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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

INDIANA STATE FAIR COMMISSION

January 1, 2013 to December 31, 2013

FILED
06/30/2014

TABLE OF CONTENTS

Description	Page
Schedule of Officials	2
Independent Auditor's Report	3-4
Management's Discussion and Analysis	5-10
Basic Financial Statements and Accompanying Notes:	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Fund Net Position	12-13
Statement of Cash Flows	14
Notes to Financial Statements	15-24

SCHEDULE OF OFFICIALS

Office	Official	Term
Executive Director	Cynthia C. Hoye	01-01-09 to 12-31-14
Chairman of the State Fair Commission	Andre Lacy	10-01-10 to 09-30-14

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE INDIANA STATE FAIR COMMISSION

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Indiana State Fair Commission (Commission), a component unit of State of Indiana, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission, as of December 31, 2013, and the changes in financial position, and, where applicable, thereof its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

June 19, 2014

INDIANA STATE FAIR COMMISSION

2013 MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Indiana State Fair Commission (Commission), we offer readers of the Commission's basic financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended December 31, 2013.

FINANCIAL HIGHLIGHTS

- The Commission's assets exceeded its liabilities at the close of the most recent fiscal year by $48.3 million (net position). Of this amount, $8 million (unrestricted net position) may be used to meet any of the Commission's ongoing obligations. There is a total of .7 million in net position that has been temporarily restricted by the Commission for specific purposes: $.2 million (dedicated funds) are set aside for major projects, $.5 million (Indiana State Fair Reserve) is set aside as a reserve for net earnings for the Indiana State Fair; the funds are intended to be available for the Commission to use toward paying lease payments associated with the Coliseum Project debt service if the Fair fails to hit budgeted net earnings.

- The Commission's current assets increased by $37.3 million, and total liabilities increased $33.8 million during the current fiscal year. Cash and cash equivalents increased $1.2 million. The major contributing factor in the significant shift in assets was an increase in construction in progress related to the Coliseum Renovation Project, the liabilities increase was due to funds received through an operating lease related to the Coliseum Renovation Project, and cash was impacted by the accompanying contributions received through the Indiana State Fair Foundation to be used towards that project.

- The Commission's total net position increased by $2.3 million during the current fiscal year. The increase in total net position is primarily due to higher non-operating revenues; with the greatest impact coming from contributions toward the Coliseum Renovation Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The State Fair Commission was established per Indiana Code 15-1.5-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is a separate body, corporate and politic. The Commission is not a state agency. Therefore, the organization's financial activities are accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting. The Commission's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Change in Fund Net Position, Statement of Cash Flows, and the Notes to Financial Statements. The report also contains other supplementary information in addition to the basic financial statements themselves. All information included in this analysis is presented for the two most recent fiscal years to provide the opportunity for comparison between years.

The Indiana State Fair Foundation was created in July 2011. The Board of Directors of the Foundation is made up Commission Members of the Indiana State Fair Commission. Therefore, the Foundation is considered a Blended Component Unit of the Commission for the purpose of financial reporting.

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

The *Statement of Revenues, Expenses, and Changes in Fund Net Position* presents information showing how the Commission's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In contrast, the *Statement of Cash Flows* is concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

These financial statements can be found within this report.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes to the Financial Statements can be found within this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Commission, assets exceeded liabilities by $48.3 million at the close of the most recent fiscal year.

Indiana State Fair Commission's Comparative Summary of Net Position (In Thousands of Dollars)

	2013	December 31, 2012 as Restated
Current and other assets	$ 57,825	$ 20,492
Capital assets	36,618	37,840
Total Assets	94,443	58,332
Current liabilities	4,026	3,936
Noncurrent liabilities	42,118	8,413
Total Liabilities	46,144	12,349
Net Position:		
Net investment in capital assets	34,281	33,833
Restricted	6,005	5,601
Unrestricted	8,013	6,549
Total Net Position	$ 48,299	$ 45,983

FINANCIAL ANALYSIS (CONTINUED)

Net position has increased in both of the two most recently completed fiscal years. The increases were primarily generated by contributions received by the Foundation related to the Coliseum Renovation Project; although the increase in the most recent fiscal year can also be attributed to significant net income from the 2013 Indiana State Fair.

Restricted net position increased in 2013 by $400 thousand. There were three factors related to this increase: a reserve was established to help safeguard the Commission's ability to meet lease obligations related to the Coliseum debt if the Fair falls short of forecasted expectations, funds received specifically for the Coliseum Project were restricted until used in the project, and the increase in the restricting of contributions received for the Coliseum Renovation Project from the Foundation's capital campaign.

Indiana State Fair Commission's Comparative Summary of Changes in Fund Net Position
(In Thousands of Dollars)

	Years Ended December 31, 2013	2012 as Restated
Operating Revenues:		
State Fair	$ 10,536	$ 10,493
Rental of buildings	3,252	4,674
Parking	1,198	1,267
Concessions	611	774
Fairgrounds events	7	14
Skating	153	264
Other	192	184
Total Operating Revenues	15,949	17,670
Operating Expenses:		
State Fair	9,113	10,148
Professional services	4,467	6,758
Depreciation	3,905	3,859
Payroll	5,165	4,871
Materials & supplies	756	985
Capital expenditures	115	116
Other	693	578
Total Operating Expenses	24,214	27,315
Loss from Operations	(8,265)	(9,645)
Nonoperating Revenues:		
Tax distributions	7,756	9,486
Contributions	2,711	6.868
Investment income	1,167	11
Total Nonoperating Revenues	11,634	16,365

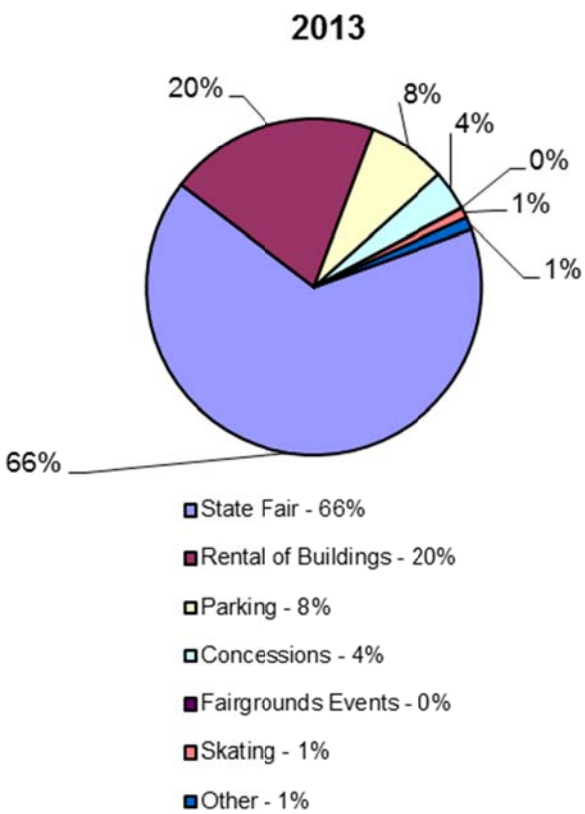
FINANCIAL ANALYSIS (CONTINUED)

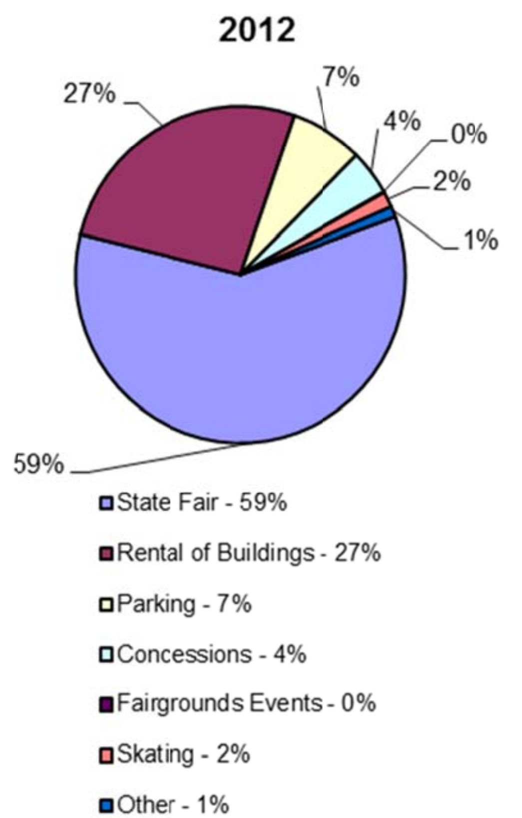
Nonoperating Expense:		
Interest expense	(1,053)	(479)
Bond issuance costs	0	(744)
Total Nonoperating Expense	(1,053)	(1,223)
Net Income (Loss)	2,316	5,497
Net Position:		
Beginning of Year	45,983	40,486
End of Year	$ 48,299	$ 45,983

State Fair revenue increased less $.1 million. The ideal weather in August resulted in record attendance at the 2013 fair; this increased gates, parking, and concessions revenue, and offset lower entertainment revenue due to having no ticketed concerts. Expenses decreased by $1.0 million. The decrease is mainly due to costs associated with the concerts held downtown in 2012, which did not reoccur in 2013, and no major concerts were held on the Fairgrounds to replace them.

The Commission's net position increased $2.3 million during the current fiscal year, after increasing $5.5 million during the preceding fiscal year, and decreasing $2.0 million during the fiscal year ended December 31, 2011. The increase, as well as the preceding increases and decreases, has a notable correlation to the financial results of the Fair.

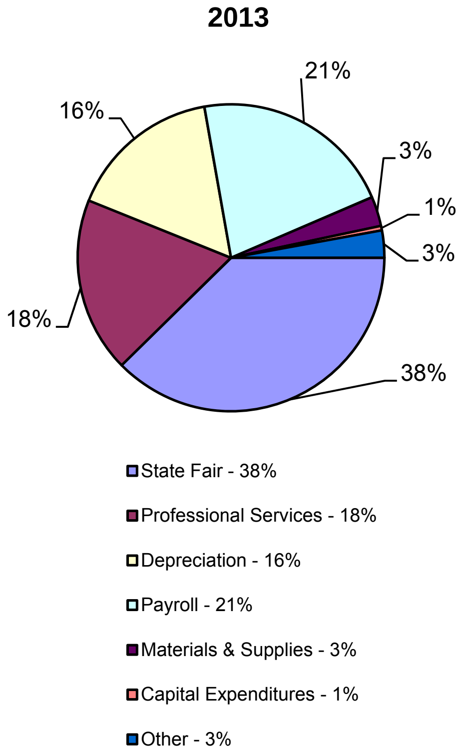
REVENUES BY SOURCE

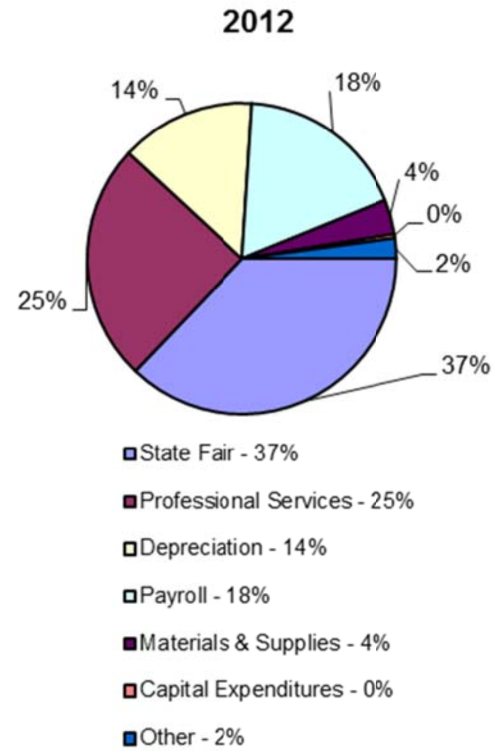




FINANCIAL ANALYSIS (CONTINUED)

EXPENSES BY TYPE





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Commission's net investment in capital assets as of December 31, 2013, amounts to $36.6 million (net of accumulated depreciation). This net investment in capital assets includes land, land improvements, buildings, equipment, and furnishings and fixtures. There was an additional $42.8 million in construction in progress as of that date bringing the total capital assets to $79.4 million. A portion of the capital assets were funded through a bond issued in 2002, with a total principal of $23.2 million. On November 9, 2012, the Indiana Finance Authority (IFA) completed a bond issue (Series 2012L). That bond issue was used to pay a one-time lease payment to the Commission; whereby the Commission leased the Coliseum to the IFA. There was $9.6 million in remaining principal on the 2002 bond at time of refunding. The remaining principal was paid through a combination of bond proceeds ($4.6 million), the release of cash reserves associated with the 2002 bond issue ($4.0 million), and cash from the Indiana State Fair Foundation ($1.0 million). Again, on November 9, 2012, the IFA completed a second bond issue (Series 2012M); the total principal of both bond issues was $62.2 million. The portion of the two bonds not used for refunding the 2002 bond is being used for the Coliseum Renovation Project. The Commission has entered into a Master Use and Occupancy Agreement with the IFA; per the agreement, the Commission will make lease payments to the IFA for the use of the Coliseum. As of December 31, 2013, there was $2.9 million in short-term and $42.2 million in long-term debt outstanding on the agreement. Net investment in capital assets at December 31, 2013, was $34.3 million. The total increase in the Commission's net investment in capital assets for the current fiscal year was $.5 million.

Major capital asset events during the current fiscal year included the following:

- The Coliseum Renovation Project continued throughout 2013. There was $35.7 million added to capital assets related to this project in 2013. The project is expected to be completed in the spring of 2014 with a total budget of $64 million.

- Design work was started on a transportation enhancement grant project to renovate the plaza area in front of the Coliseum. The Commission portion of that grant is expected to be $395 thousand, of which $188 thousand was expended in 2013.

- The Soy Bean Legacy Project was completed in 2013 with a total cost of $2 million. The project is a "glass barn" to be used primarily for agricultural education both year-round and during the Fair. There was $1.7 million expended on this project in 2013. The project was completely funded by grants received from the Indiana Soybean Alliance.

- A major renovation of the speed barns located on the Fairgrounds continued in 2013 with $537 thousand being spent during the fiscal year. The project is being funded by State Funding through the Standardbred Racing Fund. The total project will be a minimum of $1.5 million.

- Other major projects include a new gate house and improvements to gate 6 ($89 thousand), and campus wide change to efficient lighting ($106 thousand).

Indiana State Fair Commission's Capital Assets
(Net of Depreciation)
(In Thousands of Dollars)

	2013	**2012**
Land	$ 1,334	$ 1,334
Land Improvements	4,579	4,972
Buildings	30,282	30,932
Equipment	67	139
Furnishings & Fixtures	356	463
Construction in Progress	42,763	7,153
Totals	$ 79,381	$ 44,993

Additional information on the Commission's capital assets can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of this information should be addressed to Indiana State Fair Commission, 1202 East 38th Street, Indianapolis, IN 46205.

INDIANA STATE FAIR COMMISSION
STATEMENT OF NET POSITION
December 31, 2013

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 4,928,734
Cash and Cash Equivalents: Foundation	1,238,361
Restricted Cash and Cash Equivalents: Foundation	5,305,106
Investments - Unrestricted	310,256
Restricted Investments - Dedicated Funds	199,744
Restricted Investments - Indiana State Fair Reserve	500,000
Accounts Receivable	2,210,903
Receivable From the State of Indiana	286,500
Interest Receivable	2,886
Inventory	16,936
Prepaid Expense	62,941
Total Current Assets	15,062,367
Noncurrent Assets:	
Construction in Progress	42,762,789
Property, Plant, and Equipment	
Land and Improvements	15,403,138
Buildings and Improvements	77,985,477
Machinery and Equipment	4,034,599
Office Furniture and Equipment	1,246,448
Less: Accumulated Depreciation	(62,051,684)
Total Property, Plant, and Equipment	36,617,978
Total Noncurrent Assets	79,380,767
Total Assets	$ 94,443,134
Deferred Outflows of Resources	-
Liabilities and Fund Equity	
Current Liabilities Payable from Unrestricted Funds:	
Accounts Payable	$ 657,349
Salaries Payable	60,310
Payroll Withholdings Payable	2,227
Capital Leases Payable - Current	2,906,388
Taxes Payable	6,846
Deferred Revenue	179,464
Compensated Absences Payable - Current	213,006
Total Current Liabilities Payable From Unrestricted Funds	4,025,590
Deferred Inflows of Resources	-
Noncurrent Liabilities:	
Capital Leases Payable - Long-Term	42,193,637
Unamortized Loss on Sale of Bonds	(232,778)
Net Pension Liability	22,185
Compensated Absences - Long-Term Payable	135,407
Total Noncurrent Liabilities	42,118,451
Total Liabilities	46,144,041
Net Position:	
Net Investment in Capital Assets	34,280,742
Restricted - Expendable:	
Dedicated Funds	199,744
Indiana State Fair Foundation	5,305,106
Indiana State Fair Reserve	500,000
Unrestricted	8,013,501
Total Net Position	$ 48,299,093

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2013

Operating Revenues:	
Fair Operations:	
Gates	$ 3,640,223
Concessions/Midway	2,401,512
Entertainment	211,201
Sponsorship	1,639,125
Department	139,379
Sport/Events	105,037
Livestock	414,307
Shuttle Bus	258,738
Parking	1,133,310
Other	592,722
Total Fair Operations	10,535,554
Non-Fair Operations:	
Concessions	610,770
Rentals of Buildings, Grounds, and Equipment	2,127,209
Expense Reimbursement	1,124,897
Fairground Events	7,122
Ice Skating and Skate Shop	152,673
Parking	1,198,332
Sponsorships	170,000
Other	22,489
Total Non-Fair Operations	5,413,492
Total Operating Revenue	15,949,046
Operating Expenses:	
Fair Operations:	
Personal Services	2,268,425
Services Other Than Personal	261,681
Services by Contract	5,168,693
Materials, Parts, and Supplies	749,993
Equipment	35
Grants/Subsidies/Refunds/Awards	642,816
Travel	21,373
Total Fair Operations	9,113,016

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2013
(Continued)

Operating Expenses (continued):	
Non-Fair Operations:	
Personal Services	5,164,709
Services Other Than Personal	2,162,005
Services by Contract	2,305,406
Materials, Parts, and Supplies	755,876
Equipment	4,027
Lands/Structures	110,647
Depreciation	3,904,923
Grants/Subsidies/Refunds/Awards	641,844
Travel	40,230
Bad Debt Expense	10,975
Total Non-Fair Operations	15,100,642
Total Operating Expenses	24,213,658
Operating Income (Loss)	(8,264,612)
Nonoperating Revenues (Expenses):	
Property Tax Distribution	688
State General Fund Appropriations	586,500
Riverboat Distribution	6,013,137
Pari-Mutual, Off Track Betting Distribution	156,149
Standardbred Racing Fund	1,000,000
Investment Earnings	1,166,809
Interest Expense 2002 Bond (Bond Debt Service)	(1,053,411)
Grants and Contributions	2,710,674
Total Nonoperating Revenues	10,580,546
Net Income (Loss)	2,315,934
Total Net Position, January 1, as restated	45,983,159
Total Net Position, December 31	$ 48,299,093

The accompanying notes are an integral part of the financial statements.

INDIANA STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

Cash Flows from Operating Activities:	
Receipts from Customers and Users	$ 14,546,299
Payments to Suppliers	(12,868,394)
Payments to Employees	(7,520,870)
Net Cash Used by Operating Activities	(5,842,965)
Cash Flows from Noncapital Financing Activities:	
Tax Distributions from State	7,169,974
State Appropriations	300,000
Grants and Contributions	738,870
Net Cash Provided by Noncapital Financing Activities	8,208,844
Cash Flows from Capital and Related Financing Activities:	
Acquisition/Construction of Capital Assets	(2,697,842)
Principal Paid on Capital Debt	(1,655,000)
Interest Paid on Capital Debt	(1,012,333)
Grants and Contributions	1,971,804
Net Cash Used by Capital and Related Financing Activities	(3,393,371)
Cash Flows From Investing Activities:	
Sell of Investments	1,070,472
Interest Received	1,166,643
Net Cash Used in Investing Activities	2,237,115
Net Increase in Cash and Cash Equivalents	1,209,623
Cash and Cash Equivalents, January 1	10,262,578
Cash and Cash Equivalents, December 31	$ 11,472,201
Reconciliation of Cash, Cash Equivalents and Investments:	
Cash and Cash Equivalents, Current, per Statement of Net Position	$ 6,167,095
Cash and Cash Equivalents, Restricted, per Statement of Net Position	5,305,106
Cash, Cash Equivalents, and Investments, per Statement of Net Position	$ 11,472,201
Cash Flows from Operating Activities:	
Operating Loss	$ (8,264,612)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	3,904,923
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(1,401,294)
(Increase) Decrease in Inventory	71,466
(Increase) Decrease in Prepaid Expenses	31,692
(Increase)Decrease in Net Pension Asset	(45,890)
Increase (Decrease) in Accounts Payable	(96,717)
Increase (Decrease) in Salaries and Payroll Withholding Payables	(83,330)
Increase (Decrease) in Deferred Revenue	(1,453)
Increase (Decrease) in Accrued Compensated Absences	41,484
Increase (Decrease) in Taxes Payable	766
Total Adjustments	2,421,647
Net Cash Used by Operating Activities	$ (5,842,965)

The accompanying notes are an integral part of the financial statements.

I. Summary of Significant Accounting Policies

A. Reporting Entity

The State Fair Commission, a component unit of the State of Indiana, was established per Indiana Code 15-1.5-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is a separate body, corporate and politic and is not a state agency. The Commission shall maintain and develop the Fairgrounds and other properties owned by the Commission.

The State Fair Commission is a component unit to be included in the State of Indiana's Comprehensive Annual Financial Report (CAFR) because of it being established as a separate body, corporate and politic (not a state agency), by Indiana Code 15-13-2. A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable.

Blended Component Unit

The accompanying financial statements include a blended component unit of the State Fair Commission.

Effective July 1, 2011, SEA 478 (2011) authorized the Indiana State Fair Commission to establish a nonprofit subsidiary corporation to solicit and accept private funding. Using this authority, the Indiana State Fair Foundation, an Internal Revenue Service approved 501(c)(3), was established. The Foundation is a financially responsible organization that helps create legacies to: enrich the lives of all Hoosiers, provide resources for youth development, communicate the traditions and technology of Indiana Agriculture, preserve and enhance the campus of the Indiana State Fairgrounds in perpetuity.

The Foundation is a public charity, qualified to accept tax deductible bequests, devises, transfers, and gifts dedicated to support the year-round youth development, education, and campus stewardship projects of the Indiana State Fair Commission, and is governed by the Commission.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

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

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Bond issue accounts established by the bond covenants are invested in short-term United States Treasury and government securities and are maintained by a custodian financial institution.

Short-term investments are investments with remaining maturities of up to 90 days. State statute (IC 5-13-10.5) authorizes the Commission to invest in interest-bearing accounts, passbook savings accounts, certificates of deposit, money-market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit and obligations of the U.S. Treasury, a federal agency, a federal instrumentality, a federal government sponsored enterprise, and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

Investment earnings are reported as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of enterprise funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Restricted Assets

Funds dedicated to specific capital projects are classified as restricted assets on the Statement of Net Position.

Funds from the Indiana State Fair net income are classified as restricted assets on the Statement of Net Position. Net income from the Fair is used to support lease payments; the funds are set aside to mitigate the volatility of the Fair's budget related to weather.

Funds contributed to the Indiana State Fair Foundation, as well as interest earned on those funds, are classified as restricted assets on the Statement of Net Position and are intended to be used toward the mission of the Foundation.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	$ 25,000	Straight-line	15 Years
Buildings	25,000	Straight-line	20 Years (40 years prior to 1981)
Building improvements	25,000	Straight-line	4-20 Years
Machinery and equipment	25,000	Straight-line	3-10 Years
Electrical upgrades	25,000	Straight-line	12-15 Years
Furniture and equipment	25,000	Straight-line	5-10 Years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the State Fair Commission during the 2013 year was $1.7 million.

6. Accounts Payable

Operating payables and contracts payable have been combined on the Statement of Net Position. Contracts payable make up $263,062 of the combined accounts payable.

7. Compensated Absences

a. Sick Leave - Commission employees earn sick leave at the rate of 9 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.

b. Vacation Leave - Commission employees earn vacation leave at rates from 12 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees in good standing, through cash payments for up to a maximum of 30 days vacation upon separation of service.

c. Personal Leave - Commission employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 3 days. Any personal leave accumulated in excess of 3 days automatically becomes part of the sick leave balance. Accumulated personal leave is not paid to employees.

Vacation leave is accrued when incurred and reported as a liability. No liability is reported for sick or personal leave.

8. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in the period incurred.

9. Net Position

Net position of the Commission are classified in three components:

Net investment in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted expendable net position is generally noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the State Fair Commission. Restricted expendable net position include amounts funds dedicated to specific capital projects, reserves for Indiana State Fair net income, and funds set aside for the Indiana State Fair Foundation. All of the restricted expendable net position is discussed in Note II-F.

Unrestricted net position is remaining net position that do not meet the definition of investment in capital assets.

E. Grants and Contributions

From time to time, the Commission receives grants from the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

The Commission received $2.711 million in grants and contributions in 2013. The grants include: $870,857 from the Indiana Soybean Alliance for the construction of the "glass barn." The contributions include: $927,000 from Indiana Hockey Club, LLC, to cover the cost of a ribbon board in the renovated Coliseum, $355,030 from the State of Indiana Horse Racing Commission to offset premiums and administrative expenses related to harness races held at the fairgrounds, $302,346 as unrestricted contributions to the Foundation primarily from Bottling Group, LLC, $173,947 to the Foundation for the Coliseum Renovation Project, $66,852 was contributed to the Foundation to support youth hockey, and $15,390 was contributed to the Youth Development fund primarily from Indiana Farm Bureau Insurance for the State Fair Celebration Awards.

II. Detailed Notes on All Funds

A. Deposits

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Indiana State Fair Commission does not have a deposit policy for custodial credit risk. At December 31, 2013, the Indiana State Fair Commission had deposit balances in the amount of $12,640,307.

B. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2013:				
Capital assets, not being depreciated:				
Land	$ 1,333,821	$ -	$ -	$ 1,333,821
Construction in progress	7,153,377	36,393,072	783,660	42,762,789
Total capital assets, not being depreciated	8,487,198	36,393,072	783,660	44,096,610
Capital assets, being depreciated:				
Land improvements	13,628,992	440,325	-	14,069,317
Buildings and improvements	75,743,195	2,242,282	-	77,985,477
Machinery and equipment	4,034,599	-	-	4,034,599
Office furniture	1,246,448	-	-	1,246,448
Totals	94,653,234	2,682,607	-	97,335,841
Less accumulated depreciation for:				
Land improvements	(8,656,739)	(833,761)	-	(9,490,500)
Buildings and improvements	(44,811,201)	(2,892,444)	-	(47,703,645)
Machinery and equipment	(3,895,156)	(71,934)	-	(3,967,090)
Office furniture	(783,665)	(106,784)	-	(890,449)
Totals	(58,146,761)	(3,904,923)	-	(62,051,684)
Total capital assets, being depreciated, net	36,506,473	(1,222,316)	-	35,284,157
Total capital assets, net	$ 44,993,671	$ 35,170,756	$ 783,660	$ 79,380,767

Depreciation expense for the year ended December 31, 2013, was charged to Non-Fair Operations in the amount of ($3,904,923).

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2013 Expended to December 31,	2013 Committed
Pepsi Coliseum Renovation	$ 41,905,597	$ 64,011,475
Speed Barn Renovations	669,592	1,500,000
Coliseum Plaza TE Project	187,600	395,125
Totals	$ 42,762,789	$ 65,906,600

D. Operating Leases

The Commission, as lessee, entered into an operating lease having initial or remaining noncancelable terms exceeding one year with Van Ausdall & Farrar on May 25, 2010, for the lease of a Ricoh MPC 5000 copier. The lease agreement also includes terms related to maintenance costs. The lease expires in May 2015. The total lease expense for the year ending December 31, 2013, was $5,250.

The Commission, as lessee, entered into an operating lease having initial or remaining noncancelable terms exceeding one year with Konica Minolta on March 7, 2011, for the lease of three BIZHUB model copiers. The lease agreement also includes terms related to maintenance costs. The lease expires in March 2015. The lease with Konica Minolta was amended on August 29, 2012, to add an additional BIZHUB copier to the lease. The amendment does not extend the original expiration date. The total lease expense for the year ending December 31, 2013, was $35,282.

Future minimum lease payments under operating leases are as follows:

	Business-Type Activities
2014	$ 33,584
2015	9,102
Total	$ 42,686

E. Long-Term Liabilities

1. Capital Leases

The Indiana State Fair Commission has entered into a capital lease for the renovation of the Coliseum and construction of the new Youth Arena. Future lease payments and present values of the net minimum lease payment under the capital lease as of December 31, 2013, are as follows:

	Business-Type Activities
2014	$ 3,506,788
2015	3,583,987
2016	4,263,187
2017	4,261,238
2018	4,262,938
2019-2023	21,389,288
2024-2028	21,448,138
2029-2033	21,527,425
2034-2038	3,897,524
Total minimum lease payments	88,140,513
Less amount representing interest	43,040,488
Present value of net minimum lease payments	$ 45,100,025

As of December 31, 2013, assets acquired through capital leases still in effect are reported as Construction in Progress and have not yet been classified as a capital asset.

2. Advance Refunding

On November 9, 2012, the Indiana State Fair Commission issued $4,580,000 in refunding revenue bonds with an average interest rate of 2.93 percent to advance refund $9,565,000 of outstanding 2002 series bonds with an average interest rate of 4.4 percent. The net proceeds of $4,755,311 (after payment of $50,466 in issuance costs and $0 in bond discount) and local contributions of $5,014,000 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The refunding resulted in the accounting loss of $273,856, which has been recognized on the Statement of Net Position as Unamortized Loss on Sale of Bonds. This amount will be amortized using the straight-line method and charged to interest expense over the next 4.5 years. The Indiana State Fair Commission in effect reduced its aggregate debt service payment by $715,905 over the next 4.5 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $461,029.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2013:					
Capital lease payable*	$ 11,160,848	$ 35,637,757	$ 1,698,580	$ 45,100,025	$ 2,906,388
Compensated absences	306,929	41,484	-	348,413	213,006
Total long-term liabilities	$ 11,467,777	$ 35,679,241	$ 1,698,580	$ 45,448,438	$ 3,119,394

*As restated in Note II G.

F. Restricted Assets

Cash and investments restricted include the following:

1. Indiana State Fair Foundation - There is $5.3 million listed as restricted funds for the Indiana State Fair Foundation. The majority of these funds are related to the Coliseum Project Capital Campaign, with a small amount ($37,780) restricted to use with youth hockey.

2. Dedicated Funds - The Commission has $199,744 consisting of remaining funds set aside to be used for major projects: these funds represent an amount left over from the renovation of Discovery Hall. The dedicated funds are intended to be used for the replacement of gas lines on the campus in 2013. These funds are considered restricted current investments.

3. Indiana State Fair Reserve - The net income from the Fair is used to support lease payment obligations related to debt service of revenue bonds. The weather has a great deal of impact on the financial results of the Fair and therefore the net income can be volatile. To mitigate the risk of a Fair not meeting anticipated financial goals the Commission has set aside $500,000 as a reserve to be used to meet debt obligations.

The balances of restricted asset accounts are as follows:

Year Ended December 31	Principle
Indiana State Fair Foundation	$ 5,305,106
Dedicated Funds	199,744
Indiana State Fair Reserve	500,000
Total restricted assets	$ 6,004,850

G. Prior Year Adjustments and Reclassifications

For the fiscal year ending December 31, 2013, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Indiana State Fair Commission. The following prior period adjustment and restatement is reflected in the beginning net position in the

Statement of Revenue, Expenses, and Changes in Fund Net Position: Restricted cash and offsetting liabilities were adjusted to reflect the proper accounting for the debt associated with the funds used for the Coliseum Renovation Project. The Indiana Finance Authority properly reported the cash held with the trustee of the 2012 bond issuance on their books for their fiscal year ending June 30, 2013. The Indiana State Fair Commission had also reported those funds on their books at December 31, 2012. The restated financial statements reduce restricted cash for the Commission to reflect this change. The long and short-term debt on the Commission's financial statements was also reduced to reflect the change in reporting the 2012 bond transaction as a capital lease for the Commission, rather than bond debt, and reflects only funds used as of year-end. The prior period adjustment had no financial impact on the Commission's net position or fund balance. The adjustment reduced current net assets by the amount of funds held by the bond trustee ($58 million) and reduced current ($1.4 million) and noncurrent ($56.6 million) liabilities to reflect only the amount of the funds spent on the project as of December 31, 2012; the liabilities were also reclassified as capital leases payable.

H. Operating Revenue - Expense Reimbursement

The Indiana State Fair Commission receives revenue from the rental of buildings, grounds, and equipment. The contracts related to rental revenue contain allowances for expenses paid by the Commission on behalf of the client. These expenses can include, but are not limited to, utilities, set-up, tear-down, and clean-up. The costs of these expenses are passed along to the client. In many cases, the amount billed to the client is not a dollar to dollar pass through. Therefore, the revenue received for these services is recorded as Expense Reimbursement on the Statement of Revenues, Expenses, and Changes in Net Position. The corresponding expense is recorded under operating expenses.

III. Other Information

A. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters. The Commission is subject to the protection offered by the Indiana Tort Claims Act. Tort claims shall be paid from the Indiana Tort Claims Fund established at Indiana Code 34-13-3-24.

The State Fair Commission generally does not purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. However, the Commission has acquired property insurance for specific buildings to guard against the destruction of assets, which covers up to $113,781,597, and possible loss of business revenue related to such destruction of assets, which covers up to $3,186,000. Currently, the Commission records, as an expenditure, any loss not covered by property insurance as the liability is incurred or replacement items are purchased. The State Fair Commission does have a faithful performance bond, as required by statute (IC 15-13-2-15), which covers up to $50,000 for each of the following: Executive Director, Deputy Executive Director, Director of Finance, Commission Chair, and each Commission member.

B. Retirement Medical Benefits Account

SEA 501 (2007) established a retirement medical benefits account as a health reimbursement arrangement for eligible state government retirees. Full-time benefited employees of the Indiana State Fair Commission are eligible participants to receive this benefit as outlined in SEA 501. Contributions on behalf of the eligible Indiana State Fair Commission participants are made by the State of Indiana. Therefore, no actuarial information is included in this report. Actuarial information concerning the retirement medical benefits account can be found in the 2013 State of Indiana Comprehensive Annual Financial Report.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana State Fair Commission contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries.

All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system and give the Commission authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

PERF members are required to contribute 3 percent of their annual covered salary. The Commission is required to contribute at an actuarially determined rate; the current rate is 11 percent of annual covered payroll. The contribution requirements of plan members and the Commission are established and may be amended by the INPRS Board of Trustees.

Annual Pension Cost

The Commission's required contributions to the plan for the years ended December 31, 2011, 2012, and 2013, were $190,715; $201,979; and $273,456, respectively. The Commission actually contributed 100 percent of the required contribution for each of the fiscal years.