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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, 2007 to December 31, 2007

FILED
09/26/2008

TABLE OF CONTENTS

OFFICIALS

Office	Official	Term
Executive Director	Cynthia C. Hoye	01-01-07 to 12-31-08
Chairman of State Fair Commission	Dr. Gene Sease	10-01-02 to 02-07-07
	Kyle Hupfer	02-08-07 to 09-30-10

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

TO: THE OFFICIALS OF THE INDIANA STATE FAIR COMMISSION

We have audited the accompanying financial statements of the business-type and fiduciary activities of the Indiana State Fair Commission, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type and fiduciary activities of the Indiana State Fair Commission as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Schedule of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

July 2, 2008

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REPORT COMMUNICATING INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN AN AUDIT

TO: THE OFFICIALS OF THE INDIANA STATE FAIR COMMISSION

In planning and performing our audit of the financial statements of the Indiana State Fair Commission as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. A material weakness is a significant deficiency, or combination of significant deficiencies, that result 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 believe that the deficiencies detailed in the Audit Results and Comments entitled "Investment Interest Posting," "Skate Shop Internal Controls," "Asset Inventory," and "Checking Account Reconciliation" constitute significant deficiencies.

This communication is intended solely for the information and use of management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

The Commission's written response, if any, to the Audit Results and Comments identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 2, 2008

INDIANA STATE FAIR COMMISSION

2007 MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2007

INTRODUCTION:

The Indiana State Fair Commission is charged with holding the annual Indiana State Fair in August, as well as providing accessible, cost-effective, secure and modern facilities for the variety of events hosted year-round. While the early history of the Indiana State Fair dates back to the 1850's, the Fairgrounds have been located in Indianapolis, at 38th Street and Fall Creek Parkway, since 1892.

Commission members are appointed by the Governor. Their main function is to provide leadership and oversight in the management and on-going renovation of this state-owned 250 acre facility. Fair Board members plan and run our largest single event—the Indiana State Fair. The Directors' and Commissioners' efforts are aided by the Senior Staff, who provide typical support services such as Accounting, Budgeting, Purchasing, Marketing, Media Relations, Buildings and Grounds Maintenance, Operations show set-up and tear-down, Parking and Gates, and overall coordination of the State Fair with the Commission.

The Indiana State Fair's 151st edition celebrated the "Year of Corn". Different varieties of corn were planted all around the grounds, sometimes in place of where we normally grow flowers. With care, the corn stalks grew, and the ears were plump. City kids who had only seen corn in the field as they drove by in the car could reach out and touch…Agriculture. The 2008 fair will showcase the "Year of Trees"; exploring the contributions of the hardwood industry to Indiana's economy. In fact, the 1,600 trees growing on the Fairgrounds campus have already been mapped and identified; and have plans to plant more in 2008. The State Fair provides a unique backdrop to tell the important story of agriculture in Indiana.

The 2007 edition of our Indiana State Fair saw record-breaking heat levels result in reducing attendance by about 14% from the prior year to 751,000. Despite the soaring temperatures, revenues from the Fair declined less than 4% from 2006. As a result of modest ticket price increases ($2) and tight fiscal management of operating expenses, the State Fair managed to make a profit of over $500,000.

The sections below present management's discussion and analysis of the Indiana State Fair Commission for the year ended December 31, 2007. The MD&A is presented as a narrative overview and analysis of the ISFC's financial activities. The information provided here should be considered in conjunction with the information presented on our basic financial statements in order to enhance understanding of the ISFC's financial performance during the 2007 fiscal year.

CONDENSED STATEMENT OF NET ASSETS ($000's):

ASSETS	**2007**	**2006**	**'07 – '06**	
Cash & Equivalents	$4,147	$3.893	$254	
Accounts Receivable	$577	$396	$181	
Prepaid Expenses	$35	$65	($30)	
Other		$3	($3)	
Bond Debt Serv Account	$2,255	$2,255	$0	
Bond Funding Account	$2,110	$2,242	($132)	
Repair & Replacement Fund	$1,000	$1,000	$0	
Deferred Charges: Bond Issuance Costs	$476	$529	($53)	
Construction in Progress	$3,188	$1,375	$1,813	**A**
Land & Improvements	$14,517	$14,517	0	
Buildings & Improvements	$66,403	$66,403	0	
Machinery & Equipment	$3,631	$3,596	$35	
Office Furniture & Fixtures	$1,423	$1,351	$72	
Accumulated Depreciation	($40,823)	($36,568)	($4,255)	
TOTAL ASSETS	**$58,939**	**$61,056**	**($2,117)**	
LIABILITIES	**2007**	**2006**	**'07 – '06**	
Accounts, Salaries, Taxes & Contracts Payable	$785	$618	$167	
Deferred Income	$221	$223	(2)	
Revenue Bonds Payable - Current	$1,550	$1,380	$170	
Revenue Bond Interest Payable	$352	$373	($21)	
Compensated Absences Payable	$247	$238	$9	
Long-term Liabilities				
Revenue Bonds Payable – Long Term	$15,905	$17,455	($1,550)	**B**
Unamortized Bond Discount	($107)	($119)	$12	
Unamortized Loss on Sale of Bonds	($152)	($169)	$17	
Compensated Absences: Long-Term	$206	$188	$18	
TOTAL LIABILITIES	**$19,007**	**$20,187**	**($1,180)**	
NET ASSETS				
Total Net Assets	$39,932	$40,869	($937)	
TOTAL NET ASSETS	**$39,932**	**$40,869**	**($937)**	
TOTAL LIABILITIES & NET ASSETS	**$58,939**	**$61,056**	**($2,117)**	

Many of the large buildings at the Fairgrounds were built between 1920 and 1940. With the continuing success of the Indiana State Fair, and the need for upgraded space to accommodate today's show promoters and event managers, the Commission has been working diligently to accelerate the re-building of several of the Fairgrounds main buildings.

Looking at note (A) on the Balance Sheet, the largest item in Construction in Progress section at $3 million continues to be the multi-year renovation of the former 4-H Girl's Dormitory Building; renamed Discovery Hall. 2007 was the second year of a projected four-year renovation of this building. It was determined that the 2008 Capital Projects Budget will re-direct financial resources away from this project in favor of some needed machinery and equipment, and a much needed replacement of the Expo Hall roof. The expectation is to get back to Discovery Hall for Phase 3 and Phase 4 in 2009 and 2010.

Note (B) indicates Revenue Bond Debt Principal Reduction is currently about $1.5 million per year. There are still about 9 years of debt service payments remaining on the 15-year Revenue Bond.

Net Assets are expected to trend downward in future years, even though long term debt is being paid off at the same time. This is because, as the Depreciation Expense increases, the book values of ISFC fixed assets will decline to a greater extent than the reduction in long-term Bond Debt.

COMPARATIVE SUMMARY OF REVENUE & EXPENSE ($000's):

REVENUE	2007	2006	'07–'06	
1. FAIR	$9,829	$10,226	($397)	**C**
2. FAIRGROUNDS REVENUE	$5,242	$5,528	($286)	E
3. Other Non-Operating Revenue				
Property Tax Distribution	$2,160	$2,575	($415)	**D**
Riverboat Distribution	$6,201	$6,277	($76)	
Pari-Mutual, Off Track Betting	$327	$344	($17)	
Distribution	$364	$326	$38	
Interest Income	$813	$156	$657	
Contributions and Grants	$0	$3,200	($3,200)	**J**
DNR Matching Funds				
TOTAL REVENUE (1+2 +3)	**$24,936**	**$28,632**	**($ 3,696)**	
EXPENSES				
4. FAIR OPERATING EXPENSES	$9,328	$9,905	($577)	**F**
5. FAIRGROUNDS OPERATING EXPENSES	$10,192	$10,973	($781)	**G**
CAPITAL-TYPE PROJECTS EXPENSED	$1,313	$1,596	($283)	**H**
DEPRECIATION EXPENSE	$4,254	$4,135	$119	**I**
TOTAL FAIRGROUNDS EXPENSES	$15,759	$16,704	($945)	
6. Other Non-Operating Expenses				
Bond Debt Interest Expense	$786	$828	($42)	
7. TOTAL EXPENSES (4+5+6)	**$25,873**	**$27,437**	**($1,564)**	**K**
NET INCREASE (DECREASE) IN NET ASSETS	**($937)**	**$1,193**	**($2,130)**	**L**

Due to the especially hot weather, 2007 State Fair attendance fell 14% (or 119,000) from 2006's attendance of 870,000. However, 2007 Fair Revenues were only down 4%, or $397,000 compared to the prior year (C). A $2 price increase on both Discount and Daily Roll tickets at the Gates in 2007 helped offset the impact of the drop in attendance, resulting in an increase to Gate Revenue of about $400,000 over 2006. The real revenue loss was due to the elimination of one-time Fair Supplemental Revenue from 2006 for about $380,000. These one-time funds were designated specifically for the 150th Anniversary Celebration and fund-raising for the signature Art Piece at the corner of 38th Street and Fall Creek Parkway.

Mil Tax Revenue (D) experienced a $415,000 decrease in Revenue receipts caused by the statewide re-assessment of Property Taxes. Several counties have delayed their payments to the State due to re-assessment problems in their counties, causing a 2007 Revenue shortfall for ISFC.

Fairgrounds Earned Revenue (E) also experienced a decrease compared to 2006. This reflected lower show attendance numbers and resulted in reduced parking and concessions revenues. These lower revenue numbers were partially offset by lower Expense Reimbursements. This differential is not reflected by comparing the Income Statements for 2006 and 2007, because 2007 Revenues incorporate Revenues from C.A.S.H. and Facility Charges (Parking).

2007 Fair Operating Expenses (F) declined about $575,000 from 2006 levels. Most of the decrease was due to the cut back in the number of Grandstand Concerts from seven to five concerts. As noted above, with the elimination of Fair Supplemental Revenue, we also eliminated Fair Supplemental Expense in 2007.

Fairgrounds Operating Expenses (G) were also down $945,000 compared to 2006. Executive Director, Cindy Hoye, took steps to reduce Operational Expense spending in response to declining show attendance and the potential shortfall from Mil Tax. As a result, Buildings and Grounds spending went down about $225,000 and Operations Recoverable Expenses were down by about $325,000 from 2006.

Capital-type Projects Expensed (H) was $1.313 million. With all the major construction work over the last several years, Depreciation Expense (I) continues to be over $4 million per year.

Item (J) was a one-time $4 million project to construct a 312,000 gallon fishing pond outside of the Department of Natural Resources Building here on the Fairgrounds. This was an 80/20 matching funds project where $3.2 million in construction costs came from sources other than ISFC. Under GAAP Accounting rules, the non-cash matching funds were reported under Non-Operating Revenues as Capital Contributions in 2006.

Although 2007 was a challenging year for revenues (with both lower Fair and tax resources), the Commission staff adjusted expenses (K), thereby minimizing the overall impact to the bottom line (L).

FINANCIAL OUTLOOK/CURRENT ISSUES FOR 2008:

A conservative approach in normally taken with the **Indiana State Fair** budget to reflect the risk associated with the affect weather can have on attendance. 2008 State Fair Budget is based on expected attendance of 800,000.

The 2008 State Fair Budget recognizes an increase in Shuttle Bus rides from $.50 to $.75. Fair Revenue exceeding Fair Expense (profit) will go to funding the following year's Fairgrounds Capital Improvements. The impact of the new Federal and State Minimum Wage laws had little effect in 2007; but will have more effect in 2008 at $6.55 per hour; and a significant effect on 2009 payroll expense for the 1,000+ employees we hire for the State Fair when minimum wage goes to $7.25 per hour.

2008's **Fairgrounds** plans include focusing attention on better performance measurements, in part, to quantify our "operating results" in terms other than financial performance. It helps tell the story that "Indiana has a Great State Fair and Fairgrounds…and here's why."

It is anticipated that Fairgrounds 2008 revenue will hold at levels similar to those received in 2007; with no major changes in sources. It is expected that in 2009 there will be a significant change in revenue stream when tax funds will be reduced by the elimination of our allocation of MIL tax. There have been assurances from the Office of Management and Budget that the amount eliminated will be replaced in equal amounts by an allocation from the State's General Fund.

The 2008 Capital Plan expects to spend about $2.2 million; of which $1.3 million will come from investments held at 2007 year-end. The largest Capital Project Plan for 2008 is the repair of the roof on the Expo Hall. These repairs are estimated to cost approximately $0.75 million. There are also significant improvements planned for the north side of the fairgrounds. A driving factor to these improvements is the addition of the Normandy Barn which was moved from the south side of 38th Street. Capital spending for 2008 will see the delay in the Discovery Hall Project (Old 4-H Girls Dormitory). Rather, financial resources have been focused on several smaller capital construction projects, and machinery and equipment purchases. The expectation is to get back to Phase 3 of the Discovery Hall Project in 2009. It is important to do as much as can be done, in an expedient manner as possible, to upgrade and improve the Fairgrounds facilities.

Recognizing that people have more choices for entertainment and leisure time activities, and less time available to enjoy those activities, the challenge for us is to make the Indiana State Fairgrounds their destination point. One of the ways that challenge is being met is through the

Education Department. A significant portion of the North Side improvements have occurred in enhancing exhibits that focus on youth, and can be used for year-round education. Many schools from around the state have arranged field trips to the fairgrounds in 2008. It is anticipated that this area will show major growth in the coming years, and improve the ability to increase contributions and sponsorships.   It is believed the future of the Indiana State Fair lies in continuing what is done well; that is, showcasing one of the best State Fairs in the country, as well as hosting the other 300 shows and events that call the Indiana State Fairgrounds home.

For 2009, the annual Indiana State Fair is expanding from its current 12-consecutive day format to a 17-consecutive day format. Adding a third weekend reduces the risk against potential losses caused by a rained-out weekend. The incremental costs associated with the added weekend, for staffing and entertainment, are significant.

INDIANA STATE FAIR COMMISSION
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2007

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 4,146,782
Accounts Receivable	576,669
Prepaid Expense	34,723
Total Current Assets	4,758,174
Noncurrent Assets:	
Restricted Cash and Cash Equivalents:	
Repair and Replacement Fund	1,000,000
Bond Debt Service Account	2,254,460
Bond Funding Account	2,110,003
Total Restricted Cash and Cash Equivalents	5,364,463
Deferred Charges - Bond Issuance Costs	476,506
Construction In Progress	3,188,192
Property, Plant and Equipment	
Land and Improvements	14,517,199
Buildings and Improvements	66,403,003
Machinery and Equipment	3,630,799
Office Furniture and Equipment	1,423,385
Less: Accumulated Depreciation	(40,822,871)
Total Property, Plant and Equipment	45,151,515
Total Assets	$ 58,938,850
Liabilities and Fund Equity	
Current Liabilities Payable from Unrestricted Funds:	
Accounts Payable	$ 412,266
Contracts Payable	212,418
Salaries Payable	126,422
Payroll Withholdings Payable	29,692
Revenue Bonds Payable - Current	1,550,000
Revenue Bond Interest Payable	352,230
Taxes Payable	4,320
Deferred Revenue	220,458
Compensated Absences Payable - Current	246,534
Total Current Liabilities Payable From Unrestricted Funds	3,154,340
Noncurrent Liabilities:	
Revenue Bonds Payable - Long-Term	15,905,000
Unamortized Bond Discount	(107,013)
Unamortized Loss on Sale of Bonds	(152,240)
Compensated Absences Long-Term Payable	206,473
Total Noncurrent Liabilities	15,852,220
Total Liabilities	19,006,559
Net Assets:	
Invested in Capital Assets, Net of Related Debt	30,884,707
Restricted - Expendable:	
Future Debt Service	4,364,463
Other Purposes	1,000,000
Unrestricted (Deficit)	3,683,121
Total Net Assets	$ 39,932,291

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

INDIANA STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For The Year Ended December 31, 2007

Operating Revenues:	
Fair Operations:	
Gates	$ 3,044,442
Concessions/Midway	2,202,847
Entertainment	1,813,892
Sponsorship	1,297,360
Department	158,871
Sport/Events	155,932
Livestock	579,067
Shuttle Bus	120,210
Parking	278,843
Other	177,340
Total Fair Operations	9,828,804
Non-Fair Operations:	
Gates	2,565
Concessions	656,747
Rentals of Buildings, Grounds, and Equipment	1,828,887
Expense Reimbursement	1,344,537
Fairground Events	244,026
Ice Skating and Skate Shop	150,895
Parking	807,248
Sponsorships	160,250
Other	46,630
Total Non-Fair Operations	5,241,784
Total Operating Revenue	15,070,588
Operating Expenses:	
Fair Operations:	
Payroll	1,659,011
Services Other Than Personal	221,987
Services by Contract	4,735,147
Materials, Parts and Supplies	2,045,842
Awards	616,316
Travel	48,706
Bad Debt Expense	1,140
Total Fair Operations	9,328,149

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

INDIANA STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For The Year Ended December 31, 2007
(Continued)

Operating Expenses (continued):	
Non-Fair Operations:	
Payroll	4,203,386
Services Other Than Personal	2,776,626
Services by Contract	2,250,143
Materials, Parts and Supplies	902,403
Capital Expenditures	1,312,650
Depreciation and Amortization	4,254,427
Awards	34,485
Travel	22,944
Bad Debt Expense	1,437
Total Non-Fair Operations	15,758,500
Total Operating Expenses	25,086,649
Operating Income (Loss)	(10,016,061)
Nonoperating Revenues (Expenses):	
Property Tax Distribution	2,160,387
Riverboat Distribution	6,201,220
Pari-Mutual, Off Track Betting Distribution	327,398
Interest Income	363,589
Interest Expense 2002 Bond (Bond Debt Service)	(786,211)
Contributions	812,850
Total Nonoperating Revenues	9,079,233
Net Income (Loss)	(936,828)
Total Net Assets, January 1	40,869,119
Total Net Assets, December 31	$ 39,932,291

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

INDIANA STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2007

Cash Flows from Operating Activities:	
Receipts from Customers and Users	$ 14,888,576
Payments to Suppliers	(14,785,426)
Payments to Employees	(5,820,192)
Net Cash Used by Operating Activities	(5,717,042)
Cash Flows from Noncapital Financing Activities:	
Tax Distributions from State	8,689,005
Cash Flows from Capital and Related Financing Activities:	
Acquisition/Construction of Capital Assets	(1,920,458)
Principal Paid on Capital Debt	(1,380,000)
Interest Paid on Capital Debt	(725,160)
Grants and Contributions	812,850
Net Cash Used by Capital and Related Financing Activities	(3,212,768)
Cash Flows From Investing Activities:	
Interest Received	363,589
Net Decrease in Cash and Cash Equivalents	122,784
Cash and Cash Equivalents, January 1	9,388,461
Cash and Cash Equivalents, December 31	$ 9,511,245
Reconciliation of Cash, Cash Equivalents and Investments:	
Cash and Cash Equivalents, Current, per Balance Sheet	$ 4,146,782
Cash and Cash Equivalents, Restricted, per Balance Sheet	5,364,463
Cash, Cash Equivalents and Investments per Balance Sheet	$ 9,511,245
Cash Flows from Operating Activities:	
Operating Loss	$ (10,016,061)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	4,254,427
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(180,461)
(Increase) Decrease in Prepaid Expenses	30,024
(Increase) Decrease in Due from other Funds	3,235
Increase (Decrease) in Accounts Payable	38,734
Increase (Decrease) in Contracts Payable	112,357
Increase (Decrease) in Salaries and Payroll Withholding Payables	15,435
Increase (Decrease) in Deferred Revenue	(2,210)
Increase (Decrease) in Accrued Compensated Absences	26,771
Increase (Decrease) in Taxes Payable	708
Total Adjustments	4,299,020
Net Cash Used by Operating Activities	$ (5,717,042)

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

INDIANA STATE FAIR COMMISSION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
December 31, 2007

Assets	Private-Purpose Trust Fund
Assets:	
Cash and Cash Equivalents	$ 69,943
Liabilities and Fund Equity	
Liabilities:	
Scholarships Payable	6,467
Net Assets:	
Held in Trust for Trust Beneficiaries	$ 63,476

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

INDIANA STATE FAIR COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For The Year Ended December 31, 2007

	Private-Purpose Trust Fund
Additions:	
Interest Income	$ 6,681
Net Increase in Net Assets	6,681
Net Assets Held in Trust, January 1	56,795
Net Assets Held in Trust, December 31	$ 63,476

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

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. The Commission shall maintain and develop the Fairgrounds and other properties owned by the Commission.

B. Fund Financial Statements

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

Fiduciary fund financial statements consist of the Statement of Net Assets and Statement of Changes in Net Assets.

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation.

Proprietary funds distinguish operating revenues 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.

Fiduciary funds account for assets held by or on behalf of a government in a trustee capacity or as an agent on behalf of others. They cannot be used to support the government's own programs. The Commission has one fiduciary fund, a private purpose trust fund. Private purpose trust funds account for trust arrangements in which both the principal and interest may be spent for the benefit of individuals, private organizations or other governments.

The one fiduciary fund currently held by the Commission is for 4-H scholarships. The fund was initially established by a generous gift to the State Fair from the 1986 Grand Champion 4-H winner, Kyle Ehman. The scholarships were created to encourage 4-H members to continue their education beyond high school, with the intention the award would be put towards a course of study at an accredited institution.

Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.

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.

Investment income is reported as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Assets.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by the applicable bond covenants.

4. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, equipment and furniture, are reported in the financial statements.

Capital assets are reported at actual historical cost.

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	$ 5,000	Straight-line	15 Years
Tunnels	5,000	Straight-line	30 Years
Buildings	5,000	Straight-line	20 Years (40 Years Prior to 1981)
Building Improvements	5,000	Straight-line	4-20 Years
Machinery and Equipment	5,000	Straight-line	3-10 Years
Electrical Upgrades	5,000	Straight-line	12-15 Years
Furniture and Equipment	5,000	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 2007 year was $0.

5. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. 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 reported as deferred charges and amortized over the term of the related debt.

6. Net Assets

Net assets of the Commission are classified in three components:

Net assets invested 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.

Noncurrent expendable net assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the State Fair Commission, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note II-D.

Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

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 non-operating revenues and expenses.

The Commission received $812,850 in contributions in 2007. These contributions include $100,000 from Dow Agro Services to help underwrite the costs of capital and facility improvements to Discovery Hall; $50,000 from the Indiana Farm Bureau to create a landscaped area in front of the newly reconstructed 4-H Building; $40,000 from Judge Paul H. Buchanan, Jr., towards the cost of installing a public sculpture piece on the Fairgrounds; two gifts of $600,000 and $20,100 from the Center for Agriculture and Science Heritage (one, towards the expense of relocating the Normandy Barn and two, for educational programs); $2,500 from local merchants to support the cost of hosting the "Safe Night" for Halloween; and contributions from individuals totaling $250.

F. Compensated Absences

1. 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 generally not paid to employees.

2. 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.

3. 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 and personal leave is accrued when incurred and reported as a liability.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the State Fair Commission's deposits may not be returned to it. In the normal course of business, the State Fair Commission maintains cash at financial institutions in excess of the FDIC limit of $100,000. At December 31, 2007, the uninsured bank balances held at financial institutions was $3,806,069. The Commission has Sweep accounts that can only hold U.S. Treasury or U.S. Agency obligations. Therefore, the Sweep accounts are only at risk of the U.S. Government not fulfilling their obligation.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risks if the securities are uninsured and unregistered and are either held by the counterparty's trust department or agent, but not in the name of the State Fair Commission. None of the State Fair Commission's investments are exposed to custodial credit risk because they are held in trust in the name of the State Fair Commission.

B. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 1,333,821	$ -	$ -	$ 1,333,821
Construction in Progress	1,374,941	1,813,251	-	3,188,192
Totals	2,708,762	1,813,251	-	4,522,013
Capital Assets, Being Depreciated:				
Land Improvements	13,183,378	-	-	13,183,378
Buildings and Improvements	66,403,003	-	-	66,403,003
Machinery and Equipment	3,595,740	35,059	-	3,630,799
Office Furniture	1,351,237	72,148	-	1,423,385
Totals	84,533,358	107,207	-	84,640,565
Less Accumulated Depreciation for:				
Land Improvements	3,849,689	806,217	-	4,655,906
Buildings and Improvements	28,956,826	2,984,548	-	31,941,374
Machinery and Equipment	2,722,920	330,231	-	3,053,151
Office Furniture	1,039,009	133,431	-	1,172,440
Totals	36,568,444	4,254,427	-	40,822,871
Total Capital Assets, Being Depreciated, Net	47,964,914	(4,147,220)	-	43,817,694
Total Capital Assets, Net	$ 50,673,676	$ (2,333,969)	$ -	$ 48,339,707

Depreciation expense for the year ended December 31, 2007, was charged to Fairgrounds of the State Fair Commission in the amount of $4,254,427.

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
4-H Girls Dorm Phase I	$ 1,500,000	$ 1,443,633	$ 1,443,633	$ -
4-H Girls Dorm Phase II	1,603,000	1,604,479	1,604,479	-
Greenhouse	31,000	28,376	28,376	-
Perimeter Fence	120,000	66,980	120,000	53,020
Normandy Barn Move	850,000	44,724	496,000	451,276

D. Long-Term Liabilities

1. Revenue Bonds

On August 7, 2002, the Indiana State Fair Commission issued $23,190,000 of general revenue bonds. The interest rate on these bonds starts at 2% and gradually increases to 4.50%. These bonds were issued to refund the January 20, 2001, bond issue of $3,750,000 and for construction purposes. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance At December 31	Less: Unamortized Discount	Less: Loss on Defeasance	Amount
Construction of Facilities	2.0% to 4.5%	$ 17,455,000	$ 107,013	$ 152,240	$ 17,195,747

Revenue bonds debt service requirements to maturity are as follows:

December 31	Principal	Interest	Totals
2008	$ 1,550,000	$ 678,498	$ 2,228,498
2009	1,510,000	625,732	2,135,732
2010	1,535,000	570,149	2,105,149
2011	1,625,000	510,086	2,135,086
2012	1,670,000	445,405	2,115,405
2013-2017	9,565,000	1,079,542	10,644,542
Totals	$ 17,455,000	$ 3,909,412	$ 21,364,412

2. Advance Refunding

In prior years, the State Fair Commission defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Commission's financial statements. At December 31, 2007, $1,915,779 of bonds outstanding are considered defeased.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds Payable	$ 18,835,000	$ -	$ 1,380,000	$ 17,455,000	$ 1,550,000
Compensated Absences	426,236	26,771	-	453,007	246,534
Total Long-Term Liabilities	$ 19,261,236	$ 26,771	$ 1,380,000	$ 17,908,007	$ 1,796,534

E. Restricted Assets

Noncurrent cash and investments restricted include the following:

1. Repair and Replacement Fund – The Bond Covenants require the State Fair Commission to maintain a balance of $1,000,000 in the Repair and Replacement Fund. This account is funded by a Standby Letter of Credit in the amount of $1 million from JP Morgan/Chase Bank.

2. Bond Debt Service Account – Required by the Bond Covenants. These funds are a reserve required in an amount equal to the maximum annual debt service over the life of the bond. The DSR requirement is $2,254,460.

3. Bond Funding Account – Required by the Bond Covenants. These are funds deposited monthly, 10 months a year, as monthly payments to be applied to the semiannual bond payment of interest and/or principle.

The balances of restricted asset accounts in the enterprise funds are as follows:

Year Ended December 31	Principle
Bond DSR Fund	$ 2,254,460
Bond Funding Account	2,110,003
Repair and Replacement Fund	1,000,000
Total Restricted Assets	$ 5,364,463

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; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The policy of the State Fair Commission is to generally 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. Instead, the Commission records as an expenditure any loss 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 15-1.5-2-14), up to $50,000, which covers the Executive Director, Deputy Executive Director, Director of Finance, Commission Chair, and Commission members.

B. 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 an agent 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 PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Commission's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	PERF
Annual Required Contribution	$ 158,405
Interest on Net Pension Obligation	(2,831)
Adjustment to Annual Required Contribution	3,226
Annual Pension Cost	158,800
Contributions Made	182,426
Increase in Net Pension Obligation	(23,626)
Net Pension Obligation, Beginning of Year	(39,044)
Net Pension Obligation, End of Year	$ (62,670)

	PERF
Contribution Rates:	
Commission	6.75%
Plan Members	3%
Actuarial Valuation Date	07-01-07
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percentage of Projected Payroll, Closed
Amortization Period	40 Years
Amortization Period (From Date)	07-01-97
Asset Valuation Method	75% of Expected Actuarial Value Plus 25% Market Value

Summary of Major Actuarial Assumptions

Interest	7.25% (net of administrative and investment expenses).
Future Salary Increases	Based on PERF experience 1995-2000.
Cost of Living Increases	An increase of 1.0% (compounded) is assumed to be applied to the pension benefit each year following retirement. No increase is assumed to be applied to the PERF annuity benefit UP-1994.
Mortality	Pre-retirement mortality based on PERF experience 1995-2000.
Disability	Based on PERF experience 1995-2000.
Termination	Select and ultimate tables based on PERF experience 1995-2000. Separate tables are used for state employees and political sub-division employees.
Retirement	Based on PERF experience 1995-2000.
Spouse's Benefit	90% of participants are assumed either to be married or to have a dependent beneficiary. Males are assumed to be three years older than their spouses.

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
PERF	06-30-05	$ 164,023	80%	$ (102,358)
	06-30-06	207,537	88%	(39,044)
	06-30-07	158,800	115%	(62,670)

INDIANA STATE FAIR COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employee's Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	$ 2,141,409	$ 3,039,546	$ (898,137)	70%	$ 2,697,242	(33%)
07-01-06	2,578,955	2,687,147	(108,192)	96%	2,558,088	(4%)
07-01-07	2,929,239	2,952,227	(22,988)	99%	3,097,201	(1%)

SKATE SHOP INTERNAL CONTROLS

As stated in our prior Reports B30600 and B28197, the following internal control deficiencies were noted while assessing the operation of the Skate Shop:

(1) Sales prices are overridden and edited regularly when making a sale, with minimal, if any, documentation for the adjusted price. Cash register generated sales reports are not reviewed by management to ensure the cash register has accurate sales price and list price information and to monitor for errors or fraudulent activity.

(2) The Skate Shop did not formally document the cash register reconciliations or investigations that resulted from a cash register drawer imbalance. The Skate Shop manager should reconcile the cash register, including the cash drawer, to the cash register report to determine the amount long or short. Any amount long should be deposited.

During the current audit period, the following internal control deficiencies were noted while assessing the operation of the Skate Shop:

(3) There is a lack of documentation and an audit trail when inventory adds and edits are performed. This leads to weaknesses in management oversight and control over this function.

(4) The Skate Shop issues receipts to customers as sales are entered into the cash register. It is the Skate Shop's practice to generate a report (Z report) from the cash register for the receipts issued during a given period. The report and cash are forwarded to the Accounting Department. The Accounting Department records the report totals on the ledger. However, we found that the unique report identification numbers were not listed on the ledger. Therefore, we could not clearly trace and verify that all batches were properly forwarded to the Accounting Department and subsequently deposited into the checking account.

(5) There is a lack of controls over skate rentals since all transactions are not individually entered into the cash register as they occur. A separate cash box is used in addition to the Skate Shop cash register. Users of this cash box do not prepare individual receipts or issue prenumbered accountable documents at the time of each transaction. Instead, the total amount collected by individuals utilizing this cash box is entered into the cash register as one batch. Also, there are multiple individuals using the same cash box. Assigning one cash box to one individual would increase accountability over cash.

Each agency, department, quasi, institution, or office should have internal controls in effect, which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

ASSET INVENTORY

As stated in our prior Reports B30600 and B28197, we found that the Indiana State Fair Commission (ISFC) did not maintain a proper asset inventory. In the current audit, we determined that some of our recommendations regarding the asset inventory have been implemented. Specifically, we noted that the ISFC conducted a physical inventory. Additionally, an inventory listing of assets owned with a cost between $500 and $5,000 has been created. However, we found that many items on the inventory do not include an acquisition cost. We also observed that the prior condition related to lack of tagging of assets has not been implemented.

Any asset costing $500 or more must be tagged and maintained on a manual or automated asset control system. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

The asset information to be maintained by the agencies should include the acquisition cost. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 10)

CHECKING ACCOUNT RECONCILIATION

As stated in our prior Report B30600, the Indiana State Fair Commission maintains several checking accounts for its operating activities and investments. As of May 2008, the Indiana State Fair Commission had not reconciled the 2005 Premiums account since September 2007.

Each agency, department, quasi, institution, or office that does not use the state's accounting system or has funds outside the system has the responsibility to maintain appropriate accounting records and controls. This includes performing monthly bank statement reconciliations. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

INVESTMENT INTEREST POSTING

As stated in our prior Report B30600, the Indiana State Fair Commission (ISFC) did not maintain proper accounting over its investments. ISFC did not ensure that interest earned from the investments was properly calculated and deposited into the correct account. We found that interest income was not posted properly or timely to the accounting records.

Each agency is responsible for maintaining an effective and accurate accounting system for subsidiary and supplementary records. At all times, the agency's manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank or Auditor's balance should agree. If reconciled bank or Auditor's balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance. (Accounting and Uniform Compliance Guidelines Manual for State and Quasi Agencies, Chapter 1)

INDIANA STATE FAIR COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2008, with Cynthia C. Hoye, Executive Director; Kyle Hupfer, Chairman of the State Fair Commission; David Ellis, Director of Finance; and Diana Hamilton, State Fair Commission Consultant. The official response has been made a part of this report and may be found on pages 31 and 32.

INDIANA STATE FAIRGROUNDS

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September 4, 2008

Mr. Bruce Hartman
Indiana State Board of Accounts
302 West Washington Street, Room E-418
Indianapolis, IN 46204

Re: Indiana State Fair Commission
2007 Audit Results

Mr. Hartman,

The following is our response to points outlined in the 2007 Audit Results and Comments for the Commission. The points were discussed at the exit conference held in the Administrative Building at the Indiana State Fairgrounds on Monday, August 25, 2008 at 2:30pm. In attendance were Chairman Kyle Hupfer, Executive Director Cynthia Hoye, Director of Finance David Ellis, Consultant Diana Hamilton, and State Board of Accounts Auditor in Charge Deetra Smith, and Field Auditors Michael Daniely, David Jones, and Matt Stone.

SHAKE SHOP INTERNAL CONTROLS

We appreciated your comments and continued concerns regarding the internal controls of the Skate Shop. Given those comments, we will continue to thoroughly review processes and procedures to ensure the internal controls become, and stay in, agreement with compliance guidelines. To accomplish this task we will be implementing the following procedures during the fall of 2008:

(1) The cash registers will be programmed to not allow a price to be overridden without an approved discount code. The discount code documents the reason for the price adjustment. Only the manager on duty has the ability to override a published sale price.

(2) Cash register reports will be reconciled with the drawer and deposited at the close of each business day during winter shop hours, and weekly during slower summer shop hours. Any discrepancies will be noted on the reconciliation.

(3) The cash register software is capable of tracking inventory. Inventory will be entered into the software when received; purchases will reduce the inventory. A physical count will be done on an annual basis each December to ensure the accuracy of the inventory.

(4) The Accounting Department will begin entering the unique report identifier when making deposits in the accounting program.

(5) Procedures will be put in place so that skate rentals are purchased at the same time as rink entrance fees. A coupon will then be given to the customer to turn in at the rental counter to receive skates. A reconciliation will be done at the end of each day to verify accuracy of the register.

ASSET INVENTORY

The Commission has been working diligently on the asset inventory issue since the finding in the previous year's audit. As noted in this year's comments, some progress has been made. To facilitate further improvement an inventory module was purchased in July of 2008. Inventory will be tagged in conjunction with the assets being input in the module. This is a time consuming process considering the vast number of assets to be entered, combined with the fact that there are numerous locations throughout the 250 acre complex. Furthermore, some of the assets have been on the books for many years without an acquisition cost. The Commission will continue its progress on creating an asset inventory list that is consistent with the Accounting and Uniform Compliance Guidelines, with a goal of completion by spring of 2009.

CHECKING ACCOUNT RECONCILIATION

All cash accounts have now been reconciled to the latest bank statements received. Procedures have now been established so that the Accounting Manager does all reconciliations monthly and the reconciliations are then verified by the Director of Finance.

INVESTMENT INTEREST POSTING

The investment accounts are included in the checking account reconciliation procedures stated above. Furthermore, non-restricted interest in restricted accounts will be transferred to operating accounts on a quarterly basis.

In conclusion, we appreciate both the opportunity to respond to the audit results and comments, and the State Board of Accounts' continued guidance on accounting related issues.

Respectfully submitted,

Cynthia C. Hoye
Executive Director