cash received from customers, while the \$1.9 million is included as special item revenue in the Statement of Revenues, Expenses, and Changes in Net Assets for FY 2009-10, as well as an operating inflow on the Statement of Cash Flows. 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.

16. PURCHASE OF WISCONSIN EXPOSITION CENTER FACILITY

On December 1, 2009, the Wisconsin Exposition Center facility was purchased by the State of Wisconsin for \$13.9 million. Ownership of the facility was transferred to State Fair Park in May 2010. At the time of the purchase, the Exposition Center facility carried a book value of \$31.0 million. In accordance with the requirements of GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the Exposition Center facility was reported on State Fair Park's financial statements at the

book value reported by the State Fair Park Exposition Center, Inc., at the date of the purchase. The \$17.1 million difference between the Exposition Center facility’s book value and the purchase price is reflected as special item revenue on the State Fair Park Fund’s Statement of Revenues, Expenses, and Changes in Net Assets. The terms of the Exposition Center facility sale called for the transfer of State Fair Park Exposition Center, Inc.’s assets to State Fair Park. This included \$1.4 million in liquid assets that were converted to cash and transferred to State Fair Park. This transfer of cash is reflected as a special item on the State Fair Park Fund’s Statement of Revenues, Expenses, and Changes in Net Assets.

The State completed the purchase using cash available in the Capital Improvement Fund but planned to repay the Capital Improvement Fund by issuing program revenue-supported bonds. It was anticipated that State Fair Park would be responsible for the debt service on the bonds issued to finance the purchase of the Exposition Center. Because the program revenue-supported bonds were not issued until after the close of FY 2009-10, the “Due to Other Funds” balance on the State Fair Park Fund’s Statement of Net Assets includes \$13.9 million due to the Capital Improvement Fund. See Note 18 for further discussion of the subsequent issuance of long-term debt to repay the Capital Improvement Fund.

After purchasing the Exposition Center, the State granted operational responsibility to State Fair Park. At the time of purchase State Fair Park was not approved for the positions necessary to fully integrate operations of the facility into State Fair Park operations. As a result, in December 2009, State Fair Park entered into a renewable six-month management agreement with State Fair Park Exposition Center, Inc., which called for the corporation to continue to manage day-to-day operations. During FY 2009-10, State Fair Park paid \$790,000 in management fees to State Fair Park Exposition Center, Inc., to manage the facility.

17. PRIOR-PERIOD ADJUSTMENT

State Fair Park Fund accounts were adjusted to correct an error made in a prior year, which resulted in certain accounts being misstated. Adjustments were made to correct the misstatements in the following State Fair Park Fund accounts:

<u>Account</u>	<u>Balance June 30, 2009</u>	<u>Adjustment</u>	<u>Balance June 30, 2009 Restated</u>
Interfund Payables	\$6,228,112	\$640,000	\$6,868,112
Net Assets	8,191,880	(640,000)	7,551,880

18. SUBSEQUENT EVENTS FOR STATE FAIR PARK FUND**Issuance of Long-Term Debt**

In September 2010, the State of Wisconsin issued \$146.7 million in 2010 Series C general obligation bonds and \$309.7 million in 2010 Series D general obligation bonds. Of these amounts \$4.0 million of the Series C and \$9.9 million of the Series D bonds were issued to finance the acquisition of the Exposition Center facility. State Fair Park will be responsible for the semiannual debt service payments, beginning May 1, 2011. Final payment on the Series C bonds is due May 1, 2019, and final payment on the Series D bonds is due May 1, 2031.

State Fair Park Exposition Center

The management agreement with State Fair Park Exposition Center, Inc., ended in November 2010, and the State Fair Park Exposition Center, Inc., was officially dissolved by resolution of its Board members on March 14, 2011.

19. COMPONENT UNIT—STATE FAIR PARK EXPOSITION CENTER, INC.**A. Summary of Significant Accounting Policies***Organization*

The purpose of the State Fair Park Exposition Center, Inc., is to finance, build, manage, and maintain an exposition center on the Wisconsin State Fair Park grounds in West Allis, Wisconsin. The Exposition Center facility was substantially complete and placed in service as of August 1, 2002. The corporation reports on a fiscal year ended December 31.

The corporation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. Accordingly, no accrual for income taxes has been included in these financial statements.

On December 1, 2009, the Wisconsin Exposition Center facility was sold to the State of Wisconsin and the bonds issued to construct it were satisfied in full. As a result of the sale of the facility, the notes included in State Fair Park's financial report have been condensed. Copies of the corporation's separately issued financial report that includes financial statements, complete note disclosures, and required supplementary information may be obtained by writing to:

State Fair Park
640 S. 84th Street
West Allis, Wisconsin 53214-0307

Basis of Accounting

The financial statements for the State Fair Park Exposition Center, Inc., have been prepared on the accrual basis of accounting.

Basis of Presentation

The State Fair Park Exposition Center, Inc., reports under the provisions of FASB Statement 117, *Financial Statements for Not-for-Profit Organizations*.

1. Unrestricted net assets:

Unrestricted net assets include unrestricted resources available for the organization's operations and purchase of fixed assets.

2. Temporarily and permanently restricted net assets:

There were no temporarily or permanently restricted net assets as of December 31, 2009.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

The State Fair Park Exposition Center, Inc., considers all short-term investments with a maturity of three months or less to be a cash equivalent. There were no cash and cash equivalents held in trust accounts and restricted as of December 31, 2009.

Accounts Receivable

The State Fair Park Exposition Center, Inc., uses the allowance method for recording bad debts.

Capital Assets

Capital assets greater than \$500 are capitalized at cost and are depreciated using the straight-line method over their estimated useful lives of 39 years for buildings and 5 to 7 years for equipment and improvements.

Bond Issuance and Letter of Credit Costs

Bond issuance costs of \$537,185 are being amortized using the effective-interest method over the 28-year life of the related bonds. Amortization of bond issuance costs for the year ended December 31, 2009, were \$26,389 and are included in interest expense.

Total Bond Issuance and Letter of Credit Costs	\$537,185
Accumulated Amortization	<u>(239,900)</u>
Unamortized Bond Issuance and Letter of Credit Costs as of December 31, 2009	<u>\$297,285</u>

Advertising and Marketing Costs

The State Fair Park Exposition Center, Inc., expenses advertising and marketing costs as incurred. Advertising and marketing expenses, which are included in supplies and services expenses on the Statement of Revenue, Expenses, and Changes in Net Assets, totaled \$12,301 in 2009.

B. Concentration of Credit Risk for Cash and Cash Equivalents

The State Fair Park Exposition Center, Inc., maintains cash balances at one bank. Non-interest bearing accounts at the bank are fully insured by the Federal Deposit Insurance Corporation, and interest bearing accounts at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. All funds, without regard to outstanding checks and deposits in transit, are insured as of December 31, 2009.

C. Retirement Plan

Effective January 1, 2003, the State Fair Park Exposition Center, Inc., has a SIMPLE IRA retirement plan covering substantially all employees. Participants may elect to make voluntary pre-tax contributions of their compensation, up to the amount allowable by the IRS. The corporation matched 100.0 percent of the participants' voluntary contributions, up to 3.0 percent of a participant's compensation from January 1 to September 30, 2009, and up to 1.0 percent from October 1 to December 31, 2009. The corporation contributed \$16,963 to the plan for the year ended December 31, 2009.

D. Related Party Transactions

The Board of Directors of State Fair Park Exposition Center, Inc., is required to have two members who are also members of the State Fair Park Board. The corporation entered into a ground lease agreement with the State Fair Park Board effective August 1, 2001, that allowed it to construct and operate an exposition center on State Fair Park grounds and required it to pay rent equal to the excess of its annual gross revenues from all sources over its annual expenses of operating the Exposition Center facility, including debt service of any type, debt reserves, operating costs, and reserves. No rents were payable relating to this ground lease agreement as of December 31, 2009. On December 1, 2009, the lease was assigned and transferred to the State Fair Park Board as part of the sale.

The State Fair Park Exposition Center, Inc., has also entered into a license agreement with the State Fair Park Board granting the State Fair Park Board the sole right to use the entire Exposition Center facility during the two-week period in August of each year when the State Fair Park Board holds the annual Wisconsin State Fair. The license agreement was terminated when the ground lease was assigned and transferred.

Accounts payable and accrued expenses include \$126,150 to Wisconsin State Fair Park as of December 31, 2009, primarily for contracted labor and services.

E. Marketable Securities

Marketable securities are stated at fair market value. Net gains or losses on the sale of marketable securities are recognized using the specific identification method. No value is reported for marketable securities as of December 31, 2009, as those securities were liquidated in December 2009.

F. Industrial Revenue Bonds Payable

On August 1, 2001, \$44.9 million in City of West Allis, Wisconsin variable-rate demand revenue bonds, series 2001, were issued to finance the construction of the Exposition Center facility. During December 2009, the Exposition Center facility was sold to the State of Wisconsin and the industrial revenue bonds issued to construct the facility were satisfied in full. Therefore, no payable is reported as of December 31, 2009, and there are no additional future payments for the industrial revenue bonds.

A summary of interest expense for 2009 is as follows:

	<u>Interest Expense</u>
Interest Incurred	\$2,282,824
Letter of Credit and Remarketing Fees	0
Amortization of Bond Issuance Costs	26,389
Interest Earned	<u>(7,211)</u>
Total	<u>\$2,302,002</u>

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Report on Internal Control and Compliance ■

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, 2010, and have issued our report thereon dated June 1, 2011. Our report was modified to include a reference to other auditors and a discussion of the purchase of the Wisconsin Exposition Center. 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. Other auditors audited the financial statements of the State Fair Park Exposition Center, Inc., as described in our opinion on Wisconsin State Fair Park's financial statements. While the financial statements of the State Fair Park Exposition Center, Inc., were audited in accordance with auditing standards generally accepted in the United States of America, they were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Wisconsin State Fair Park's internal control over financial reporting (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 certain deficiencies in internal control that we consider to be material weaknesses.

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 two deficiencies to be material weaknesses.

First, 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, particularly related to unique transactions. We identified a number of material errors in the FY 2009-10 financial statements that were not prevented or detected during preparation and review by State Fair Park management and staff, including the following examples of misstatements:

- On the Statement of Cash Flows, State Fair Park erroneously reported a \$17.1 million cash outflow related to the purchase of the Exposition Center facility; the cash outflow should have been reported as \$13.9 million.
- On the Statement of Revenues, Expenses, and Changes in Net Assets, revenue was misclassified, which resulted in revenue from Milwaukee Mile racetrack events being overstated by \$678,655 and revenue from the annual Wisconsin State Fair being understated by the same amount.

After we brought these errors to the attention of State Fair Park management, the FY 2009-10 financial statements were corrected.

In the past, we identified material errors in State Fair Park's financial statements that were primarily related to unique and nonrecurring transactions, and we made recommendations in prior audits to improve controls over financial reporting. Although State Fair Park has taken some steps to improve its process for preparing, reviewing, and approving the financial statements, including completing additional analytical reviews, because we continue to identify material errors we continue to recommend that State Fair Park improve controls over the preparation and review of its financial statements.

Management agrees with our finding and will take steps to improve its financial reporting of unique transactions. The initial focus of additional efforts will be to ensure that transactions in State Fair Park's financial statements are based on the research and judgment of its accounting staff and, as needed, consultation with state accountants.

Second, in our previous audit (report 10-10), we made a number of recommendations for State Fair Park to improve controls over in-kind support. State Fair Park agreed with those recommendations, and as discussed in the "Introduction" section of this audit report, has taken some steps to better control the distribution of tickets, establish written procedures, and train staff on the appropriate practices and valuation of in-kind support. However, because of the timing of our prior-year audit and the annual fair, State Fair Park was not able to fully implement these changes during FY 2009-10. Therefore, we continue to report a material weakness related to internal controls over in-kind support.

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*.

The Wisconsin State Fair Park's responses to the findings identified are described in the preceding paragraphs. We did not audit the Wisconsin State Fair Park's responses and, accordingly, express no opinion on them.

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.

June 1, 2011

by

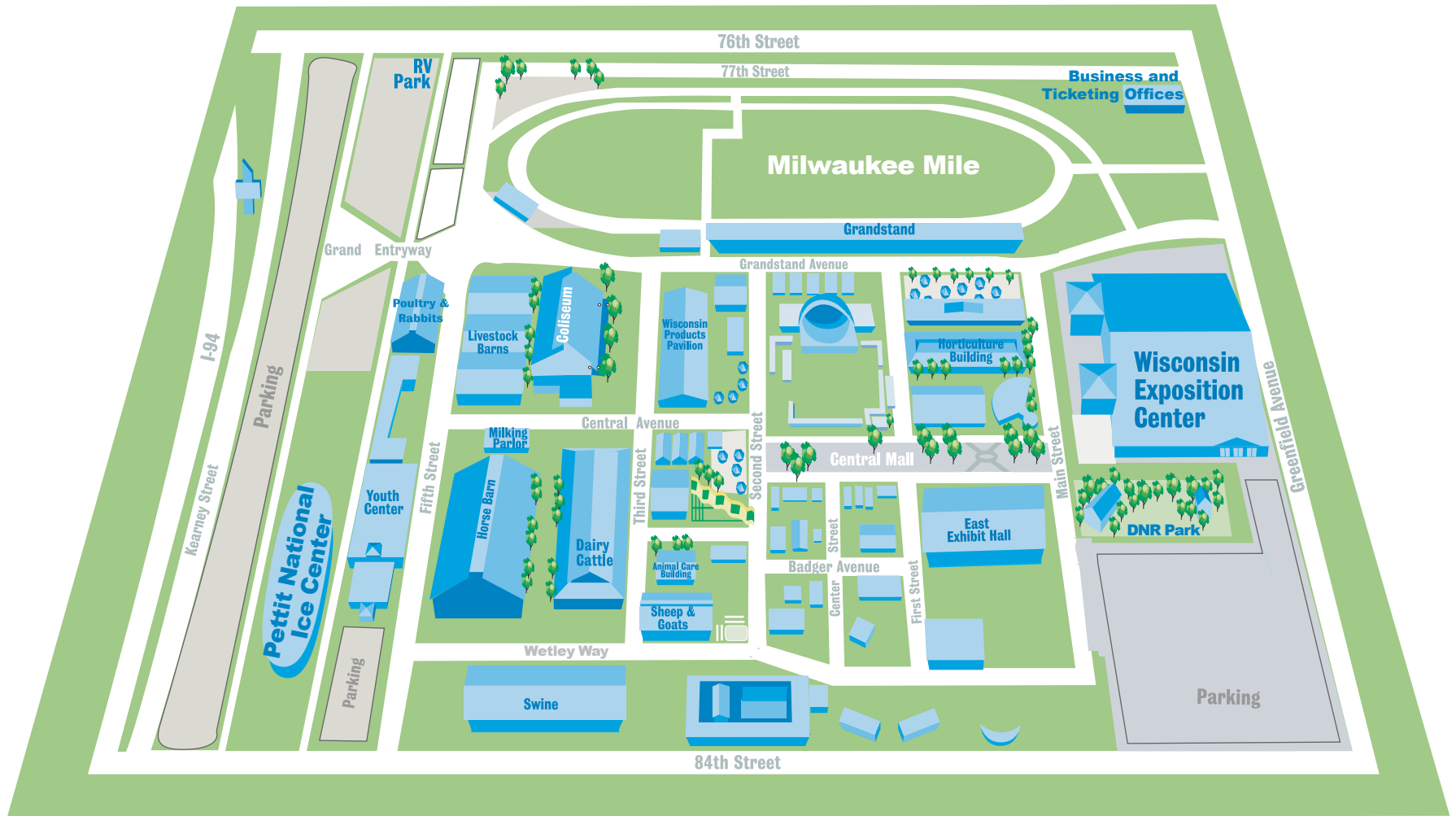
LEGISLATIVE AUDIT BUREAU



Carolyn Stittleburg
Audit Director

Appendix

Wisconsin State Fair Park





June 1, 2011

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

Dear Ms. Mueller,

Thank you and your audit team for the comprehensive audit of State Fair Park's Fiscal Year (FY) 2009-2010 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 report are important to State Fair Park and appropriate action will be taken to resolve them as follows:

- Procedures for administering and recording In-Kind support transactions will continue to be improved, documented and included in State Fair Park's Internal Controls.
- State Fair Park will work more closely with the Controller's office to identify accounting and presentation issues where the CAFR and the Legislative Audit Bureau audited statements may differ. This primarily relates to unique non-recurring transactions.

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