

An Audit

State Fair Park

2009-2010 Joint Legislative Audit Committee Members

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CONTENTS

Letter of Transmittal	1
Report Highlights	3
Introduction	9
State Fair Park Board and Staff	10
State Fair Park Finances	11
Debt Service Costs	13
State Fair Park's Agriculture Department	15
Managing Agriculture Events at the Wisconsin State Fair	16
Setting Competition Rules	17
Governor's Blue Ribbon Livestock Auction	18
Judge Selection	19
Conflict-of-Interest Policies and Procedures	20
The Milwaukee Mile	23
Milwaukee Mile Holdings	23
Wisconsin Motorsports	25
Termination Provisions	26
License Fees	27
Profit Sharing	27
State Fair Park Costs	29
Future Considerations	31
Pettit Center	31
Wisconsin Exposition Center	32
Tommy G. Thompson Youth Center	34
AmeriGas Property	36
I-94 Reconstruction	36
Audit Opinion	39
Independent Auditor's Report on the Financial Statements of the Wisconsin State Fair Park	

Management’s Discussion and Analysis	41
<hr/>	
Financial Statements	51
<hr/>	
Statement of Net Assets	52
Statement of Revenues, Expenses, and Changes in Net Assets	53
Statement of Cash Flows—State Fair Park Fund for the Year Ended June 30, 2008	54
Statement of Cash Flows: Component Unit—Exposition Center for the Year Ended December 31, 2007	56
Notes to the Financial Statements	57
<hr/>	
Report on Control and Compliance	75
<hr/>	
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	
Appendices	
<hr/>	
Appendix 1—State Fair Park Map	
Appendix 2—State Fair Park Agriculture Department Policies	
Response	
<hr/>	
From the Interim Executive Director of State Fair Park	



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Janice Mueller
State Auditor

June 19, 2009

Senator Kathleen Vinehout and
Representative Peter Barca, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

As required by s. 13.94(1)(dm), Wis. Stats., we have completed our annual financial audit of State Fair Park. We have issued an unqualified opinion on State Fair Park's fiscal year (FY) 2007-08 financial statements. In addition, we have continued to monitor its financial condition and efforts to improve its financial performance.

In FY 2007-08, State Fair Park's revenue exceeded expenditures by \$1.1 million on a cash basis. As a result, State Fair Park was able to reduce its accumulated cash deficit to \$8.6 million. The decision to sell the Pettit National Ice Center in 2007 and to license management of the Milwaukee Mile racetrack to a private promoter in 2006 helped State Fair Park achieve positive results in FY 2007-08. However, significant changes at the Milwaukee Mile will adversely affect revenues in FY 2008-09 and beyond. In February 2009, State Fair Park terminated its agreement with Milwaukee Mile Holdings LLC and entered into a license agreement with a new promoter at a significantly reduced license fee. State Fair Park is also involved in a dispute regarding \$2.7 million in license fees that it believes is owed by Milwaukee Mile Holdings under the terms of the license agreement. At this point, it appears litigation may be necessary to resolve the dispute.

As part of our audit, we followed up on conflict-of-interest concerns related to the management of State Fair Park's Agriculture Department that were raised in a prior audit. The State Fair Park Board has implemented a number of new policies and procedures to address the concerns, but it will be important for it to ensure they are fully implemented and working as intended.

Finally, we note financial reporting concerns that are discussed in the Report on Control and Compliance included in this report.

We appreciate the courtesy and cooperation extended to us by staff of State Fair Park. A response from State Fair Park's Interim Executive Director follows the appendices.

Respectfully submitted,

Janice Mueller
State Auditor

JM/CS/ss

Report Highlights ■

Revenue exceeded expenditures by \$1.1 million in FY 2007-08.

State Fair Park is involved in a legal dispute related to the Milwaukee Mile racetrack.

To address conflict-of-interest concerns, State Fair Park is implementing new policies for oversight of its Agriculture Department.

The Exposition Center's financial condition continues to deteriorate.

State Fair Park, the 190-acre fairgrounds located in West Allis and Milwaukee, is home to the Wisconsin State Fair. The State Fair Park Board is responsible for its management. In fiscal year (FY) 2007-08, State Fair Park's operating budget was \$17.8 million.

We are required by statutes to perform an annual financial audit of State Fair Park and have issued an unqualified opinion on its financial statements for FY 2007-08. They are included in our report. We have also continued to monitor State Fair Park's financial condition, including efforts to improve its financial performance. As part of our audit, we reviewed:

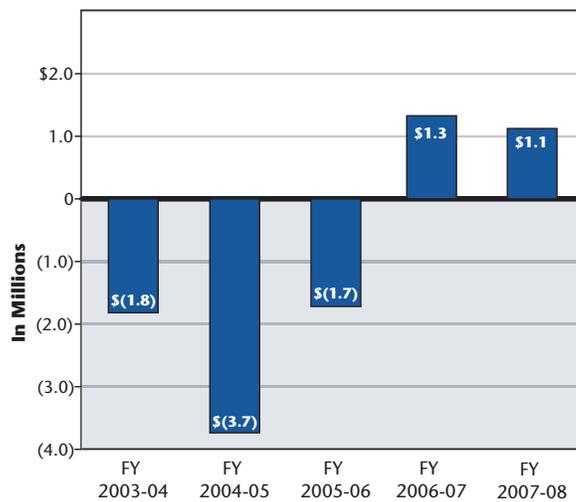
- revenue and expenditure data for FY 2007-08, as well as the status of the accumulated cash deficit in the program revenue appropriation that funds State Fair Park's operating expenses and debt service costs;
- the current status of the Milwaukee Mile racetrack license agreement;
- the status of conflict-of-interest concerns related to management of the State Fair Park Agriculture Department that were raised during our prior audit; and
- other areas that may affect State Fair Park operations in the future, including the financial status of the Wisconsin Exposition Center.

Fiscal Condition

In FY 2007-08, revenue exceeded expenditures by \$1.1 million. Sale of the Pettit Center in 2007 and licensing of the Milwaukee Mile racetrack to a private promoter in 2006 helped State Fair Park achieve positive operating results for the second year in a row, as shown in Figure 1.

Figure 1

Annual Operating Results (Cash Basis)



State Fair Park reduced the accumulated cash deficit in its program revenue appropriation to \$8.6 million on June 30, 2008. Because this deficit reduces funding available for other state programs and limits the State’s ability to generate income from investment earnings, State Fair Park should continue to take steps to address it.

Milwaukee Mile Racetrack

State Fair Park first entered into a license agreement with Milwaukee Mile Holdings LLC in January 2006. A revised agreement was signed in February 2008.

Both agreements included a letter of credit provision to secure license fees in the event Milwaukee Mile Holdings defaulted on the agreement. The February 2008 agreement required a letter of credit to be in place within 30 days of signing.

State Fair Park received assurances from Milwaukee Mile Holdings that the existing letter of credit would be updated in August 2008 to reflect the terms of the February 2008 agreement. However, no changes were made through fall 2008. Instead, the private promoter requested that State Fair Park eliminate all guaranteed license fees and the requirement for a letter of credit and indicated the future of racing at the Milwaukee Mile would otherwise be in jeopardy. The two parties could not come to an agreement, and in December 2008 Milwaukee Mile Holdings provided two years' notice of termination to the license agreement. In addition, the promoter raised concern with its ability to secure major racing events for 2009.

In February 2009, the Department of Justice (DOJ) officially terminated the license agreement because of the failure of Milwaukee Mile Holdings to provide the letter of credit under the terms of the February 2008 agreement. DOJ anticipates filing a lawsuit on behalf of State Fair Park seeking at least \$2.7 million in license fees, as required by the terms of the license agreement.

To ensure the continuation of racing for the 2009 season, State Fair Park entered into a license agreement with a new promoter, Wisconsin Motorsports LLC, in February 2009. The new agreement includes a fixed license fee of \$15,000 per month, or \$180,000 per year, which is significantly less than the annual license fee of \$1.0 million required under the most recent agreement with Milwaukee Mile Holdings.

While Wisconsin Motorsports is responsible for operating the racetrack, State Fair Park will continue to incur significant costs, as shown in Table 1. We estimate State Fair Park will be responsible for \$1.8 million in Milwaukee Mile costs in 2009, less license fees it collects from the new promoter.

Past promoters have had difficulty in operating the racetrack profitably. State Fair Park anticipates the new promoter will incur an operating loss in 2009, raising questions about the viability of racing at the Milwaukee Mile racetrack.

Table 1

**State Fair Park's Estimated
Milwaukee Mile Costs
2009**

Cost Type	Amount
Debt Service	\$1,814,000
State Fair Park Personnel	12,000
360 State Fair Tickets to Wisconsin Motorsports	2,000
Water and Sewer Costs	2,000
Total Costs	\$1,830,000

Agriculture Department

To address conflict-of-interest concerns described in our previous audit (report 08-8), the State Fair Park Board and its Agriculture Committee established new procedures for the development and implementation of competition rules and for the selection of competition judges. In addition, the Agriculture Committee will play a more active role in overseeing operations of State Fair Park's Agriculture Department.

To continue implementation of the ethics and conflict-of-interest policy approved by the State Fair Park Board in September 2007, the Agriculture Committee limited the activities of the Agriculture Director, who participates in several outside businesses that relate to his role at State Fair Park. The Agriculture Director may not:

- have an ownership interest in any animal showing at the Wisconsin State Fair;
- reference the Wisconsin State Fair in any advertisements when he is selling cattle or the embryos and progeny of cattle; nor
- conduct outside consulting related to the Wisconsin State Fair.

In addition, individuals purchasing show cattle presentation and preparation services from the Agriculture Director's business are prohibited from showing at the Wisconsin State Fair.

Future Considerations

While State Fair Park continues to reduce its accumulated cash deficit, it may face additional costs in the future.

First, interest earnings on proceeds from the sale of the Pettit Center have been less than the amounts expected, which may create an additional liability for State Fair Park starting in FY 2012-13.

Second, additional funding may be needed to update fire safety equipment, including a fire suppression sprinkler system and dormitory doors, in the Youth Center dormitory building.

Finally, the future financial stability of the Wisconsin Exposition Center warrants close attention. The Exposition Center has accumulated a deficit of \$3.0 million through calendar year 2007. Based on unaudited data, the deficit increased to \$4.3 million as of December 31, 2008.

Recommendations

Our report includes recommendations for State Fair Park to:

- ☑ continue careful monitoring to ensure the new policies and procedures for making changes to competition rules, selecting competition judges, and evaluating potential conflicts of interest are being implemented as intended (*p. 22*);
- ☑ establish a formal process for reviewing Wisconsin Motorsports' financial information, and report to the Joint Legislative Audit Committee by March 1, 2010, on its plans to address the revenue shortfall caused by changing the promoter for the Milwaukee Mile racetrack (*pp. 29 and 30*);
- ☑ assess the need for installation of a fire suppression sprinkler system in the Youth Center, and report to the Joint Legislative Audit Committee by March 1, 2010, on the status of this project (*pp. 35 and 37*); and
- ☑ report to the Joint Legislative Audit Committee by March 1, 2010, on its financial relationship with the Pettit Center and the Wisconsin Exposition Center, remediation of the former AmeriGas property, and reconstruction of I-94 and its effect on State Fair Park operations (*p. 37*).

Introduction ■

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

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. Attendance fees and other revenue from the annual fair, which is held each August, are State Fair Park's primary source of funding. Three other facilities on the fairgrounds, shown in Appendix 1, affect its operations: the Pettit National Ice Center, the Wisconsin Exposition Center, and the Milwaukee Mile racetrack.

The Pettit National Ice Center is a United States Olympic training facility that was sold by State Fair Park in January 2007 to the not-for-profit corporation that had previously leased and managed it. Proceeds from the sale plus interest earnings were expected to pay the annual debt service payments associated with the facility's construction.

The Wisconsin Exposition Center is owned and governed by a not-for-profit corporation created by the State Fair Park Board in 2000. The facility is used exclusively for the Wisconsin State Fair each August but is available for other events throughout the year. Because of its financial and operational affiliation with State Fair Park, the Exposition Center's operating results are included in our report.

The Milwaukee Mile racetrack and grandstand seating area, which encompass more than one-quarter of the fairgrounds, had been managed and operated by a private, for-profit promoter, Milwaukee Mile Holdings LLC, in exchange for an annual license fee. The agreement with Milwaukee Mile Holdings was terminated in

February 2009, and State Fair Park entered into an agreement with a new promoter, Wisconsin Motorsports LLC.

The 2007-09 Biennial Budget Act established State Fair Park's operating budget at \$17.8 million for FY 2007-08 and \$18.2 million for FY 2008-09. The Governor's 2009-11 biennial budget proposal reduced State Fair Park's operating budget to \$16.9 million for FY 2009-10 and \$17.0 million for FY 2010-11. In May 2009, the Legislature's Joint Finance Committee reduced the Governor's proposal by \$1.5 million over the biennium to better align estimated expenditures with anticipated revenue. The budget bill is currently pending in the Legislature.

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;
- the Secretary of the Department of Agriculture, Trade and Consumer Protection;
- 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.

While the Board is attached to the Department of Tourism for administrative purposes, State Fair Park's Executive Director is responsible for day-to-day operations. Currently the Executive Director position is vacant. The former Executive Director took a six-week medical leave of absence beginning November 25, 2008, and formally submitted his resignation to the State Fair Park Board on December 8, 2008. The resignation was effective January 5, 2009. The Deputy Executive Director is acting as Interim Executive

Director until a replacement is found. The State Fair Park Board is currently developing a job description for the position but does not plan to hire a new Executive Director before the 2009 Wisconsin State Fair.

State Fair Park’s authorized staffing level was 29.4 full-time equivalent positions in FY 2007-08. State Fair Park also employs approximately 1,200 limited-term employees, most of whom work exclusively during the 11-day Wisconsin State Fair.

We issued an unqualified opinion on State Fair Park’s FY 2007-08 financial statements.

Under the provisions of 1999 Wisconsin Act 197, the Legislative Audit Bureau must perform an annual financial audit of State Fair Park. We have issued an unqualified opinion on the FY 2007-08 financial statements, which are included in this report. In addition, we have continued to monitor State Fair Park’s financial position and its efforts to improve its financial performance and have followed up on concerns raised during a prior audit regarding management issues in State Fair Park’s Agriculture Department.

State Fair Park Finances

State Fair Park ended FY 2007-08 with revenue exceeding expenditures by \$1.1 million.

Since the late 1990s, State Fair Park has experienced several years in which expenditures—including operating, capital, and debt service expenditures—exceeded revenue. However in FY 2007-08, State Fair Park revenue exceeded expenditures for the second year in a row, as shown in Table 2. State Fair Park ended FY 2007-08 with revenue exceeding expenditures by \$1.1 million.

Table 2

State Fair Park Revenue and Expenditures¹

Fiscal Year	Revenue	Expenditures ²	Revenue Less Expenditures
2003-04	\$19,890,268	\$21,706,900	\$(1,816,632)
2004-05	20,994,949	24,731,774	(3,736,825)
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

¹ Data are provided on the cash basis of accounting.

² Includes statutorily required lapses to the State’s General Fund of \$179,700 in FY 2003-04 and \$186,000 in FY 2004-05. No lapses have been required since then.

The decision to sell the Pettit National Ice Center in 2007 and to license management of the Milwaukee Mile racetrack to Milwaukee Mile Holdings in 2006 helped State Fair Park achieve positive operating results in FY 2007-08. For example, debt service related to the Pettit Center is currently being paid from the proceeds of the sale of the Pettit Center, rather than from program revenue generated by State Fair Park. While the racetrack license agreement has seen a number of changes since 2006, including its termination in 2009, the agreement did provide State Fair Park the opportunity to reduce racing expenditures by \$3.8 million in FY 2006-07 and to continue to minimize racing expenditures in FY 2007-08.

During FY 2006-07, State Fair Park amended the dairy bakery and midway operations contracts. Under the amended contracts, which were first effective for the 2007 fair, State Fair Park is no longer responsible for either of these operations and no longer incurs expenditures related to them, but is guaranteed revenue of \$370,000 for the dairy bakery and \$800,000 for midway amusement ride operations. For the 2006 fair, when State Fair Park was responsible for operations, it received \$1.2 million in revenue, net of expenditures, for operation of the dairy bakery and midway amusement rides. Under the new contracts State Fair Park receives nearly \$1.2 million, but it is not susceptible to such business risks as changes in attendance at the annual fair.

Final financial data are not yet available for FY 2008-09, but State Fair Park officials are projecting that revenue will exceed expenditures by approximately \$400,000. If this surplus is realized, State Fair Park will be able to further reduce the accumulated cash deficit in its program revenue appropriation.

State Fair Park's cash deficit was \$8.6 million on June 30, 2008.

State Fair Park's capital expenditures are funded in part through past revenues that are set aside in a statutorily required capital reserve fund. Noncapital expenditures, including operating and debt service costs, are funded by an ongoing program revenue appropriation. As of June 30, 2008, the capital reserve fund had a balance of \$920,000. However, the program revenue appropriation's accumulated deficit was \$8.6 million. State Fair Park's positive operating results for FY 2007-08 reduced the cash deficit in its program revenue appropriation from \$9.9 million on June 30, 2007. A cash deficit in any program revenue appropriation reduces the cash balances of the State's General Fund and costs the General Fund an opportunity to invest and earn interest on amounts used to cover the shortfall.

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 2007-08, debt service payments on the debt funded by program revenue were \$3.5 million, and debt service payments on the debt funded by GPR were \$2.3 million. From FY 2008-09 through FY 2027-28, debt service payments related to program revenue-supported debt outstanding as of June 30, 2008, are expected to total approximately \$44.6 million. Over this same time period, debt service payments related to GPR-supported debt outstanding as of June 30, 2008, are expected to total approximately \$33.1 million.

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State Fair Park's Agriculture Department ■

***State Fair Park's
Agriculture Department
manages agricultural
events at the Wisconsin
State Fair.***

State Fair Park's principal mission is to host the 11-day Wisconsin State Fair, which showcases Wisconsin's agricultural heritage and is one of several agricultural events held at the fairgrounds each year. State Fair Park's Agriculture Department manages agricultural events at the Wisconsin State Fair, including:

- setting competition rules for youth and adults who exhibit livestock and agricultural products;
- hiring limited-term staff who facilitate shows and enforce competition rules; and
- contracting with judges for the various livestock competitions.

Policy changes in recent years have raised concerns with the transparency of the rule-making process, the process for selecting judges, and the payout structure for the Governor's Blue Ribbon Livestock Auction. Allegations of conflicts of interest have also been made. We reported on these concerns in 2008 (report 08-8), and State Fair Park has made progress in establishing new policies in response to our recommendations. However, implementation of these policies will be critical to improving the transparency of the agriculture competitions at the fair.

Managing Agriculture Events at the Wisconsin State Fair

The State Fair Park Board, the Board's Agriculture Committee, and the Executive Director have oversight responsibility for operations of the State Fair Park Agriculture Department. The Agriculture Department consists of only two full-time employees: the Agriculture Director and the Agriculture Coordinator. In addition to management responsibility for agricultural events, the Agriculture Director acts as State Fair Park's liaison with representatives of the livestock industry and is responsible for the Agriculture Department's financial and personnel management, including hiring superintendents who oversee individual livestock shows and contracting with individuals to judge the competitions. The Agriculture Director is also responsible for the development, publication, and overall enforcement of competition rules. The Agriculture Coordinator is responsible for managing the receipt of entries for the fair livestock shows, purchasing and record-keeping for the Agriculture Department, and supervising limited-term staff and interns with whom she works during the Wisconsin State Fair and other agriculture events held at State Fair Park.

Superintendents manage the various animal species that participate in the fair. Each species category is assigned a superintendent and assistant staff to facilitate the shows, enforce competition rules, and determine whether animals are eligible to participate in a given competition. The superintendents and their staffs also oversee the registration of all animals and verify that the animals meet eligibility requirements in particular breed categories. Superintendents and their staffs are limited-term employees who are employed mainly during the 11-day Wisconsin State Fair.

State Fair Park is working on formalizing and implementing the policies and procedures for the Agriculture Department.

During our prior audit, we noted that there were limited written policies and procedures to guide the efforts of the Agriculture Department. As a result, some rule changes raised concerns with some members of the agriculture community. These concerns were further intensified by perceived conflicts of interest related to the Agriculture Director's outside interests in the cattle industry. In response to our recommendations, State Fair Park has been working to formalize policies related to setting competition rules, establishing the role of the Governor's Blue Ribbon Livestock Auction Committee, selecting competition judges, and resolving potential conflicts of interest.

Setting Competition Rules

State Fair Park's Agriculture Committee now approves changes to competition rules.

To improve the transparency of the process for setting competition rules for agriculture events, formal policies and procedures were established by State Fair Park management and approved by the State Fair Park Board in February 2009. In the past, competition rule changes had been established by the Agriculture Director with input from various advisory groups, but with little involvement by the State Fair Park Board or its Agriculture Committee. Appendix 2 summarizes the new process for establishing and approving competition rule changes, which reflects three major changes:

- The Board's Agriculture Committee is required to approve all competition rule changes, to increase the transparency of the process and provide an additional level of oversight.
- The newly established Agriculture Advisory Council, which includes representatives selected from various agriculture interest groups, will give their members an opportunity to comment on potential competition rule changes before they are promulgated. The Council will include five members with specific skills and expertise, who are appointed by the Agriculture Committee to one-year terms, as well as representatives appointed by 4-H, FFA, the Wisconsin State Fair Dairy Promotions Board, the Wisconsin Association of Fairs, and the Governor's Blue Ribbon Livestock Auction Committee.
- All proposed rule changes will be posted on State Fair Park's Web site to allow interested parties the opportunity to voice concerns about the proposals. E-mail notices of proposed changes will be sent to members of industry groups, associations, and to those participating in fair events.

State Fair Park believes this structure should allow involvement by the Agriculture community and representatives from a broad spectrum of interests. Competition rule changes affecting the 2009 Wisconsin State Fair were brought to the State Fair Park Board in November 2008, and therefore did not follow the new competition rule change process approved in February 2009. Several minor changes to the competition rules were approved by the Board for the 2009 fair.

Governor's Blue Ribbon Livestock Auction

The Governor's Blue Ribbon Livestock Auction, the premiere livestock event of the Wisconsin State Fair, is managed by a 30-member committee.

The Governor's Blue Ribbon Livestock Auction is the premiere livestock event of the annual Wisconsin State Fair. The Governor's Auction is managed by the 30-member Governor's Blue Ribbon Livestock Auction Committee, which includes youth exhibitors; members of the agriculture community; representatives of various youth and livestock industry organizations; and members of the State Fair Park Board and the State Fair Park Youth Foundation, who serve on the committee in an ex officio capacity.

The State Fair Park Youth Foundation seeks to develop public and private partnerships to support youth programming and facilities development at State Fair Park. In addition, it provides financial and volunteer services to the Governor's Blue Ribbon Livestock Auction Committee. While the Auction Committee is responsible for auction administration, including marketing, staffing, and event planning, it has contracted with the State Fair Park Youth Foundation to maintain and account for auction proceeds, which are recorded in the financial records of the Foundation and are not reflected in State Fair Park's financial statements.

Beginning with the 2008 fair, the payout structure for the Governor's Auction was changed significantly to reduce monetary prizes to competitors and provide additional funding for scholarships and grants for more junior exhibitors. The change in the payout structure was approved by the State Fair Park Board in April 2007. However, as reported in our prior audit, some in the agriculture community raised concerns that State Fair Park did not have the authority to approve the change in the payout structure. Until the Board declared the Governor's Blue Ribbon Livestock Auction Committee a subcommittee of the Board's Agriculture Committee in April 2007, the Auction Committee solely determined policy for the Governor's Auction and operated independently from State Fair Park.

The State Fair Park Board voted to require that the Governor's Blue Ribbon Livestock Auction Committee become a separate legal entity.

In response to our recommendation that State Fair Park clarify its relationship with the Auction Committee, management proposed the State Fair Park Board either take ownership responsibility of the Auction Committee or require the Auction Committee to establish itself as an independent legal entity. At its April 2009 meeting, the State Fair Park Board voted to require the Auction Committee take action to become its own legal entity, separate from State Fair Park.

The Governor's Blue Ribbon Livestock Auction Committee will consider its relationship with State Fair Park at its June 2009 meeting.

If approved by the Auction Committee, which will consider this issue at its June 2009 meeting, a lease agreement will be established to formalize the Auction Committee's use of State Fair Park facilities to conduct the auction. State Fair Park anticipates the lease agreement will ensure the continuation of the Governor's Auction into the future, as well as specify the payout structure for the auction event. Any potential changes in the relationship between State Fair Park and the Auction Committee will not be effective until at least the 2010 fair. We caution State Fair Park to proceed carefully in establishing this arrangement with the Auction Committee, to ensure it maintains an appropriate level of accountability and preserves the traditions of agriculture events at the fair.

Judge Selection

During our prior audit, we raised concerns with changes that had been made in the process for selecting judges for the various agriculture shows at the Wisconsin State Fair. In fall 2006, the Agriculture Director assumed sole responsibility for judge selection. Before that time, industry groups had participated by providing a ranking of qualified judges to the Agriculture Director. Some in the agriculture community expressed concern with the concentration of responsibility for judge selection with the Agriculture Director, in part because he also participates in an outside business that buys and sells show cattle that may eventually be shown at the Wisconsin State Fair.

The State Fair Park Board approved a new judge selection process in November 2008.

State Fair Park has taken steps to increase the transparency of the process for selecting livestock judges. The State Fair Park Board approved a new judge selection process in November 2008 and subsequent revisions in April 2009. Key provisions of the new process include the Agriculture Committee's involvement in approving potential judges, as well as involvement by members of the agriculture community in the nominating process. Appendix 2 provides further detail on the new judge selection process.

The Agriculture Director will typically make final hiring decisions based on a list of individuals approved by the Agriculture Committee and will also be responsible for reporting all decisions to the Agriculture Committee and providing justification, if necessary, after the fair. The new process also requires that when either the Executive Director or the Agriculture Committee determines that the Agriculture Director's private business interests could result in at least the appearance of a conflict of interest, judge selection decisions must be approved by the Agriculture Committee before judges are hired.

State Fair Park has indicated information on the new process will be posted on its Web site and that agriculture publications will be informed through press releases, but this part of the process has not yet been implemented. The new process was otherwise implemented for the 2009 fair, and oversight was provided by the Agriculture Committee. As anticipated, given the Agriculture Director's outside business interests, the Agriculture Committee provided its approval before offers were made to the judges selected for the junior and open beef shows.

Conflict-of-Interest Policies and Procedures

Conflicts may arise because individuals who participate in the agriculture community are managing events at the Wisconsin State Fair.

Individuals involved in managing the Wisconsin State Fair, including the Agriculture Director and superintendents, have developed a level of expertise and knowledge that gives them the ability to manage and operate the livestock shows and is typically developed through years of involvement in the livestock industry. However, this level of involvement can also make it difficult for these individuals to be free of any relationships or ties to the competitions.

In September 2007, the State Fair Park Board passed a resolution on ethical conduct of employees and conflicts of interest.

In the past, concerns were raised by some members of the agriculture community related to perceived conflicts of interest involving the Agriculture Director and his involvement in the cattle industry, including the Agriculture Director's ownership interest in animals shown at the Wisconsin State Fair. As a result of these concerns, the State Fair Park Board passed a resolution in September 2007 prohibiting employees and their immediate families from showing animals in any competition that the employee is involved in either managing or judging. Further, the resolution states that employees shall not engage in any outside employment or activity in conflict with their duties and responsibilities at State Fair Park.

Most employees involved in competitions will be required to annually complete an outside activities report or a potential conflict-of-interest report.

An ethics and conflict-of-interest implementation policy was approved by the State Fair Park Board in April 2008. The policy applies to all positions involved with processing entry forms, determining eligibility, selecting judges, judging, and the appeals process for competitive events. This includes the Executive Director, the Agriculture Director, the Agriculture Coordinator, superintendents, judges, and administrative staff who process entry forms. Limited-term employees working in these positions are required to annually complete and submit the potential conflict-of-interest report. Full-time employees must annually complete the outside activities report.

We reviewed approximately 200 potential conflict-of-interest reports for limited-term employees. We found that management reviewed the reports and made changes in duties to avoid potential conflicts of interest. We also reviewed the outside activities reports that were

required for 13 permanent employees. While most of the 13 employees reported some type of outside activity, few appear to have involved potential conflicts that needed to be addressed. However, the outside activities reports filed by the Agriculture Director indicated some areas of concern.

The Agriculture Director participated in several outside businesses that have some relationship to his responsibilities to State Fair Park.

The Agriculture Director completed five outside activities reports, representing various private business or volunteer activities. He also discussed his outside business interests with the Agriculture Committee in March and May 2009. Several of his outside activities clearly did not raise a conflict-of-interest concern. However, concerns were raised concerning four business interests of the Agriculture Director:

- a business that breeds and sells show cattle;
- a business that merchandises embryos and progeny;
- a business that prepares cattle for presentation at shows; and
- a cattle consulting business.

The Agriculture Director sought guidance from the Agriculture Committee on specific areas related to his businesses. During the March 2009 meeting, he indicated that in the future he will better document his outside activities by listing all show cattle sold as part of his outside business interests. Further, he indicated these cattle will have a permanent form of identification to allow State Fair Park superintendent staff to identify any cattle sold by the Agriculture Director that are shown at the Wisconsin State Fair.

The Agriculture Committee has developed rules for the Agriculture Director's participation in outside businesses.

Overall, the Committee approved the outside work activity under the assumption that the Agriculture Director is breeding primarily for production cattle, not show cattle. The Committee indicated that it plans to monitor this activity over time to verify that cattle sales are primarily for beef production, not for show animals. Further, the Committee indicated that because of the potential for a conflict of interest:

- the Agriculture Director may not reference the Wisconsin State Fair in any of his advertisements, whether selling cattle or the embryos or progeny of cattle;
- no cattle in which he has any type of ownership interest may be shown at the Wisconsin State Fair;

- outside consulting related to the Wisconsin State Fair is prohibited; and
- those purchasing show cattle presentation or preparation services from the Agriculture Director's business are prohibited from showing at the Wisconsin State Fair.

At the May 2009 meeting, the Agriculture Committee provided further clarification that violation of these rules would be considered a serious work violation that could result in discipline up to and including termination. In addition, procedures for further monitoring of the Agriculture Director's cattle business were established at this meeting.

In our 2008 report, we recommended, as established in State Fair Park's ethics policy, that it seek an opinion from the Government Accountability Board about whether the Agriculture Director's outside business interests represent a conflict of interest with his responsibilities to State Fair Park. The Government Accountability Board declined to comment on this issue, indicating that its responsibilities are limited to monitoring the ethical behavior of state and local public officials, as defined in Wisconsin Statutes. Despite not being able to provide an opinion on this issue, a representative of the Government Accountability Board indicated that it will be important for State Fair Park to take steps, as necessary and practical, to make the oversight process as transparent as possible and to minimize the possibility of actual conflicts.

State Fair Park has sought to address the conflict-of-interest issues that have been raised. As noted, additional procedures have been put in place in an attempt to minimize actual conflicts of interest and to provide additional oversight for the Agriculture Department. However, some of these policies have just recently been approved by the State Fair Park Board, and others have not yet been implemented. It will be important to ensure these new policies are providing the oversight needed to minimize potential conflicts of interest and provide transparency to the agriculture community.

Recommendation

We recommend the State Fair Park Board continue to carefully monitor its new policies and procedures for making changes to competition rules, selecting competition judges, and evaluating potential conflicts of interest to ensure they are being implemented as intended.

The Milwaukee Mile ■

The Milwaukee Mile racetrack continues to present significant financial and management difficulties for State Fair Park. Beginning in January 2006, Milwaukee Mile racing activities were managed by Milwaukee Mile Holdings LLC, a for-profit, private racing promoter and real estate development group. The February 2009 termination of the license agreement with Milwaukee Mile Holdings has prompted a legal dispute. Further, State Fair Park's contract with a new promoter is expected to generate significantly less license fee revenue, raising questions about the long-term profitability and viability of racing.

Milwaukee Mile Holdings

Under the terms of the license agreement with Milwaukee Mile Holdings, State Fair Park maintained ownership of the Milwaukee Mile, but Milwaukee Mile Holdings received promotional rights to the racetrack and its premises. After two years of operating under the original license agreement, Milwaukee Mile Holdings requested and received a revised license agreement in February 2008. This license agreement reduced annual license fees by 44.0 percent and allowed Milwaukee Mile Holdings to defer a portion of annual fees until 2017. Milwaukee Mile Holdings also received an exclusive ground lease option for a 6.35 acre parcel of land located adjacent to the Milwaukee Mile to develop a hotel and restaurant. State Fair Park justified the revisions as a one-time adjustment to reflect the

market value for racing operations and to expedite commercial development near the racetrack.

The license agreement includes a letter of credit provision to guarantee payment of license fees.

Both the original and the revised license agreement required Milwaukee Mile Holdings to secure license fees via a letter of credit issued by a financial institution. The letter of credit would guarantee obligations under the license agreement, including all deferred payments and two years of future license fees in the event Milwaukee Mile Holdings defaulted on or terminated the agreement. A letter of credit was executed in February 2006 to satisfy the requirements of the original license agreement.

The February 2008 license agreement required a letter of credit to be in place within 30 days of the signing of the agreement. However, Milwaukee Mile Holdings did not submit a letter of credit by March 2008, as required by the agreement. Instead, according to State Fair Park management, Milwaukee Mile Holdings indicated orally, in February and in March 2008, that it would direct its financial institution to update the February 2006 letter of credit to meet the requirements of the February 2008 license agreement. In June 2008, Milwaukee Mile Holdings indicated both orally and in writing that it would direct its financial institution to update the February 2006 letter of credit on the renewal date of August 31, 2008. However, as the August 31 deadline approached and passed, Milwaukee Mile Holdings did not take the necessary steps to update or replace the letter of credit. There was no further correspondence between State Fair Park and Milwaukee Mile Holdings regarding the letter of credit until September 2008.

State Fair Park and its former racetrack promoter are in dispute over the letter of credit.

In September and October 2008, State Fair Park made additional written requests for Milwaukee Mile Holdings to supply the updated letter of credit. In response, Milwaukee Mile Holdings requested significant revisions to the February 2008 license agreement, including the elimination of annual license fees and the requirement for a letter of credit. Milwaukee Mile Holdings claimed that despite increased attendance over the past three years, it had lost a total of \$5.1 million since 2006 and that the future of racing at the Milwaukee Mile was in jeopardy without these concessions.

Throughout the remainder of 2008, the two parties were at an impasse. State Fair Park requested that the letter of credit be updated before it would meet with Milwaukee Mile Holdings; Milwaukee Mile Holdings refused to update the letter of credit, requesting instead to further revise the license agreement. The letter of credit entered into under the February 2006 agreement was not extended beyond August 31, 2009, and will expire on that date.

In November 2008, Milwaukee Mile Holdings offered to relinquish its promotional rights to the Milwaukee Mile in exchange for a release from all past and future liability. As part of the exchange, Milwaukee Mile Holdings requested a development option for State Fair Park land along the I-94 corridor. Following a closed-session meeting with Milwaukee Mile Holdings, the State Fair Park Board formally rejected this proposal. In December 2008, Milwaukee Mile Holdings provided two years' notice of termination of the license agreement, and official notification that it would not be exercising the land development option for the 6.35 acre parcel of land located adjacent to the Milwaukee Mile. In addition, Milwaukee Mile Holdings communicated orally that it did not have the assets required to secure the 2009 major racing events at the Milwaukee Mile, and gave State Fair Park permission to seek another promoter.

The license agreement with Milwaukee Mile Holdings was officially terminated in February 2009.

On behalf of State Fair Park, the Wisconsin Department of Justice officially terminated the license agreement with Milwaukee Mile Holdings in February 2009 because of the failure of Milwaukee Mile Holdings to provide the letter of credit, which DOJ indicated constituted an act of default. In February 2009, Milwaukee Mile Holdings and State Fair Park discussed a potential settlement of liability. However, the parties' latest proposals are substantially different in cash and other settlement terms.

DOJ expects to file a lawsuit on behalf of State Fair Park seeking in excess of \$2.7 million.

DOJ expects to file a lawsuit on behalf of State Fair Park seeking in excess of \$2.7 million in damages, including \$678,000 in deferred license fee payments from 2007 and 2008, and \$2.0 million in license fees owed for 2009 and 2010. If successful, DOJ expects to receive the full \$2.7 million it believes Milwaukee Mile Holdings owes, minus license fees received from the new Milwaukee Mile promoter, Wisconsin Motorsports.

Wisconsin Motorsports

Following Milwaukee Mile Holdings' December 2008 notice of termination, the principal owners informed their staff and State Fair Park that they had no intention of operating racing at the racetrack during the two-year notice period. However, Milwaukee Mile Holdings' then-President of Operations indicated that he was interested in forming a new ownership group with the intent of assuming racing operations at the Milwaukee Mile. After receiving consent from both State Fair Park and Milwaukee Mile Holdings to negotiate and enter into an agreement, he formed Wisconsin Motorsports LLC. State Fair Park indicated that while several parties expressed interest in operating the racetrack, Wisconsin Motorsports was the only group to submit a proposal.

In February 2009, State Fair Park entered into a license agreement with Wisconsin Motorsports.

In February 2009, State Fair Park entered into a new racetrack and grandstand licensing agreement with Wisconsin Motorsports. The initial term of the agreement is ten years, with two optional renewal periods of ten years each. Many of the terms of the license agreement are similar to the previous racetrack and grandstand license agreement. For example, State Fair Park retains full ownership of the track, while Wisconsin Motorsports:

- has promotional rights related to the Milwaukee Mile racetrack and related facilities, including the oval racetrack, track infield and facilities, retaining walls and barriers, Milwaukee Mile office building, and parking lot;
- retains most revenue generated from parking at Milwaukee Mile events; and
- is responsible for all capital improvements and maintenance to the Milwaukee Mile.

However, one key change is the absence of a land development option. Wisconsin Motorsports management originally requested a one-year ground lease option for the 6.35-acre parcel of land located adjacent to the Milwaukee Mile to potentially partner with a developer. According to State Fair Park management, this request was withdrawn following discussion among State Fair Park Board members, who indicated a desire for Wisconsin Motorsports to focus on racing operations rather than real estate development. In addition, the new agreement includes significant changes to the termination and license fee provisions.

Termination Provisions

If Wisconsin Motorsports terminates the license agreement, it is required to provide a two-year notice of termination. However, the agreement does not contain a letter of credit or any other license fee security provisions. State Fair Park indicated that a letter of credit was not required because the license agreement with Wisconsin Motorsports is solely for racing operations and includes a significantly reduced license fee.

License Fees

The February 2009 license agreement between State Fair Park and Wisconsin Motorsports includes a fixed license fee of \$15,000 per month for the initial ten-year term. In 2009, State Fair Park will receive only 11 months of fixed license fees, or \$165,000. In each of the next nine years, the fixed license fee will be \$180,000.

The new racing agreement provides State Fair Park with significantly reduced license fees.

As shown in Table 3, guaranteed license fees are \$705,000 over the first four years of the license agreement with Wisconsin Motorsports. That amount is significantly less than the \$4.0 million in contracted license fees under the previous license agreement with Milwaukee Mile Holdings.

Table 3

License Fees Comparison

Year	Wisconsin Motorsports	Milwaukee Mile Holdings ¹
2009	\$165,000	\$1,004,000
2010	180,000	1,004,000
2011	180,000	1,004,000
2012	180,000	1,004,000
4-year Total	\$705,000	\$4,016,000

¹ A portion of annual license fees was scheduled to be deferred until 2017.

Profit Sharing

The license agreement also stipulates that State Fair Park is to receive 10.0 percent of Wisconsin Motorsports' gross monthly revenue. The agreement defines gross revenue as all sales revenue minus directly related sales costs and fees paid to sanctioning bodies such as Indy Racing League (IRL) and NASCAR. For the first four years of the agreement, total profit sharing is capped; the maximum total revenue (fixed license fee plus profit sharing) that State Fair Park can receive in 2009 is \$300,000, with \$50,000 annual increases to the cap until 2012. Beginning in 2013, there is no limit on the shared profit State Fair Park can receive.

Wisconsin Motorsports has contracted for or planned 30 events for the 2009 season.

Wisconsin Motorsports has focused on restoring the racetrack to profitability by increasing event revenue and reducing expenses. It has secured contracts with the two primary race sanctioning bodies—NASCAR through 2009 and IRL through 2012—and has contracted for or planned 28 other events for the 2009 season. Fourteen of the events are new for 2009, including an American Speed Association race, a Sports Car Club of America race, and Victory Lane Driving School.

Wisconsin Motorsports maintains that familiarity with Milwaukee Mile Holdings operations has allowed it to identify \$1.1 million in cost reductions for 2009 and projects that \$560,000 of the savings will come from eliminating or reducing legal fees, management fees, travel expenses, and staff. The remaining \$535,000 reduction results from changes in the license fee under the new agreement.

State Fair Park indicated that through May 2009 it has received \$20,000 in profit sharing revenue from Wisconsin Motorsports. Several factors will likely limit the amount of profit sharing revenue State Fair Park will receive for the remainder of 2009. Wisconsin Motorsports has indicated that sponsorship revenue has declined as a result of the economic downturn. In addition, Wisconsin Motorsports will not receive approximately \$1.0 million in revenue from advance ticket sales for the 2009 season that was collected by Milwaukee Mile Holdings, which indicated to State Fair Park that the funds were spent on obligations from the 2008 season. Wisconsin Motorsports has, however, agreed to honor the advance sale tickets.

Wisconsin Motorsports may also encounter some difficulties in contracting with vendors. State Fair Park estimated that Milwaukee Mile Holdings failed to pay outstanding vendor invoices worth between \$500,000 and \$800,000. Wisconsin Motorsports is employing various strategies to retain vendor services and to help vendors recoup their losses, such as prepaying between one-half and the entire cost of the vendors' services. While State Fair Park has expressed concern regarding this situation, it has no legal standing to collect on behalf of the vendors or Wisconsin Motorsports. DOJ also confirmed that State Fair Park has no liability related to the unpaid vendors.

Wisconsin Motorsports has offered to make its financial records available for review by State Fair Park. Considering the history of management instability at the Milwaukee Mile, the emphasis that the State Fair Park Board has placed on preserving racing operations, and the need to cover as many Milwaukee Mile-related costs as possible, State Fair Park should consider this to be a valuable opportunity to establish a formal process for the review of finances and operations at the Milwaukee Mile.

☑ Recommendation

We recommend State Fair Park establish a formal process for reviewing Wisconsin Motorsports' financial information.

State Fair Park Costs

In 2009, State Fair Park's costs related to the Milwaukee Mile are expected to be \$1.8 million.

While Wisconsin Motorsports is responsible for operating and promoting the Milwaukee Mile, State Fair Park continues to incur significant costs, including \$1.8 million in program revenue–supported debt service costs related to the grandstand renovation and other racetrack improvements. State Fair Park originally estimated that license fees would cover a significant portion of the debt service costs. However, under the agreement with Wisconsin Motorsports, State Fair Park anticipates it will receive only \$165,000 in license fees and \$30,000 in profit sharing revenue for 2009, or 10.7 percent of its total Milwaukee Mile–related costs, which are shown in Table 4.

Table 4

**State Fair Park's Estimated Milwaukee Mile Costs
2009**

Cost Type	Amount
Debt Service	\$1,814,000
State Fair Park Personnel	12,000
360 State Fair Tickets to Wisconsin Motorsports	2,000
Water and Sewer Costs	2,000
Total Costs	\$1,830,000

Under the current license agreement, Wisconsin Motorsports is required to pay for facility improvements unless State Fair Park agrees to provide financing for track resurfacing or other capital improvements totaling more than \$50,000. State Fair Park has an incentive to provide this financing, as either party can terminate the license agreement if capital improvements required by IRL or NASCAR are not implemented. While State Fair Park does not anticipate any immediate capital improvements, new regulations from these sanctioning bodies may require additional financial commitments by State Fair Park in order to preserve racing operations.

Wisconsin Motorsports appears to be focused on maintaining major racing operations, adding new racing events, and restoring the Milwaukee Mile to profitability. However, past promoters of the racetrack have attempted to achieve these goals with little success. Further, Wisconsin Motorsports inherits significant financial liabilities and is beginning operations under general economic conditions that have significantly affected sectors that rely on discretionary spending, such as auto racing. State Fair Park anticipates that Wisconsin Motorsports will incur an operating loss in 2009, raising questions about the viability of racing at the Milwaukee Mile. If racing is discontinued, State Fair Park will continue to be responsible for the grandstand debt service payments, which total \$21.4 million as of June 30, 2008, until the bonds are fully repaid in 2023.

☑ Recommendation

We recommend State Fair Park report to the Joint Legislative Audit Committee by March 1, 2010, on its plans to address the revenue shortfall caused by changes in the promoter for the Milwaukee Mile racetrack.

■ ■ ■ ■

Future Considerations ■

State Fair Park officials have taken several steps to improve the financial condition of State Fair Park, including implementing cost-saving measures and renegotiating contracts. These steps have allowed State Fair Park to reduce its cash deficit to \$8.6 million as of June 30, 2008. However, in addition to continued and careful oversight of the Agriculture Department and the Milwaukee Mile, attention needs to be given to:

- the Pettit Center;
- the Wisconsin Exposition Center;
- the Tommy G. Thompson Youth Center;
- the former AmeriGas Property; and
- the reconstruction proposal for I-94.

Pettit Center

Proceeds from the sale of the Pettit Center, plus interest earnings, were expected to pay the remaining debt service on the facility.

The Pettit Center's financial results are not reported in State Fair Park's financial statements because a private, not-for-profit corporation, Pettit National Ice Center, Inc., owns and operates the facility. State Fair Park sold the Pettit Center facility to the Pettit National Ice Center, Inc., on January 5, 2007. The final price of \$5.6 million was approved by the State's Capital Finance Director,

anticipating that the proceeds, plus expected interest earnings of 5.3 percent annually, would be sufficient to cover the remaining debt service on the facility.

Interest earnings on the proceeds from the sale of the Pettit Center have been less than expected.

Proceeds from the sale of the Pettit Center are invested in the State Investment Fund, a short-term investment pool that invests the excess cash balances of state and local governments. Sales proceeds have not earned interest at the estimated rates, but rather a rate of 2.6 percent in FY 2006-07 and 3.5 percent in FY 2007-08, which generated total interest earnings of \$292,000. At the end of FY 2007-08, outstanding debt service costs related to the Pettit Center were \$4.7 million, but sales proceeds and interest earnings available to pay future debt service costs were only \$4.0 million.

State Fair Park estimates that Pettit Center sales proceeds and interest will be completely depleted in FY 2012-13. Consequently, unless interest rates increase significantly in the intervening years, State Fair Park will need to identify an estimated total of \$397,000 in program revenue sources to pay debt service on the Pettit Center from FY 2012-13 through FY 2024-25, with the most significant shortage occurring in FY 2012-13, when State Fair Park will need to identify an estimated \$213,000 in additional program revenue.

Wisconsin Exposition Center

The financial condition of the Exposition Center is deteriorating.

Construction of the Exposition Center was financed with \$44.9 million in industrial revenue bonds issued by the City of West Allis. In 2007, the Exposition Center finalized a refinancing agreement with a private lender, which lowered the interest rate and required the Exposition Center to begin making principal payments to a bond sinking fund in 2017. The entire principal balance is due when the bonds mature in 2028. While it had been expected that the debt would be repaid by revenue generated from the Exposition Center, the financial position of the Exposition Center continues to deteriorate.

A private CPA firm audited the financial statements of the Exposition Center, which are included in our report. As shown in Table 5, net assets declined by \$747,000 in calendar year 2007, resulting in a deficit of \$3.0 million as of December 31, 2007.

Table 5

Wisconsin Exposition Center Financial Results
 Calendar Years 2002 through 2007

Calendar Year	Operating Revenues	Change in Net Assets	Net Assets, December 31
2002	\$1,098,716	\$2,554,383	\$2,521,045
2003	3,970,727	(1,468,244)	1,052,801
2004	3,719,277	(1,700,006)	(647,205)
2005	4,530,653	(668,688)	(1,315,893)
2006	4,482,410	(944,797)	(2,260,690)
2007	4,519,049	(746,589)	(3,007,279)

The Exposition Center’s financial condition continued to worsen in 2008. Based on unaudited information, the Exposition Center’s net assets declined by \$1.3 million, resulting in a deficit of \$4.3 million at December 31, 2008. In addition, revenue declined to \$4.3 million for calendar year 2008.

Exposition Center management attributes the financial condition to overly optimistic revenue projections that were developed during planning for the construction of the facility. These revenue projections estimated that the Exposition Center would generate \$7.7 million in its first year of operations, increasing to more than \$10.0 million per year over time. However, operating revenues have never exceeded \$4.5 million.

The Exposition Center is making annual interest-only payments on the bonds issued to construct the facility.

The future financial stability of the Exposition Center warrants close attention because the Exposition Center may have difficulty making future debt service payments. Currently, the Exposition Center is making annual interest-only payments of approximately \$2.5 million. However, without an increase in its revenue or a decrease in expenses, other financial support may be necessary if the Exposition Center is to remain viable.

State Fair Park has indicated that if the Exposition Center defaults on its debt service payments, the State has no legal or other obligation to repay this debt. The debt related to the Exposition Center is secured by the Exposition Center building. In the case of a default on the debt service payments, the building could be sold to pay the debt.

However, a potential sale of the Exposition Center building would affect State Fair Park in several ways. Since construction of the Exposition Center was completed in 2002, State Fair Park has leased the 7.52-acre site on which it is built to the Exposition Center Board, a five-member board that governs the Exposition Center. State Fair Park officials are uncertain how the ground lease would be affected if the Exposition Center building were to be sold or how the use of the building, which currently is used extensively for events during the Wisconsin State Fair, would be determined. It will be important for State Fair Park to carefully monitor the financial results of the Exposition Center and continually assess the effect the Exposition Center's financial condition may have on State Fair Park's future operations.

Tommy G. Thompson Youth Center

In 1996, the State approved \$13.0 million in general obligation bonding to construct the Tommy G. Thompson Youth Center on the State Fair Park grounds. The Youth Center was constructed to address safety issues with the former youth dormitory and to accommodate State Fair Park's growing needs.

A sprinkler system has not been installed on all floors of State Fair Park's Youth Center.

Before construction of the facility, concerns had been raised that the former facility was unsafe and would not meet building fire codes because it did not have a fire suppression sprinkler system. According to the original construction planning documents, a sprinkler system was to be installed on each floor of the new Youth Center. However, it appears that because of other fire suppression measures, such as the installation of fire-resistant walls, sprinklers were not required to be installed on floors two through five, which are primarily dormitory rooms.

The State Fair Park Board and management discussed installation of a sprinkler system in the Youth Center at the Board's June 2008 meeting, and e-mail correspondence indicates the State Fair Park Board has also had regular discussions on the risks of not having a sprinkler system in the Youth Center. However, no plans have been developed related to a sprinkler system, and State Fair Park officials have not determined funding requirements or sought funding for a sprinkler project through biennial capital budget requests.

State Fair Park has taken preventative steps to ensure the safety of those staying at the Youth Center, including staffing 24-hour security on each floor and having an adult stay in each dormitory room during the Wisconsin State Fair. However, we are concerned that despite periodic discussions of possible safety issues, the State

Fair Park Board and management have not made a formal assessment of the need for a sprinkler system.

As a result of concerns we raised, State Fair Park requested an inspection of the facility by the Department of Commerce, which has responsibility for ensuring public and private facilities meet state building code requirements. During the inspection, which took place on May 28, 2009, the building inspector discovered that fire-rated doors were not installed on the 108 dormitory rooms, as required by building code. The inspector is currently completing an assessment of whether building codes or Wisconsin Statutes would require the installation of a sprinkler system on all floors of the facility.

At its June 8, 2009 meeting, the State Fair Park Board approved a proposal to replace the dormitory doors in the Youth Center, as required by the building inspector, and a project to determine funding requirements for the installation of a sprinkler system in the Youth Center.

Recommendation

We recommend the State Fair Park Board make an assessment of the need for installation of a fire suppression sprinkler system in the Youth Center.

State Fair Park began construction on the fifth floor of the Youth Center without receiving the necessary approvals.

Because of funding issues, the fifth floor of the Youth Center was not completed as part of the initial construction project. To meet additional needs for youth housing during the Wisconsin State Fair, State Fair Park began construction on the fifth floor of the Youth Center in fall 2007. However, State Fair Park did not obtain appropriate approval to complete this construction work from the Department of Administration’s Division of State Facilities, which reviews project requests to ensure compliance with state statutes and regulations, that licensed employees are working on the projects, and that state building codes are being followed. The Division is responsible for approving State Fair Park projects of less than \$250,000 but more than \$40,000 under the State’s Small Projects Program. Through May 2009, State Fair Park has incurred \$92,653 in costs for this project, for which total costs are projected to be at least \$175,000.

Most of the work on the fifth floor of the Youth Center has been performed by limited-term employees who were already contracted by State Fair Park. State Fair Park staff believe approval to complete the construction had been obtained through the original construction request made to the Building Commission in 1996. However, neither State Fair Park nor Division of State Facilities staff were able to find

supporting documentation. Further, according to the Wisconsin Administrative Code, approval of plans for this type of project is valid for only three years. Division of State Facilities staff with whom we spoke agreed that State Fair Park should have sought approval on the project.

As noted, a building inspector with the Department of Commerce evaluated the facility, including the fifth floor construction, on May 28, 2009. The inspector concluded the fifth floor construction meets building codes. On June 3, State Fair Park submitted a formal request to the Division of State Facilities for approval to complete the construction work on the fifth floor.

AmeriGas Property

In May 2007, the State Building Commission approved \$2.0 million in GPR-supported borrowing to allow State Fair Park to purchase and remediate property within the fairgrounds' boundaries but formerly owned by AmeriGas L.P., a large propane company. In April 2009, State Fair Park completed the purchase of this 2.54-acre parcel at a cost of \$1.6 million. In addition, \$300,000 in bond proceeds remain to raze the existing buildings, improve utilities, and grade and pave the property. To date, State Fair Park has spent \$10,000 on various environmental studies, and it anticipates spending \$12,000 more to complete this process. State Fair Park management stated that areas with a risk of groundwater contamination will be covered with asphalt to help prevent leaching, but that additional greenspace is possible in areas with no contamination risk. State Building Commission and Department of Natural Resources approval will be needed for any plans to develop this area further.

I-94 Reconstruction

State Fair Park has considered several scenarios for generating additional revenue by allowing private development of fairgrounds property, including property along the I-94 corridor. In 2007, State Fair Park issued a request for proposals for a development and ground lease option and selected a vendor to construct a billboard along the I-94 corridor. However, proposed reconstruction of the I-94 Zoo Interchange approximately one mile west of the State Fair Park grounds will affect the specific location of any development. As a result, State Fair Park closed the 2007 request for proposals.

I-94 reconstruction will likely affect access to the fairgrounds and parking.

In March 2009, the State Fair Park Board expressed its concern to the Wisconsin Department of Transportation (DOT) over the potential loss of access and parking spaces along the north end of the fairgrounds. The Board estimated that, if unmitigated, the reconstruction would result in a direct loss of at least \$135,000 in

parking revenue annually, with potential annual losses approaching \$700,000. One of the final two construction options closes the 84th Street ramp, which State Fair Park believes would reduce automobile access and increase congestion along the south and east ends of the fairgrounds.

Two options for mitigating the loss of State Fair Park property are direct reimbursement from DOT or a land swap that would provide State Fair Park with a replacement parking area. According to DOT, independent appraisals would be used to determine the market value for any property taken as a result of I-94 reconstruction. DOT is expected to make final decisions regarding the route and construction schedule in fall 2009. State Fair Park estimates that construction will begin to directly affect State Fair Park no sooner than 2015.

☑ Recommendation

We recommend State Fair Park report to the Joint Legislative Audit Committee by March 1, 2010, on the status of:

- *its financial relationship with the Pettit Center and the Wisconsin Exposition Center;*
- *the decision to install a fire suppression sprinkler system in the Youth Center;*
- *the remediation of the former AmeriGas property; and*
- *the effect of I-94 reconstruction on State Fair Park operations.*

■ ■ ■ ■

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, 2008, 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 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 solely on their report.

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 provides 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 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, 2008, 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.

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 41 through 50 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 5, 2009, 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, 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.

June 5, 2009

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, 2008. 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 State's oldest and largest events 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 owns and manages the Wisconsin Exposition Center, 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 2007-08, the assets of the State Fair Park Fund exceeded its liabilities by \$7.2 million (net assets). This total consists of \$17.4 million invested in capital assets, net of related debt and a deficit of \$10.2 million in unrestricted net assets.

The State Fair Park Fund's total net assets decreased by \$ 0.9 million during FY 2007-08.

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 \$17.4 million of net assets that are invested in capital assets (e.g., land, buildings, equipment, improvements, and construction in progress). The total net capital assets are \$46.1 million, while the related outstanding debt is \$28.7 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.

Table A
Condensed Financial Information
 State Fair Park Fund

	FY 2007-08	FY 2006-07 ¹	Dollar Increase/(Decrease)
Current Assets	\$ 2,228,580	\$ 2,631,798	\$ (403,218)
Noncurrent Assets	3,977,130	4,438,263	(461,133)
Capital Assets (Net of Depreciation)	46,106,046	48,153,108	(2,047,062)
Total Assets	<u>52,311,756</u>	<u>55,223,169</u>	<u>(2,911,413)</u>
Current Liabilities	14,321,245	15,018,946	(697,701)
Noncurrent Liabilities	30,836,724	32,146,761	(1,310,037)
Total Liabilities	<u>45,157,969</u>	<u>47,165,707</u>	<u>(2,007,738)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	17,406,549	18,875,920	(1,469,371)
Unrestricted (Deficit)	(10,252,762)	(10,818,458)	565,696
Total Net Assets	<u>7,153,787</u>	<u>8,057,462</u>	<u>(903,675)</u>
Operating Revenues	16,081,454	18,079,146	(1,997,692)
Operating Expenses	15,258,937	15,768,362	(509,425)
Operating Gain/(Loss)	822,517	2,310,784	(1,488,267)
Nonoperating Revenues (Expenses)	(1,352,749)	(1,895,549)	542,800
Transfers In	12,833	1,770,701	(1,757,868)
Transfers Out	(386,276)	(128,860)	(257,416)
Changes in Net Assets	(903,675)	2,057,076	(2,960,751)
Net Assets—Beginning of Year (Restated)	8,057,462	6,000,386	2,057,076
Net Assets—End of the Year	<u>\$ 7,153,787</u>	<u>\$ 8,057,462</u>	<u>\$ (903,675)</u>

¹ FY 2006-07 balances have been restated to reflect prior-period adjustments.

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 2007-08 and FY 2006-07.

Table B

Revenues by Activity State Fair Park Fund

	FY 2007-08	Percentage of Total	FY 2006-07	Percentage of Total	Dollar Increase/(Decrease)
Annual State Fair	\$13,061,000	81.2%	\$13,153,000	72.8%	\$ (92,000)
Promoter Events	911,000	5.7	1,179,000	6.5	(268,000)
Racing	725,000	4.5	1,111,000	6.1	(386,000)
Other Park-Sponsored Events	433,000	2.7	465,000	2.6	(32,000)
General Operations ¹	951,000	5.9	2,171,000	12.0	(1,220,000)
Total	<u>\$16,081,000</u>		<u>\$18,079,000</u>		<u>\$(1,998,000)</u>

¹ Major components are the Pettit Center rent payments, RV Park, and the Youth Center.

Attendance for the annual Wisconsin State Fair decreased by 60,000 people, from 860,000 for the FY 2006-07 fair to 800,000 for the FY 2007-08 fair. While attendance was reduced by 7 percent, revenues were reduced by less than 1 percent for the following reasons:

- 1) The advance sale ticket promotion was changed for the FY 2007-08 fair. The advance ticket price was increased from \$4.00 to \$5.00, and the sale promotion period changed from April through July to April through June. This resulted in a decline in advance sales and increased gate sales, at a higher price, during the FY 2007-08 fair.
- 2) The dairy bakery and the midway operations contracts were revised to provide a guaranteed payment to State Fair Park. Thus, the lower attendance for the FY 2007-08 fair had no effect on the revenue generation from these activities during the event.

- 3) Beverage sales percentages paid to State Fair Park were changed for a number of vendors to provide consistency and improve vendor sales reporting. Additional revenues were generated from this initiative.
- 4) Average dollars spent per fair event attendee improved 10 percent for FY 2007-08 over FY 2006-07.

The decrease in revenue from promoter events reflects State Fair Park providing significantly less billable services for Milwaukee Mile events. The events were primarily races, and the services provided were grounds and police labor, utilities, and equipment.

Racing revenue decreases are the result of State Fair Park renegotiating the license agreement with Milwaukee Mile Holdings in February of 2008. The renegotiated license agreement called for State Fair Park to receive significantly less in annual license fees. Additionally, as part of the renegotiated agreement, State Fair Park waived \$322,000 of the \$722,000 in license fees that had been deferred under the April 2007 amendments to the original license agreement.

The FY 2007-08 decreases in other State Fair Park-sponsored revenue reflect the discontinuation of State Fair Park subsidization of the Wednesday Night event. Wednesday Night was a weekly event, held primarily in the months of June and July. The event featured local entertainers and was funded by State Fair Park. No admission fee was charged. Revenues were generated from parking and concessions.

The \$1.2 million decrease in general operation revenue relates primarily to one-time Pettit National Ice Center payments to State Fair Park during FY 2006-07. The Pettit portion of the total decrease was \$1,059,000 and was the result of direct payments made by Pettit National Ice Center to State Fair Park and debt service reimbursement to State Fair Park from proceeds of the sale of the Pettit National Ice Center, which occurred in FY 2006-07.

Operating Expenses

Table C includes a comparison of operating expenses (rounded to the nearest \$1,000) between FY 2007-08 and FY 2006-07.

Table C

Operating Expenses
State Fair Park Fund

	FY 2007-08	Percentage of Total	FY 2006-07 ¹	Percentage of Total	Dollar Increase/(Decrease)
Personal Services	\$ 5,398,000	35.4%	\$ 4,955,000	31.4%	\$ 443,000
Advertising	654,000	4.3	678,000	4.3	(24,000)
Entertainment	1,526,000	10.0	1,386,000	8.8	140,000
Other Expenses ²	4,626,000	30.3	5,433,000	34.5	(807,000)
Depreciation	3,055,000	20.0	3,316,000	21.0	(261,000)
Total	<u>\$15,259,000</u>		<u>\$15,768,000</u>		<u>\$(509,000)</u>

¹ FY 2006-07 balances have been restated to reflect prior-period adjustments.

² Includes adjustments to accounts receivable and supplies and services expenses not related to advertising or entertainment costs.

Personal services expenses include both permanent and limited-term employee (LTE) salaries, as well as the associated fringe benefits. These costs increased primarily as a result of State Fair Park's elimination of the use of the Department of Administration Capitol Police (included in Other Expenses in FY 2006-07) and the use of LTEs for police services for FY 2007-08. Offsetting this increase were the eliminations of LTE labor for the dairy bakery and midway operations during the fair event. These reductions were the result of modifications to the dairy bakery and midway contractual agreements.

Advertising expenses were reduced as part of the overall State Fair Park cost management strategy.

FY 2007-08 entertainment costs, which include fees paid to entertainers for performing at the Wisconsin State Fair, increased \$140,000 because of a conscious decision to improve the quality of performers. The actual cost incurred was within the budget approved by the State Fair Park Board.

Other Expenses decreased by \$807,000 between FY 2006-07 and FY 2007-08. The largest portion of this decrease is attributable to the fact that State Fair Park no longer uses Capitol Police to provide police services. State Fair Park paid \$694,000 for Capitol Police services in FY 2006-07, compared to \$87,000 in FY 2007-08. In addition, municipal service fees were reduced by \$65,000 in FY 2007-08 as a result of the sale of the Pettit National Ice Center in FY 2006-07. Also contributing to the decrease in Other Expenses was the elimination of all expenses related to the operation of the dairy bakery and the midway.

Capital Assets

Table D includes a comparison of capital assets between FY 2007-08 and FY 2006-07.

Table D

Capital Assets State Fair Park Fund

	FY 2007-08	FY 2006-07 ¹	Dollar Increase/(Decrease)
Capital Assets	\$79,368,307	\$78,360,621	\$ 1,007,686
Accumulated Depreciation	(33,262,261)	(30,207,513)	3,054,748
Net Capital Assets	<u>\$46,106,046</u>	<u>\$48,153,108</u>	<u>\$(2,047,062)</u>
Depreciation Expense	\$3,054,748	\$3,316,206	\$(261,458)

¹ FY 2006-07 balances have been restated to reflect prior-period adjustments.

Capital assets, net of depreciation, decreased by \$2.0 million during FY 2007-08. Asset additions consisted of an increase in construction in progress of \$0.5 million and an increase in completed construction of \$0.5 million. The decrease in depreciation expense in FY 2007-08 is primarily related to the sale of the Pettit National Ice Center, which occurred in FY 2006-07.

Debt—Program Revenue Funded

Table E includes a comparison between FY 2007-08 and FY 2006-07 of debt funded with program revenue.

Table E

Program Revenue–Funded Debt State Fair Park Fund

	FY 2007-08	FY 2006-07	Dollar Increase/(Decrease)
Commercial Paper	\$ 592,854	\$ 769,231	\$ (176,377)
General Obligation Bonds	31,963,393	32,955,216	(991,823)
Total Debt	<u>\$32,556,247</u>	<u>\$33,724,447</u>	<u>\$(1,168,200)</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, principal payments on existing debt, and the refunding of debt, which involves paying off some bonds with the issuance of new bonds.

Table F provides the future debt service requirements as of June 30, 2008, to be paid from State Fair Park's program revenue.

Table F

**Program Revenue–Funded Debt Service Requirements
State Fair Park Fund**

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2009	\$ 2,098,193	\$ 1,534,778	\$ 3,632,971
2010	2,210,439	1,444,280	3,654,719
2011	2,316,103	1,340,801	3,656,904
2012	2,609,407	1,225,078	3,834,485
2013	2,737,950	1,096,038	3,833,988
2014-2028	20,584,155	5,448,477	26,032,632
Total	<u>\$32,556,247</u>	<u>\$12,089,452</u>	<u>\$44,645,699</u>

Debt—General Purpose Revenue Funded

Table G includes a comparison between FY 2007-08 and FY 2006-07 of debt funded by the State's General Fund.

Table G

General Purpose Revenue–Funded Debt Related to State Fair Park

	FY 2007-08	FY 2006-07	Dollar Increase/(Decrease)
Commercial Paper	\$ 1,075,156	\$ 1,054,532	\$ 20,624
Bonds	22,627,617	23,675,858	(1,048,241)
Total	<u>\$23,702,773</u>	<u>\$24,730,390</u>	<u>\$(1,027,617)</u>

The change in commercial paper debt reflects the issuance of new debt. The change in general obligation bonds reflects principal payments on existing debt and the refunding of debt, which involves paying off some bonds with the issuance of new bonds.

Table H provides the future debt service requirements as of June 30, 2008, to be paid from the State's General Fund.

Table H

General Purpose Revenue–Funded Debt Service Requirements Related to State Fair Park

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2009	\$ 1,111,063	\$1,184,740	\$ 2,295,803
2010	1,404,090	1,132,616	2,536,706
2011	1,498,837	1,061,174	2,560,011
2012	1,625,968	977,746	2,603,714
2013	1,758,408	894,884	2,653,292
2014-2028	16,304,407	4,138,983	20,443,390
Total	<u>\$23,702,773</u>	<u>\$9,390,143</u>	<u>\$33,092,916</u>

Other Known Facts

In FY 2007-08, the State Fair Park Fund was assessed \$8,746, compared to assessments of \$97,132 in FY 2005-06 and \$12,042 in FY 2006-07, related to the State's Accountability, Consolidation, and Efficiency (ACE) Initiative program.

Component Unit

The State Fair Park Exposition Center, Inc., is organized as a separate not-for-profit organization and reports on a calendar year. Following the guidance of the Governmental Accounting Standards Board (GASB), the Exposition Center 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 purpose of the Exposition Center is to finance, build, manage, and maintain an exposition center on the Wisconsin State Fair Park grounds. The Exposition Center is making interest-only payments on the debt issued to finance construction of the Exposition Center. Bond principal payments are scheduled to be made into a bond sinking fund beginning in 2017, and the debt

matures in 2028. Upon repayment of the debt, the title to the Exposition Center will transfer to State Fair Park and the not-for-profit organization will be dissolved.

The component unit is reported for the year ended December 31, 2007. Financial highlights include:

- 1) Cash and cash equivalents increased \$1.0 million from 2006, to \$5.8 million for 2007.
- 2) Total operating revenue increased \$36,639 from 2006 to 2007, while operating expenses decreased by \$91,984.
- 3) Interest expense decreased \$82,440 from 2006, to \$2.3 million for 2007.
- 4) The Exposition Center's income from operations was \$1.5 million in 2007, compared to \$1.4 million for 2006.
- 5) The Exposition Center's unrestricted net assets decreased by \$0.7 million from 2006, to (\$3.0) million for 2007.

Contacting State Fair Park and Exposition Center Management

This financial report is designed to provide a general overview of State Fair Park's financial performance for FY 2007-08 and the State Fair Park Exposition Center's financial performance for calendar year 2007. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

State Fair Park
Craig Barkelar, Interim Executive Director
640 South 84th Street
West Allis, Wisconsin 53214

State Fair Park Exposition Center, Inc.
Jon C. Gaines, Vice-President of Administration and Finance
8200 West Greenfield Avenue
West Allis, Wisconsin 53214

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Financial Statements ■

Statement of Net Assets

	State Fair Park Fund (As of June 30, 2008)	Component Unit— State Fair Park Exposition Center, Inc. (As of December 31, 2007)	Total (Memorandum Only)
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 2C and 6)	\$ 120,500	\$ 5,768,806	\$ 5,889,306
Marketable securities	0	549,956	549,956
Receivables (net of estimated uncollectible accounts) (Note 10)	956,988	300,330	1,257,318
Due from other funds (Notes 2G and 10)	982,040	0	982,040
Inventories	14,857	0	14,857
Prepaid Items	154,195	56,400	210,595
Total Current Assets	<u>2,228,580</u>	<u>6,675,492</u>	<u>8,904,072</u>
Noncurrent Assets:			
Receivables (Note 10)	753,655	0	753,655
Due from other funds (Notes 2G and 10)	3,094,272	0	3,094,272
Deferred charges	129,203	352,462	481,665
Capital assets (net of accumulated depreciation) (Notes 2E and 3)	46,106,046	32,947,897	79,053,943
Total Noncurrent Assets	<u>50,083,176</u>	<u>33,300,359</u>	<u>83,383,535</u>
TOTAL ASSETS	<u>\$ 52,311,756</u>	<u>\$ 39,975,851</u>	<u>\$ 92,287,607</u>
LIABILITIES			
Current Liabilities:			
Accounts payable (Note 10)	\$ 508,675	\$ 101,785	\$ 610,460
Due to other funds (Notes 2G and 10)	110,431	0	110,431
Interfund payables (Note 10)	7,742,454	0	7,742,454
Tax and other deposits	234,982	0	234,982
Unearned revenue (Note 2D)	3,215,992	0	3,215,992
Interest payable	253,204	1,036,873	1,290,077
Capital leases (Note 4)	95,986	0	95,986
Compensated absences (Notes 2F and 8)	61,328	0	61,328
Other accrued expenses	0	160,224	160,224
Unearned license fees	0	889,248	889,248
Notes payable (Note 5)	184,168	0	184,168
General obligation bonds payable (Note 5)	1,914,025	0	1,914,025
Total Current Liabilities	<u>14,321,245</u>	<u>2,188,130</u>	<u>16,509,375</u>
Noncurrent Liabilities:			
Capital leases (Note 4)	232,175	0	232,175
Compensated absences (Notes 2F and 8)	85,428	0	85,428
Postemployment benefits (Note 9)	61,067	0	61,067
Notes payable (Note 5)	408,686	0	408,686
General obligation bonds payable (Note 5)	30,049,368	0	30,049,368
Industrial revenue bonds payable (Note 15)	0	40,795,000	40,795,000
Total Noncurrent Liabilities	<u>30,836,724</u>	<u>40,795,000</u>	<u>71,631,724</u>
TOTAL LIABILITIES	<u>45,157,969</u>	<u>42,983,130</u>	<u>88,141,099</u>
NET ASSETS			
Invested in Capital Assets Net of Related Debt	17,406,549	0	17,406,549
Unrestricted	(10,252,762)	(3,007,279)	(13,260,041)
TOTAL NET ASSETS	<u>\$ 7,153,787</u>	<u>\$ (3,007,279)</u>	<u>\$ 4,146,508</u>

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, 2008)	Component Unit— State Fair Park Exposition Center, Inc. (For the Year Ended December 31, 2007)	Total (Memorandum Only)
OPERATING REVENUES			
Charges for Sales and Services	\$ 16,076,815	\$ 4,193,073	\$ 20,269,888
Other Income	4,639	325,976	330,615
Total Operating Revenues	16,081,454	4,519,049	20,600,503
OPERATING EXPENSES			
Personal Services	5,397,731	992,765	6,390,496
Supplies and Services	6,768,008	948,433	7,716,441
Depreciation Expense (Notes 2E and 3)	3,054,748	1,035,877	4,090,625
Other Expenses	38,450	8,942	47,392
Total Operating Expenses	15,258,937	2,986,017	18,244,954
OPERATING INCOME (LOSS)	822,517	1,533,032	2,355,549
NONOPERATING REVENUES (EXPENSES)			
Investment and Interest Income	188,821	22,579	211,400
Interest Expense	(1,549,715)	(2,304,324)	(3,854,039)
Gain on Sale of Capital Assets	0	2,124	2,124
Other Income	8,145	0	8,145
Total Nonoperating Revenues (Expenses)	(1,352,749)	(2,279,621)	(3,632,370)
Income (Loss) Before Operating Transfers	(530,232)	(746,589)	(1,276,821)
Transfers In (Notes 2H and 11)	12,833	0	12,833
Transfers Out (Notes 2H and 11)	(386,276)	0	(386,276)
CHANGE IN NET ASSETS	(903,675)	(746,589)	(1,650,264)
NET ASSETS			
Total Net Assets—Beginning of Year	7,889,103	(2,260,690)	5,628,413
Prior-Period Adjustment (Note 13)	168,359	0	168,359
Total Net Assets—End of the Year	\$ 7,153,787	\$ (3,007,279)	\$ 4,146,508

The accompanying notes are an integral part of this statement.

Statement of Cash Flows—State Fair Park Fund for the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 16,345,725
Cash Payments to Suppliers for Goods and Services	(6,965,482)
Cash Payments to Employees for Services	(5,277,272)
Other Operating Revenues	4,639
Net Cash Provided by Operating Activities	4,107,610

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating Transfers Out	(52,779)
Change in Interfund Loans	(880,624)
Other Cash Flows from Noncapital Financing Activities	8,145
Net Cash Used by Noncapital Financing Activities	(925,258)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Issuance of Debt	822,039
Transfers In	12,833
Transfers Out	(333,497)
Repayment of Long-Term Debt	(1,990,238)
Interest Paid	(1,583,437)
Capital Lease Payments	(91,361)
Proceeds from Bond Security and Redemption Fund to Pay Pettit Center Debt Service	945,190
Purchase of Capital Assets	(998,438)
Other Cash Flows from Capital and Related Financing Activities	(154,264)
Net Cash Used by Capital and Related Financing Activities	(3,371,173)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment and Interest Receipts	188,821
Net Cash Provided by Investing Activities	188,821
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	0
Cash and Cash Equivalents—Beginning of the Year	120,500
Cash and Cash Equivalents—End of the Year	\$ 120,500

The accompanying notes are an integral part of this statement.

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

Operating Income	\$	822,517
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense		3,054,748
Change in Provision for Uncollectible Accounts		38,450
Changes in Assets and Liabilities:		
Decrease (Increase) in receivables		46,011
Decrease (Increase) in due from other funds		(37,801)
Decrease (Increase) in inventories		24,762
Decrease (Increase) in prepaid items		2,002
Increase (Decrease) in accounts payable		(121,746)
Increase (Decrease) in due to other funds		(65,478)
Increase (Decrease) in deposits		94,720
Increase (Decrease) in unearned revenues		165,980
Increase (Decrease) in postemployment benefits		61,067
Increase (Decrease) in compensated absences		22,378
Total Adjustments		<u>3,285,093</u>
Net Cash Provided by Operating Activities	\$	<u><u>4,107,610</u></u>

The accompanying notes are an integral part of this statement.

Statement of Cash Flows: Component Unit—Exposition Center for the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$	(746,589)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Loss on Sale of Marketable Securities		10,133
Depreciation Expense		1,035,877
Amortization Expense		31,744
Gain on Sale of Fixed Assets		(2,124)
Changes in Assets and Liabilities:		
Decrease (Increase) in receivables		(202,342)
Decrease (Increase) in prepaid items		(3,797)
Increase (Decrease) in accounts payable		15,937
Increase (Decrease) in accrued bond interest		828,307
Increase (Decrease) in other accrued expenses		(117,706)
Increase (Decrease) in unearned license fees		196,392
Total Adjustments		1,792,421
Net Cash Provided by Operating Activities		1,045,832

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Repayment of Letter of Credit Fees		(2,956)
Net Cash Used by Capital and Related Financing Activities		(2,956)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from Sale of Marketable Securities		50,007
Purchase of Marketable Securities		(82,667)
Proceeds from Sale of Fixed Assets		5,358
Purchase of Fixed Assets		(17,838)
Net Cash Used by Investing Activities		(45,140)
NET INCREASE IN CASH AND CASH EQUIVALENTS		997,736
Beginning of the Year—Cash and Cash Equivalents		4,771,070
End of the Year—Cash and Cash Equivalents	\$	5,768,806

Supplemental Disclosure:

Cash paid during the year for:		
Interest	\$	1,648,752

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.

The Wisconsin Exposition Center, which is located on State Fair Park grounds, is operated by the State Fair Park Exposition Center, Inc., a nonstock, not-for-profit corporation. In accordance with Governmental Accounting Standards Board (GASB) Statement 14, the Exposition Center is considered a discrete component unit of the State of Wisconsin. In addition, although the Exposition Center 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 Exposition Center are included in this report. The Board of the Exposition Center 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.

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 derived from exchange transactions, such as sales. Operating expenses include salaries, supplies, and depreciation of capital assets.

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

The State Fair Park Fund applies all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

B. Revenue Recognition

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

C. 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.

D. 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.

E. 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

F. Employee Compensated Absences

The State Fair Park Fund’s compensated absence liability consists of accumulated unpaid leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested as of June 30, 2008. The liability and expense for compensated absences are based on current rates of pay.

G. 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.”

H. Transfers In (Out)

Transfers In (Out) represent transfers of cash between state agencies. “Transfers In” consists of general purpose revenue provided to the State Fair Park Fund to fund improvement, repair, or construction of State Fair Park’s facilities and grounds. “Transfers Out” consists of transfers to the Wisconsin Department of Administration to cover costs paid by other state funds.

I. 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, 2008, are summarized as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 998,504	\$ 0	\$ 0	\$ 998,504
Construction in Progress	<u>45,650</u>	<u>520,203</u>	<u>0</u>	<u>565,853</u>
Total Capital Assets Not Being Depreciated	1,044,154	520,203	0	1,564,357
Capital Assets Being Depreciated:				
Buildings and Improvements	75,146,055	487,483		75,633,538
Machinery and Equipment	<u>2,170,412</u>	<u>0</u>	<u>0</u>	<u>2,170,412</u>
Total Capital Assets Being Depreciated	77,316,467	487,483	0	77,803,950
Less Accumulated Depreciation for:				
Buildings and Improvements	(28,414,511)	(2,953,201)		(31,367,712)
Machinery and Equipment	<u>(1,793,002)</u>	<u>(101,547)</u>	<u>0</u>	<u>(1,894,549)</u>
Total Accumulated Depreciation	<u>(30,207,513)</u>	<u>(3,054,748)</u>	<u>0</u>	<u>(33,262,261)</u>
Total Capital Assets Being Depreciated, Net	<u>47,108,954</u>	<u>(2,567,265)</u>	<u>0</u>	<u>44,541,689</u>
Total Capital Assets, Net	<u>\$48,153,108</u>	<u>\$(2,047,062)</u>	<u>\$ 0</u>	<u>\$46,106,046</u>

See Note 15 for information about the Wisconsin Exposition Center'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 \$673,925, resulting in a net book value of \$253,238. Total lease payments for the fiscal year ended June 30, 2008, were \$91,361. Future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2008, are as follows:

For the Year Ending:	
June 30, 2009	\$111,210
June 30, 2010	104,083
June 30, 2011	96,956
June 30, 2012	<u>48,478</u>
Total Minimum Lease Payments	360,727
Less: Amount Representing Interest	<u>(32,566)</u>
Present Value of Minimum Lease Payments	<u>\$328,161</u>

During the year ended June 30, 2008, 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	<u>\$419,522</u>	<u>\$ 0</u>	<u>\$(91,361)</u>	<u>\$328,161</u>	<u>\$95,986</u>

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 general purpose revenue of the State of Wisconsin.

Debt to Be Repaid from State Fair Park Fund Program Revenue

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

	<u>Balance June 30, 2007</u>	<u>New Debt Proceeds</u>	<u>Principal Payments and Refunds</u>	<u>Balance June 30, 2008</u>
Notes Payable—				
Commercial Paper	\$ 769,231	\$ 0	\$ (176,377)	\$ 592,854
Bonds	<u>32,955,216</u>	<u>822,039</u>	<u>(1,813,862)</u>	<u>31,963,393</u>
Total	<u>\$33,724,447</u>	<u>\$822,039</u>	<u>\$(1,990,239)</u>	<u>\$32,556,247</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 fund payments on

outstanding debt. Reductions in the long-term liability for bonds reflect principal payments on outstanding debt and refunds of existing debt.

As of June 30, 2008, estimated future debt service requirements to be paid from State Fair Park Fund program revenue are as follows:

Fiscal Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$ 2,098,193	\$ 1,534,778	\$ 3,632,971
2010	2,210,439	1,444,280	3,654,719
2011	2,316,103	1,340,801	3,656,904
2012	2,609,407	1,225,078	3,834,485
2013	2,737,950	1,096,038	3,833,988
2014-2018	10,374,471	3,952,870	14,327,341
2019-2023	9,669,389	1,433,526	11,102,915
2024-2028	<u>540,295</u>	<u>62,081</u>	<u>602,376</u>
Total	<u>\$32,556,247</u>	<u>\$12,089,452</u>	<u>\$44,645,699</u>

Debt to Be Repaid from State of Wisconsin General Purpose Revenue

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

	<u>Balance June 30, 2007</u>	<u>New Debt Proceeds</u>	<u>Principal Payments and Refunds</u>	<u>Balance June 30, 2008</u>
Commercial Paper	\$ 1,054,532	\$20,624	\$ 0	\$ 1,075,156
Bonds	<u>23,675,858</u>	<u>11,502</u>	<u>(1,059,743)</u>	<u>22,627,617</u>
Total	<u>\$24,730,390</u>	<u>\$32,126</u>	<u>\$(1,059,743)</u>	<u>\$23,702,773</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, 2008, estimated future debt service requirements to be paid from State of Wisconsin general purpose revenue are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2009	\$ 1,111,063	\$ 1,184,740	\$ 2,295,803
2010	1,404,090	1,132,616	2,536,706
2011	1,498,837	1,061,174	2,560,011
2012	1,625,968	977,746	2,603,714
2013	1,758,408	894,884	2,653,292
2014-2018	9,454,074	3,059,767	12,513,841
2019-2023	6,079,313	1,008,891	7,088,204
2024-2028	<u>771,020</u>	<u>70,325</u>	<u>841,345</u>
Total	<u>\$23,702,773</u>	<u>\$9,390,143</u>	<u>\$33,092,916</u>

See Note 15 for information about the Wisconsin Exposition Center’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, 2008, \$58,430 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. The remaining \$62,070 was on hand at State Fair Park for use during State Fair Park events.

See Note 15 for information about the Wisconsin Exposition Center’s cash and cash equivalent balances.

7. 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 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
801 West Badger Road
Post Office 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. The State Fair Park Fund's contributions to the plan were \$271,846 for FY 2007-08. The relative position of the State Fair Park Fund in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

8. COMPENSATED ABSENCES

The State Fair Park Fund's compensated absences activity for the fiscal year ended June 30, 2008, 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	<u>\$124,378</u>	<u>\$78,008</u>	<u>\$(55,630)</u>	<u>\$146,756</u>	<u>\$61,328</u>

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In June, 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and it is effective for the year ending June 30, 2008. In accordance with the provisions of GASB Statement No. 45, state and local government employers are required to display in financial reports other postemployment benefit expense/expenditures and related liabilities (assets), note disclosures, and if

applicable, required supplementary information. The employees of State Fair Park are employees of the State of Wisconsin. The financial statements of State Fair Park include other postemployment benefit expenses and the related liabilities, in addition to those actually paid during FY 2007-08, which are included in salary and fringe benefits on the financial statements.

A. Health Insurance

The State's health insurance program, a cost-sharing, multiple-employer, defined benefit plan not held in trust, is an employer-sponsored program offering group medical coverage to eligible employees and retirees of the State that was created under ch. 40, Wis. Stats. The Wisconsin Department of Employee Trust Funds and the Group Insurance Board have program administration and oversight responsibilities under s. 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 other postemployment benefit (OPEB).

The difference between the State of Wisconsin's annual required contribution of \$148.5 million as of January 1, 2007, and its actual contributions of \$44.3 million, results in a net OPEB obligation of \$104.2 million for the State. The portion of this obligation allocated to the State Fair Park for FY 2007-08 was \$61,067, which reflects the amortization of the actuarial accrued liability for FY 2007-08 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 www.doa.state.wi.us or may be obtained by writing to:

Department of Administration
101 East Wilson Street
Madison, Wisconsin 53702

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 basic life insurance coverage at a reduced level, at no cost to themselves. 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 \$2,431 to this program during calendar year 2008.

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 www.etf.wi.gov or may be obtained upon request from:

Department of Employee Trust Funds
801 West Badger Road
Post Office Box 7931
Madison, Wisconsin 53707-7931

10. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Accounts receivable and accounts payable balances, which are combined 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

	<u>Fiscal Year 2007-08</u>
Accounts Receivable:	
Racing Activities	\$1,405,654
State Fair Park Youth Foundation	100,000
Miscellaneous	<u>204,989</u>
Total Accounts Receivable	<u>\$1,710,643</u>
Due from Other Funds:	
Bond Security and Redemption	\$4,038,322
Miscellaneous	<u>37,990</u>
Total Due from Other Funds	<u>\$4,076,312</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. Both loans are to be repaid, beginning in 2009, over a period not to exceed five years.

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

	<u>Fiscal Year 2007-08</u>
Accounts Payable:	
Vendors	\$ 352,490
Employees	<u>156,185</u>
Total Accounts Payable	<u>\$ 508,675</u>
Due to Other Funds:	
Due to Other State Programs	<u>\$ 110,431</u>
Total Due to Other Funds	<u>\$ 110,431</u>
Interfund Payables:	
Amounts Due to Other Funds for Short-Term Loans to Cover the State Fair Park Fund’s Cash Overdraft	<u>\$7,742,454</u>
Total Interfund Payables	<u>\$7,742,454</u>

11. INTERFUND TRANSFERS

Interfund transfers that occurred during FY 2007-08 are as follows:

A. State Fair Park Fund Transfers In

For Capital Building Projects	<u>\$ 12,833</u>
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B. State Fair Park Fund Transfers Out

Transfers Out:	
For Capital Building Projects	\$333,497
For Prior Service Cost Bond Contributions	<u>52,779</u>
Total Transfers Out	<u>\$386,276</u>

12. PETTIT NATIONAL ICE CENTER DEBT SERVICE

On January 5, 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, 2008, \$4.7 million in debt service costs were outstanding and \$4.0 million in sales proceeds and interest earnings were available in the Bond Security and Redemption Fund. State Fair Park officials estimate that State Fair Park could be liable for an estimated \$397,000 of the remaining Pettit Center debt service, beginning in FY 2012-13.

13. PRIOR-PERIOD ADJUSTMENT

Adjustments were made to the State Fair Park Fund accounts to correct for prior years’ errors. State Fair Park was not credited for FY 2006-07 interest earnings on the Pettit Center proceeds, which are held in the Bond Security and Redemption Fund. In addition, costs associated with an outstanding capital project were expensed rather than recorded as construction in progress.

Adjustments were made to correct the misstatements in the following State Fair Park Fund accounts:

<u>Account</u>	<u>Balance June 30, 2007</u>	<u>Adjustment</u>	<u>Balance June 30, 2007 Restated</u>
Due from Other Funds	\$ 4,691,560	\$ 122,709	\$ 4,814,269
Capital Assets (Net of Depreciation)	48,107,458	45,650	48,153,108
Net Assets	(7,889,103)	(168,359)	(8,057,462)

14. SUBSEQUENT EVENTS FOR STATE FAIR PARK FUND—MILWAUKEE MILE LICENSE AGREEMENT

On December 12, 2008, Milwaukee Mile Holdings LLC, the private racetrack promoter, notified State Fair Park that it was exercising its right to terminate the February 2008 Milwaukee Mile racetrack and grandstand

license agreement. The agreement stipulated that once Milwaukee Mile Holdings terminated the contract, it was responsible for two years of licensing fees, and thus it was anticipated that Milwaukee Mile Holdings would manage the track for two years, through the 2010 racing season. However, because of a dispute over the letter of credit, which was intended to protect State Fair Park in case of default or early termination, State Fair Park terminated the agreement with Milwaukee Mile Holdings effective February 11, 2009. State Fair Park is seeking payment of approximately \$2.7 million in outstanding fees under the contract, including 2007 and 2008 license fees totaling \$678,655 and 2009 and 2010 license fees totaling \$2,007,310.

As of June 30, 2008, a total of \$1,710,643 in accounts receivable is reported on the State Fair Park Fund's Statement of Net Assets. This balance includes \$1,405,654 in receivables due from Milwaukee Mile Holdings. Of this amount, \$725,000 was collected in July 2008. The remaining balance of \$680,654 includes 2007 and 2008 license fees totaling \$678,655, and \$1,999 in miscellaneous utility fees; this balance has yet to be collected and is included in the \$2.7 million that State Fair Park is seeking to collect from Milwaukee Mile Holdings. The Wisconsin Department of Justice anticipates filing a lawsuit on behalf of State Fair Park seeking full payment of the \$2.7 million. The probability of collection of the outstanding receivables due from Milwaukee Mile Holdings is unknown at this time.

15. COMPONENT UNIT—WISCONSIN STATE FAIR PARK EXPOSITION CENTER, INC.

A. Summary of Significant Accounting Policies

Organization

The purpose of the Wisconsin 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 was substantially complete and placed in service as of August 1, 2002. Upon repayment of the bonds issued to finance the construction of the Exposition Center, the title to the structure will be transferred to State Fair Park, and the State Fair Park Exposition Center, Inc., will be dissolved. The Exposition Center reports on a fiscal year ended December 31.

The State Fair Park Exposition Center, Inc., 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.

Copies of the Exposition Center's separately issued financial report that includes financial statements and required supplementary information may be obtained by writing to:

State Fair Park Exposition Center, Inc.
8200 West Greenfield Avenue
West Allis, Wisconsin 53214-0307

Basis of Accounting

The financial statements for the Exposition Center have been prepared on the accrual basis of accounting.

Basis of Presentation

The Exposition Center reports under the provisions of Financial Accounting Standards Board Statement of Financial Accounting Standards No. 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. As of December 31, 2007, the Board of Directors has designated \$100,000 as a contingency fund.

2. Temporarily and permanently restricted net assets:

There were no temporarily or permanently restricted net assets as of December 31, 2007.

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 Exposition Center considers all short-term investments with a maturity of three months or less to be a cash equivalent. Cash and cash equivalents includes \$3.9 million as of December 31, 2007, which is held in trust accounts and restricted in accordance with the terms of the Exposition Center's industrial revenue bonds payable.

Accounts Receivable

The Exposition Center 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, 2007, was \$28,788 and is included in interest expense. Letter of credit costs of \$2,956 were incurred in 2007 and are included in interest expense.

Total Bond Issuance and Letter of Credit Costs	\$540,141
Accumulated Amortization	<u>(187,679)</u>
Unamortized Bond Issuance and Letter of Credit Costs at December 31, 2007	<u>\$352,462</u>

Unearned License Fees

Unearned license fees consist of advance deposits received for Exposition Center events held in the following years.

Advertising and Marketing Costs

The Exposition Center expenses advertising and marketing costs as incurred. Advertising and marketing expenses, which are included in supplies and services expenses on the Operating Statement, totaled \$19,015 in 2007.

B. Concentration of Credit Risk for Cash and Cash Equivalents

The Exposition Center maintains cash balances at two banks. Accounts at the banks are insured by the Federal Deposit Insurance Corporation up to \$100,000. The uninsured portion, without regard to outstanding checks and deposits in transit, was \$1.7 million as of December 31, 2007.

The Exposition Center maintains cash equivalent balances in trust accounts at another bank. The accounts are invested in uninsured investment-grade money market funds with a rating of AA. The uninsured amount, without regard to outstanding checks and deposits in transit, was \$3.9 million as of December 31, 2007.

C. Retirement Plan

Effective January 1, 2003, the Exposition Center 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 Exposition Center matches 100.0 percent of the participant's voluntary contributions, up to 3.0 percent of the participant's compensation. The Exposition Center contributed \$20,100 to the plan for the year ended December 31, 2007.

D. Related Party Transactions

The Exposition Center's Board of Directors is required to have two members who are also members of the State Fair Park Board. The Exposition Center entered into a ground lease agreement with the State Fair Park Board effective August 1, 2001. The operating lease allows the Exposition Center to construct and operate an exposition center on State Fair Park grounds. The term of the lease ends in August 2030, with options for five one-year extensions. The Exposition Center shall pay rent equal to the excess of its annual gross revenues from all sources over its annual expenses of operating the Exposition Center, including debt service of any type, debt reserves, operating costs, and reserves. Rents are due annually in arrears each January 15. However, no rents were payable relating to this ground lease agreement as of December 31, 2007.

The Exposition Center 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 during the two-week period in August of each year when the State Fair Park Board holds the annual Wisconsin State Fair. The license fee to be paid shall be negotiated each year for all rental space. All parking fees generated during the two weeks of the Wisconsin State Fair are the sole revenue of the State Fair Park Board. The license agreement continues in effect until the Exposition Center's ground lease expires or terminates. License fees pursuant to this agreement totaled \$210,000 in 2007.

Accounts payable and accrued expenses include \$33,117 to the State Fair Park Board as of December 31, 2007, 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. Aggregate cost was \$554,276 as of December 31, 2007. The portfolio of marketable securities classed as current includes net losses of (\$10,133) as of December 31, 2007.

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. The bonds call for monthly interest-only payments until the date of maturity. The bonds have a final maturity of August 1, 2028. The bonds require a mandatory redemption to the extent of unused bond proceeds. Repayment of the bonds is guaranteed by a letter of credit which expired on April 15, 2008. The Exposition Center refinanced the bonds on July 1, 2007. The refinancing locked in a 6.1 percent interest rate, does not require a letter of credit, and requires interest payments to be made February 1 and August 1 of each year. Further, the refinancing requires principal payments to be made to a bond sinking fund beginning in 2017. The bonds continue to have a final maturity of August 1, 2028. The Exposition Center has not been notified of any event of default with respect to the industrial revenue bonds payable restrictive covenants as of December 31, 2007.

The balance outstanding on the industrial revenue bonds payable was \$40.8 million as of December 31, 2007. In January 2003, the Exposition Center redeemed \$4.1 million of bonds in accordance with the mandatory redemption requirements for unused bond proceeds.

A summary of interest expense for 2007 is as follows:

	<u>Interest Expense</u>
Interest Incurred	\$2,472,189
Letter of Credit and Remarketing Fees	7,826
Amortization of Bond Issuance Costs	28,788
Interest Earned	<u>(204,479)</u>
Total	<u>\$2,304,324</u>

A summary of future payments on bonds payable as of December 31, 2007, follows:

<u>Year Ended</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2008	\$ 0	\$2,488,495	\$ 2,488,495
2009	0	2,488,495	2,488,495
2010	0	2,488,495	2,488,495
2011	0	2,488,495	2,488,495
2012	0	2,488,495	2,488,495
2013-2017	1,250,000	12,422,475	13,672,475
2018-2022	12,370,000	10,920,220	23,290,220
2023-2027	21,950,000	5,768,770	27,718,770
2028-2032	<u>5,225,000</u>	<u>318,725</u>	<u>5,543,725</u>
Total	<u>\$40,795,000</u>	<u>\$41,872,665</u>	<u>\$82,667,665</u>

■ ■ ■ ■

Report on 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, 2008, and have issued our report thereon dated June 5, 2009. Our report was modified to include a reference to 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. 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. 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, but not 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wisconsin State Fair Park's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We identified one deficiency that we consider to be a significant deficiency in internal control over financial reporting.

Wisconsin State Fair Park does not have adequate financial reporting procedures to ensure expenses incurred in completing construction projects are capitalized and reported as capital assets in the financial statements. According to State of Wisconsin accounting standards, all capital assets with a cost of \$5,000 or more and a useful life greater than two years, and which provide a benefit throughout a period, should be capitalized. Further, improvements to an asset that increase the existing service potential of that asset should be capitalized. However, State Fair Park did not capitalize \$69,575 of construction costs related to the Tommy G. Thompson Youth Center.

As a result, operating expenses were initially overstated and operating income understated by \$69,575 on the Statement of Revenues, Expenses, and Changes in Net Assets; and capital assets were understated by the same amount on the Statement of Net Assets. This error appears to have occurred because of a lack of oversight by State Fair Park staff. Further, State Fair Park did not seek and obtain appropriate approval for this project from the Department of Administration's, Division of State Facilities; this may have contributed to State Fair Park staff overlooking the need to capitalize the expenses.

Management agrees with the recommendation to comply with state accounting guidelines and capitalize costs that increase the existing service potential of capital assets, and that the costs associated with the fifth-floor improvements would not have been expensed immediately if a project had been created. Management believes that the cause of the accounting error is management not ensuring a project was created, and not an issue of accounting staff. The financial statements have been corrected, and State Fair Park has submitted a project request to the Division of State Facilities.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We do not believe that the significant deficiency described above is a material weakness.

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

This independent auditor's report is intended 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 5, 2009

by

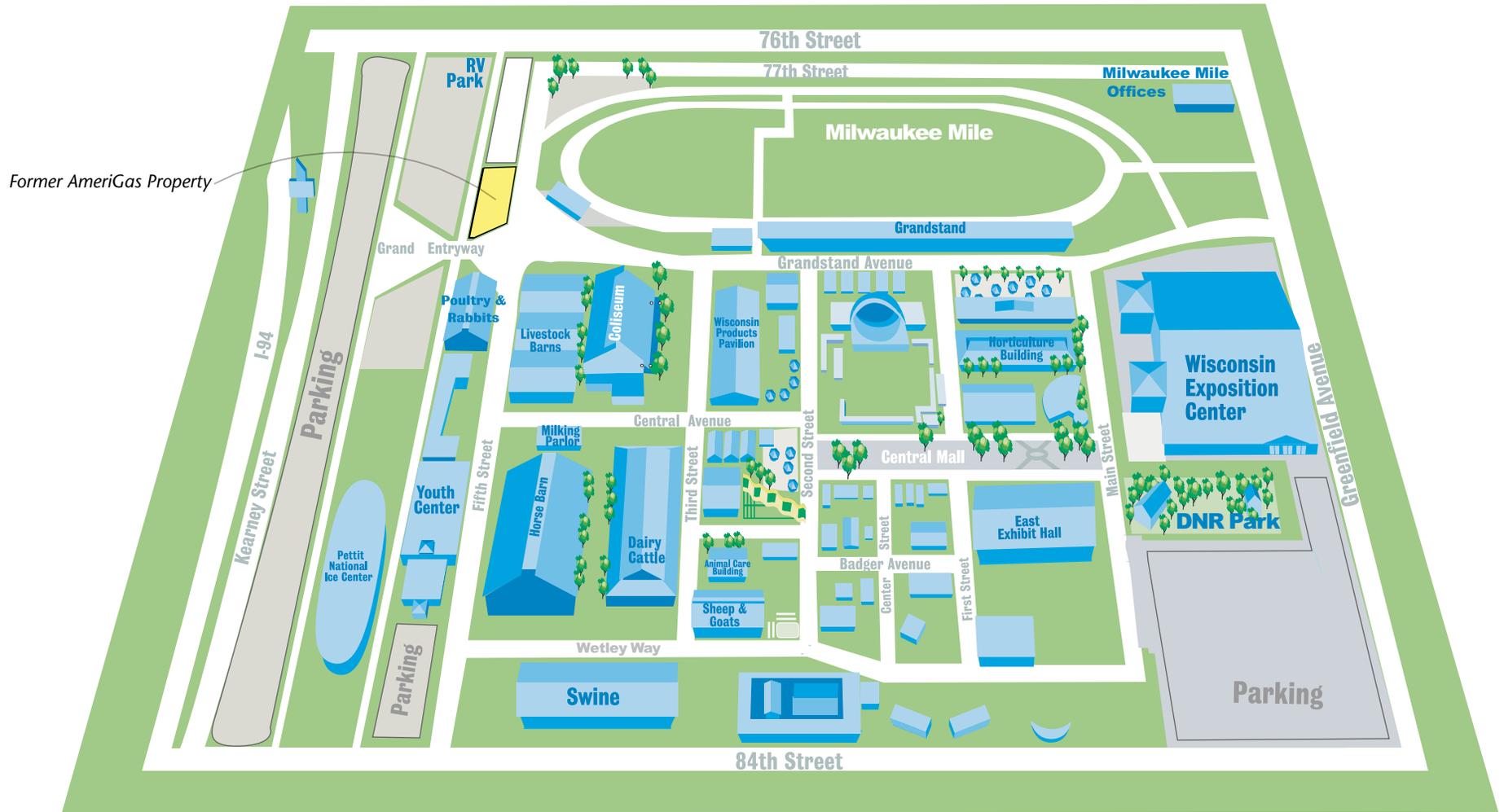
LEGISLATIVE AUDIT BUREAU



Carolyn Stittleburg
Audit Director

Appendix 1

Wisconsin State Fair Park



Appendix 2

State Fair Park Agriculture Department Policies

The Agriculture Committee of the State Fair Park Board has established formal, written procedures for established competition rules and for selection of competition judges. These policies were approved by the State Fair Park Board in November 2008, February 2009, and April 2009, and are in the process of being implemented.

Policies and Procedures for Establishing Competition Rules

Changes to the agriculture competition rules can be proposed by any individual, industry group, State Fair Park management, or through the Agriculture Committee's Advisory Council. Proposed changes to the competition rules will be reviewed each year at the fall meeting of the Agriculture Committee. Proposals are required to be submitted to the Agriculture Department at least one month before the meeting and to include the rationale for the proposed change, including the benefits and costs.

Proposed rule changes will be posted on the State Fair Park Web site. Further, all industry groups, exhibitors, and other interested parties may be notified of the potential rule changes through e-mail correspondence.

The proposals will be presented to the Agriculture Committee and, with advice from the Advisory Council, the Committee will decide to either retain the current rule or agree to consider the proposed rule change after seeking further industry input. However, if the rule change is considered minor, the Committee may approve the rule for implementation during the next year's fair.

For proposals that the Agriculture Committee agrees require further consideration, the Agriculture Director will notify interested industry groups of the proposed change. This notification will include a posting on the State Fair Park Web site, as well as through direct mailings to affected industry representatives and exhibitors. Responses to the proposed rule change are due to the Agriculture Committee one month prior to the annual spring Agriculture Committee meeting.

At the spring meeting, the Agriculture Director will provide summary feedback to the Agriculture Committee on the responses received. In consultation with its Advisory Council, the Agriculture Committee may vote to retain the existing rule, agree to a modification to the proposed rule change and seek additional industry input, or approve the rule change. If approved, the new rule would become effective for the subsequent year's fair. For example, a rule change proposed at the fall 2008 meeting and approved at the spring 2009 meeting would be effective for the 2010 fair.

Policies and Procedures for Judge Selection

The judge selection process begins with nominations for judge positions. Nominations can be submitted by any interested party and are due by November 1 each year. State Fair Park has

indicated that judge nomination forms will be posted on the State Fair Park Web site, and a press release will be sent to agriculture publications each fall.

All judge nominations will be reviewed by the Agriculture Department. According to the established policy, acceptable judge nominees must meet at least three of the following requirements to be considered:

- have at least two years of judging experience outside of formal education/ judging team competitions;
- have judging experience in at least two agriculture shows at a state level or higher;
- be an approved judge on the respective breed association national list;
- be an industry academician or expert; and
- be a breeder or producer.

Once each nomination has been reviewed, the Agriculture Director will compile two lists identifying those nominations that met the minimum requirements and those that did not. Both lists will be submitted to the Agriculture Committee for review and approval. Once approved, the Agriculture Director will determine the order of selection, taking into consideration certain factors such as travel costs and industry relationships. The Agriculture Director will make the final hiring decision and will negotiate the contracts. However, if the Executive Director or the Agriculture Committee determines that the Agriculture Director's private business interests could result in even the appearance of a conflict of interest, judge selection decisions will be approved by the Agriculture Committee before the judge is hired. The Agriculture Director will be responsible for documenting justification for all judge decisions and maintaining this documentation.



Wisconsin State Fair Park

640 S. 84th St. • West Allis, WI 53214 • (414) 266-7000

June 11, 2009

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

Dear Ms. Mueller:

Thank you for performing an audit of State Fair Park's Fiscal Year (FY) 2007-08 financial statements and reviewing certain management issues. State Fair Park relies on the Legislative Audit Bureau's annual assessments to determine the effectiveness of strategies implemented to improve operations and for the identification of new issues needing management attention. Legislative auditors were professional, thorough and worked diligently to understand all of the interrelationships between entities operating on the Fair Park grounds. We agree with your report conclusions and will implement all audit recommendations.

For many years, the Wisconsin State Fair Park Board has challenged staff to become more creative in generating savings and new revenues. As noted in the report, State Fair Park earned a \$1.1 million surplus in FY 2007-08, which was the second year in a row of profitability. The report also noted the significant changes made by the Board to improve the management and operations of the Agriculture program including improvements in the process used to change competition rules, select judges and avoid conflicts of interest. The Board agrees that careful monitoring is needed to ensure these policies are fully implemented and accomplish goals.

State Fair Park also agrees to report to the Joint Legislative Audit Committee by March 1, 2010 on the status of:

- plans to address revenue shortfalls associated with racing operations;
- remediation of the property formerly owned by AmeriGas; and
- a study to determine the costs and advisability of installing a fire suppression sprinkler system in the Youth Center.

The report to the Joint Legislative Audit Committee will also include information on the status of State Fair Park's financial relationship with the Pettit National Ice Center and Wisconsin Exposition Center as well as the final design plans for the Zoo Interchange project and the likely affects of proposed I94 improvements on State Fair Park operations.

Sincerely,

Craig Barkelar
Interim Executive Director