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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, 2012 to December 31, 2012

FILED
07/05/2013

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OFFICIALS

Office	Official	Term
Executive Director	Cynthia C. Hoye	01-01-09 to 12-31-13
Chairman of the State Fair Commission	Andre Lacy	10-01-10 to 09-30-14

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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 governmental activities, the Indiana State Fair Commission (Commission) as of and for the year ended December 31, 2012, 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 opinions 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 statement.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Commission as of December 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and 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 Schedules 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.

Bruce Hartman
State Examiner

May 30, 2013

INDIANA STATE FAIR COMMISSION

2012 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, 2012.

FINANCIAL HIGHLIGHTS

- The Commission's assets exceeded its liabilities at the close of the most recent fiscal year by $46 million (net position). Of this amount, $6.5 million (unrestricted net position) may be used to meet any of the Commission's ongoing obligations. There is $.2 million (dedicated funds) set aside 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. The funds earmarked for the Discovery Hall project represents net income from the 2007, 2008, 2009, 2010 and 2011 Indiana State Fairs. Net income from the 2012 Indiana State Fair, and future fairs, are intended to be used to supplement bond debt service. There is also $5.4 million (dedicated funds) that are restricted to uses compatible to the mission of the Indiana State Fair Foundation.

- The Commission's current assets increased by $62.5 million, and total liabilities increased $58.1 million during the current fiscal year. Cash and cash equivalents increased $65.1 million. The major contributing factor in the significant shifts in assets, liabilities, and cash is the impact of the bond associated with the Coliseum Renovation Project, and the accompanying contributions received through the Indiana State Fair Foundation to be used towards that project.

- The Commission's total net position increased by $5.5 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 net position, statement of cash flows, and the notes to the 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *statement of revenues, expenses and changes in 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 the 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 $46 million at the close of the most recent fiscal year.

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

		December 31,
	2012	**2011**
Current and other assets	$ 78,899	$ 17,631
Capital assets	37,840	35,772
Total Assets	116,739	53,403
Current liabilities	2,543	3,181
Noncurrent liabilities	68,487	9,735
Total Liabilities	71,030	12,916
Net Position:		
Net investment in capital assets	33,833	29,874
Restricted	5,601	6,351
Unrestricted	6,549	4,261
Total Net Position	$ 45,983	$ 40,486

FINANCIAL ANALYSIS (CONTINUED)

Net position has increased the most recently completed fiscal year, after decreasing the previous fiscal year. The increase was primarily generated by contributions received by the Foundation related to the Coliseum Renovation Project.

Restricted net position decreased in 2012 by $.75 million; this was predominantly due to the combination of future debt service reserves being release due to the refunding of the 2002 bond, and the restricting of contributions received for the Coliseum Renovation Project.

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

	Years Ended December 31,	
	2012	**2011**
Operating Revenues:		
State Fair	$ 10,493	$ 8,380
Rental of buildings	4,674	3,919
Parking	1,267	822
Concessions	774	757
Fairgrounds events	14	52
Skating	264	492
Other	184	212
Total Operating Revenues	17,670	14,634
Operating Expenses:		
State Fair	10,148	8,069
Professional services	6,758	5,909
Depreciation	3,859	3,815
Payroll	4,871	4,811
Materials & Supplies	985	952
Capital expenditures	116	437
Other	578	395
Total Operating Expenses	27,315	24,388
Loss from Operations	(9,645)	(9,754)
Nonoperating Revenues:		
Tax distributions	9,486	7,845
Contributions	6,868	445
Interest income	11	36
Total Nonoperating Revenues	16,365	8,326

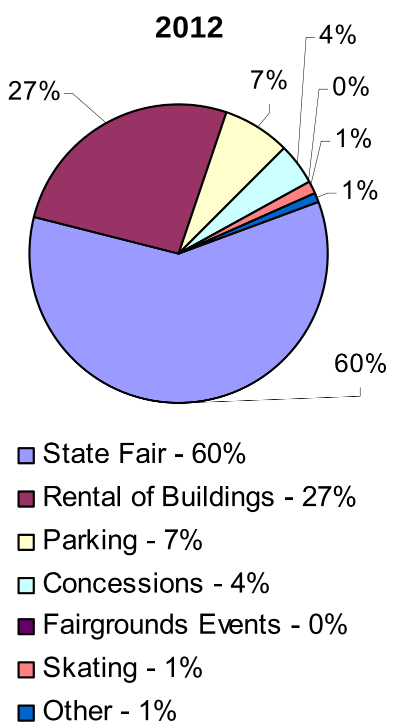
FINANCIAL ANALYSIS (CONTINUED)

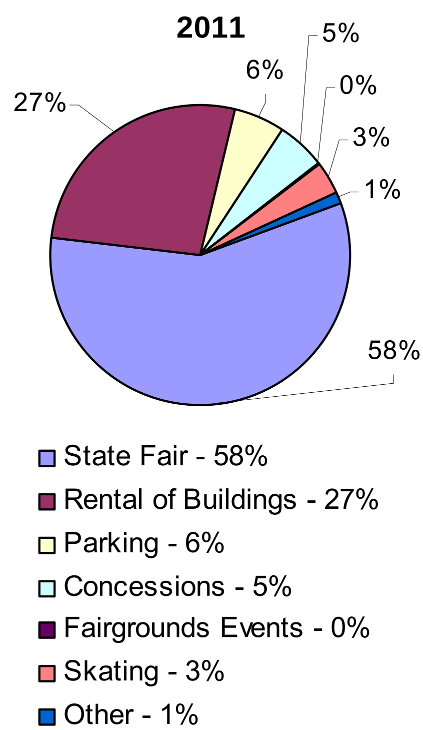
Nonoperating Expense:		
Interest Expense	(479)	(547)
Bond Issuance Costs	(744)	0
Total Nonoperating Expense	1,223)	(547)
Net Income (Loss)	5,497	(1,975)
Net Position:		
Beginning of Year	40,486	42,461
End of Year	$ 45,983	$ 40,486

State Fair revenue increased $2.1 million. The increase is primarily related to increases in gates, parking, and entertainment revenue. There was an increase in fair admission tickets purchased at the gate from $8 to $10, and there was a parking fee for all parking in 2012 compared to free parking on the grounds in recent previous years. The increase in entertainment was related to concerts held at Bankers Life Fieldhouse in conjunction with the 2012 Indiana State Fair. Expenses also increased $2.1 million. The increase is mainly due to costs associated with the concerts held downtown, combined with an overall increase in investments in entertainment.

The Commission's net position increased $5.5 million during the current fiscal year, after decreasing $2.0 million during the preceding fiscal year, and increasing $526 thousand during the fiscal year ended December 31, 2010. The increase, as well as the preceding increases and decreases, has a notable correlation to the financial results of the fair.

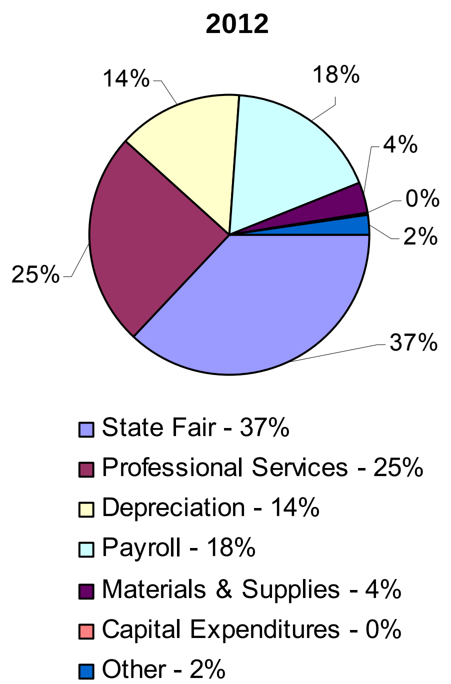
REVENUES BY SOURCE

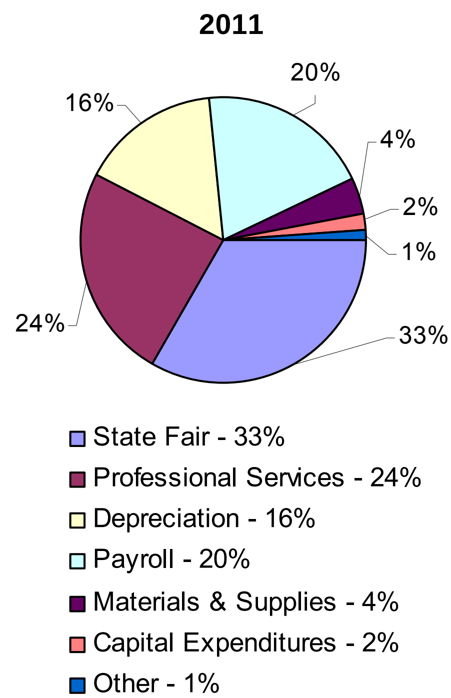




FINANCIAL ANALYSIS (CONTINUED)

EXPENSES BY TYPE





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Commission's net investment in capital assets as of December 31, 2012, amounts to $37.8 million (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements, and office furniture and fixtures. There was an additional $7.2 million in construction in progress as of that date bringing the total capital assets to $45.0 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 Commission completed a new bond issue. A portion of that bond issue was used to refund the 2002 bond issue; there was $9.6 in remaining principal on that bond at time of refunding. The new bond issue has a total principal of $62.2 million. The portion of the new bond not used for refunding the old bond is being used for the Coliseum Renovation Project. As of December 31, 2012, there was $1.3 million in short term and $60.9 million in long term debt outstanding. Net Investment in Capital Assets at December 31, 2012 was $33.8. The total increase in the Commission's net investment in capital assets for the current fiscal year was $4.0 million.

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

- The major investment in the Discovery Hall Project was completed in 2012. There was $353 thousand expended on the project in 2012; the total project contributed $4.0 million to capital assets.

- The Coliseum Renovation Project officially broke ground in 2012. There was $5.7 million added to capital assets related to this project in 2012. The project is expected to be completed in the summer of 2014 with a total budget of $63 million.

- Another major project that broke ground in 2012 was the Soy Bean Legacy Project. This consists of a "glass barn" that is scheduled to be completed the summer of 2013. There was $275 thousand expended in 2012, and the total project is expected to add $2 million to capital assets.

- The roof projects that began in 2010 were completed in 2012 with $109 thousand spent to complete those projects.

- A major renovation of the speed barns located on the Fairgrounds began in 2012 with $133 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 an investment in an electronic ticketing solution ($307 thousand), and the completion of a fiber optic ring around the campus ($386 thousand).

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

	2012	2011
Land	$ 1,334	$ 1,334
Land Improvements	4,972	5,718
Buildings	30,932	28,414
Equipment	139	192
Furnishings & Fixtures	463	114
Construction in Progress	7,153	5,337
Total	$ 44,993	$ 41,109

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, 2012

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 5,931,515
Restricted Cash and Cash Equivalents:	
Indiana State Fair Foundation	4,331,063
Construction Project Funds	58,407,113
Investments	810,256
Restricted Investments:	
Dedicated Funds	199,744
Indiana State Fair Foundation	1,070,472
Accounts Receivable	809,609
Interest Receivable	2,720
Inventory	88,402
Prepaid Expense	94,633
Total Current Assets	71,745,527
Noncurrent Assets:	
Construction in Progress	7,153,377
Property, Plant, and Equipment:	
Land and Improvements	14,962,813
Buildings and Improvements	75,743,195
Machinery and Equipment	4,034,599
Office Furniture and Equipment	1,246,448
Less: Accumulated Depreciation	(58,146,761)
Total Property, Plant, and Equipment	37,840,294
Total Noncurrent Assets	44,993,671
Total Assets	$ 116,739,198
Liabilities and Fund Equity	
Current Liabilities Payable From Unrestricted Funds:	
Accounts Payable	$ 754,066
Salaries Payable	45,691
Payroll Withholdings Payable	100,176
Revenue Bonds Payable - Current	1,275,000
Taxes Payable	6,080
Prepaid Event Deposit	180,917
Compensated Absences Payable - Current	181,327
Total Current Liabilities Payable From Unrestricted Funds	2,543,257
Noncurrent Liabilities:	
Revenue Bonds Payable - Long-Term	60,890,000
Premium on Bonds Payable	7,402,961
Net Pension Liability	68,075
Compensated Absences - Long-Term Payable	125,602
Total Noncurrent Liabilities	68,486,638
Total Liabilities	71,029,895
Deferred Inflow of Resources:	
Unamortized Loss on Sale of Bonds	(273,856)
Net Position:	
Net investment in Capital Assets	33,832,823
Restricted - Expendable:	
Dedicated Funds	199,744
Indiana State Fair Foundation	5,401,535
Unrestricted (Deficit)	6,549,057
Total Net Position	$ 45,983,159

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

INDIANA STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Year Ended December 31, 2012

Operating Revenues:	
Fair Operations:	
Gates	$ 3,320,361
Concessions/Midway	2,136,601
Entertainment	993,997
Sponsorship	1,708,194
Department	129,937
Sport/Events	118,520
Livestock	412,404
Shuttle Bus	200,489
Parking	960,269
Royalty Revenue	33,948
Other	478,442
Total Fair Operations	10,493,162
Non-Fair Operations:	
Concessions	774,399
Rentals of Buildings, Grounds, and Equipment	2,840,078
Expense Reimbursement	1,834,217
Fairground Events	13,899
Ice Skating and Skate Shop	263,591
Parking	1,266,605
Sponsorships	143,750
Royalty Revenue	8,874
Other	31,013
Total Non-Fair Operations	7,176,426
Total Operating Revenue	17,669,588
Operating Expenses:	
Fair Operations:	
Personal Services	2,164,342
Services Other Than Personal	265,070
Services by Contract	6,289,473
Materials, Parts, and Supplies	773,874
Equipment	3,778
Grants/Subsidies/Refunds/Awards	625,657
Travel	25,333
Total Fair Operations	10,147,527

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

INDIANA STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Year Ended December 31, 2012
(Continued)

Operating Expenses (continued):	
Non-Fair Operations:	
Personal Services	4,870,639
Services Other Than Personal	2,182,569
Services by Contract	4,575,602
Materials, Parts, and Supplies	984,782
Equipment	5,132
Lands/Structures	111,423
Depreciation	3,859,604
Grants/Subsidies/Refunds/Awards	557,224
Travel	6,742
Bad Debt Expense	13,905
Total Non-Fair Operations	17,167,622
Total Operating Expenses	27,315,149
Operating Income (Loss)	(9,645,561)
Nonoperating Revenues (Expenses):	
Property Tax Distribution	167,708
State General Fund Appropriations	1,612,957
Riverboat Distribution	6,218,802
Pari-Mutual, Off Track Betting Distribution	236,042
Standardbred Racing Fund	1,250,000
Interest Income	11,089
Interest Expense 2002 Bond (Bond Debt Service)	(478,774)
2012 Bond Issuance Costs	(743,579)
Grants and Contributions	6,868,393
Total Nonoperating Revenues (Expenses)	15,142,638
Net Income (Loss)	5,497,077
Total Net Position, January 1	40,486,082
Total Net Position, December 31	$ 45,983,159

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, 2012

Cash Flows from Operating Activities:	
Receipts from Customers and Users	$ 17,386,739
Payments to Suppliers	(16,338,896)
Payments to Employees	(7,000,149)
Net Cash Used by Operating Activities	(5,952,306)
Cash Flows from Noncapital Financing Activities:	
Tax Distributions from State	7,872,552
State Appropriations	1,612,957
Grants and Contributions	375,669
Net Cash Provided by Noncapital Financing Activities:	9,861,178
Cash Flows from Capital and Related Financing Activities:	
Acquisition/Construction of Capital Assets	(8,487,734)
Principal Paid on Capital Debt	(74,152)
Interest Paid on Capital Debt	(649,727)
Issuance of Bond Debt	58,407,113
Grants and Contributions	5,422,252
Net Cash Used by Capital and Related Financing Activities	54,617,752
Cash Flows From Investing Activities:	
Sale of Investments	4,328,599
Interest Income Received	17,431
Net Cash Used in Investing Activities	4,346,030
Net Increase in Cash and Cash Equivalents	62,872,654
Cash and Cash Equivalents, January 1	5,797,037
Cash and Cash Equivalents, December 31	$ 68,669,691
Reconciliation of Cash and Cash Equivalents:	
Cash and Cash Equivalents, Current, per Statement of Net Position	$ 68,669,691
Cash and Cash Equivalents, Noncurrent, per Statement of Net Position	-
Cash and Cash Equivalents, per Statement of Net Position	$ 68,669,691
Cash Flows from Operating Activities:	
Operating Loss	$ (9,645,561)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,859,604
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(210,091)
(Increase) Decrease in Inventory	95,332
(Increase) Decrease in Prepaid Expenses	(52,854)
(Increase) Decrease in Net Pension Asset	78,704
Increase (Decrease) in Accounts Payable	41,148
Increase (Decrease) in Salaries and Payroll Withholding Payables	25,684
Increase (Decrease) in Prepaid Event Deposit	(72,758)
Increase (Decrease) in Accrued Compensated Absences	(69,556)
Increase (Decrease) in Taxes Payable	(1,958)
Total Adjustments	3,693,255
Net Cash Used by Operating Activities	$ (5,952,306)

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 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, and 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 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.

Common stock are reported at their per share value at the end of business December 31, 2012, multiplied by the number of shares held. Common stock is defined as a security that represents ownership in a corporation.

Investment income is reported as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in 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 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
Tunnels	25,000	Straight-line	30 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 2012 year was $0.

6. Accounts Payable

Operating payables and contracts payable have been combined on the Statement of Net Position. Contracts payable make up $280,281 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 day's 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 is classified in three components:

Net investment in capital assets consists 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 includes funds dedicated to specific capital projects, and funds set aside for the Indiana State Fair Foundation. Restricted expendable net position is discussed in Note II F.

Unrestricted net position is remaining net position that does 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 $6.868 million in grants and contributions in 2012. The grants include: $3 million from Lilly Endowment to the Foundation for the Coliseum Renovation Project, $340,840 from the Indiana Soybean Alliance for the construction of the "glass barn," $100 thousand from the Lacy Foundation to supplement the cost of the DuPont Food Pavilion for the Fair, and $47,234 from

Indiana Homeland Security to offset costs associated with installing security cameras. The contributions include: various donations totaling $3.102 million to the Foundation for the Coliseum Renovation Project, $233 thousand from the State of Indiana Horse Racing Commission to offset premiums and administrative expenses related to harness races held at the Fairgrounds, $25,640 was contributed to the Youth Development Fund primarily attributed to proceeds from the Sale of Champions, and $9,685 in individual donations to the Buyers' Club; with the remaining contributions received primarily from individual donations totaling $6,445, and $900 from local merchants to support the cost of hosting the "Safe Night" for Halloween.

II. Detailed Notes on All Funds

A. Deposits and Investments

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, 2012, the Indiana State Fair Commission had deposit balances in the amount of $69,904,933. Of this amount, the following was exposed to custodial credit risk:

	2012
Uninsured and uncollateralized deposits	$ 58,407,113
Uninsured deposits collateralized with securities held by the pledging financial institution	-
Uninsured deposits collateralized with securities held by the pledging financial institution's trust department or agent, but not in the depositor-government's name	-
Total	$ 58,407,113

2. Investments

As of December 31, 2012, the Commission had the following investments:

Investment Type	Market Value
Common Stock	$ 1,070,472

Common Stock

On December 31, 2012, the Indiana State Fair Foundation received a contribution in the form of common stock. The shares of stock were temporarily held per the donor's request and are being sold in 25 percent increments with the final sale expected to take place prior to June 30, 2013.

Statutory Authorization for Investments

Indiana Code 15-13-8 provides that the Treasurer of State shall invest the money in the State Fair Fund not currently needed to meet the obligations of the Fund in the same manner as other public funds may be invested.

Effective April 2011, the Commission adopted an investment policy which states that the Indiana Treasurer of State has full authority to invest the Commission's funds in a manner in which the Treasurer determines is in the best interest of the Commission, and in accordance with Indiana Code 5-13-10.5, limited only by the Commission's cash flow needs. The policy also states that all nonexcess funds on deposit with the Commission are invested in repurchase sweep accounts in accordance with Indiana Code 5-13-10.5, or in short-term certificates of deposit.

Indiana Code 5-13-9 and 5-13-10.5 authorizes the Treasurer to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; securities issued by any U.S. government agency; AAA money market mutual funds with a portfolio limited to direct obligations of the U.S., obligations of any federal agency, and/or repurchase agreements fully collateralized with U.S. government obligations or U.S. agency obligations; AAA rated commercial paper, and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

Indiana Code 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 Custodial Credit Risk

The 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. The Commission does not have a formal investment policy for custodial credit risk for investments. The Commission's investments are held in the name of the Commission or the State of Indiana of which the Commission is a component unit.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission does not have a formal investment policy in regards to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Commission does not have a formal policy in regards to foreign currency risk. At December 31, 2011, the Commission had no foreign currency risk.

B. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2012:				
Capital assets, not being depreciated:				
Land	$ 1,333,821	$ -	$ -	$ 1,333,821
Construction in progress	5,336,689	6,576,430	4,759,742	7,153,377
Total capital assets, not being depreciated	6,670,510	6,576,430	4,759,742	8,487,198
Capital assets, being depreciated:				
Land improvements	13,571,049	57,943	-	13,628,992
Buildings and improvements	70,340,550	5,402,645	-	75,743,195
Machinery and equipment	3,995,504	39,095	-	4,034,599
Office furniture	818,659	427,789	-	1,246,448
Totals	88,725,762	5,927,472	-	94,653,234
Less accumulated depreciation for:				
Land improvements	(7,852,812)	(803,927)	-	(8,656,739)
Buildings and improvements	(41,926,575)	(2,884,628)	-	(44,811,202)
Machinery and equipment	(3,803,319)	(91,837)	-	(3,895,156)
Office furniture	(704,450)	(79,214)	-	(783,664)
Totals	(54,287,156)	(3,859,605)	-	(58,146,761)
Total capital assets, being depreciated, net	34,438,606	2,067,867	-	36,506,473
Total capital assets, net	$ 41,109,116	$ 8,644,297	$ 4,759,742	$44,993,671

Depreciation expense for the year ended December 31, 2012, was charged to Non-Fair Operations in the amount of $3,859,604.

C. Construction Commitments

Construction work in progress is composed of the following:

	2012	
Project	Expended to December 31,	Committed
Pepsi Coliseum Renovation	$ 6,236,732	$ 63,600,000
Soy Bean Alliance Project	308,834	2,000,000
Gate 6 Gatehouse Project	89,036	120,000
Fiber Optic Backbone	385,790	400,000
Speed Barn Renovations	132,985	1,500,000
Totals	$ 7,153,377	$ 67,620,000

D. Operating Lease

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, 2012, was $9,184.

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, 2012, was $19,897.

Future minimum lease payments under operating leases are as follows:

	Business-Type Activities
2013	$ 33,584
2014	33,584
2015	9,102
Total	$ 76,270

E. Long-Term Liabilities

1. Revenue Bonds

On November 9, 2012, the Indiana State Fair Commission issued $62,165,000 of Midwest Disaster Assistance Bonds. The coupon rates for these bonds range from 3 percent to 5 percent. These bonds were issued to refund the August 7, 2002 bond issue and to finance the Coliseum Renovation Project. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized (Premium) Discount	Less: Deferral on Refunding	Amount
Coliseum Complex Project	3% to 5%	$ 62,165,000	$ (7,402,961)	$ 273,856	$ 69,294,105

Revenue bonds debt service requirements to maturity are as follows:

	Principal	Interest
2013	$ 1,275,000	$ 1,790,694
2014	760,000	2,746,788
2015	860,000	2,723,987
2016	1,565,000	2,698,187
2017	1,610,000	2,651,238
2018-2022	8,970,000	12,391,487
2023-2027	11,155,000	10,284,288
2028-2032	14,000,000	7,508,512
2033-2037	17,835,000	3,797,750
2038	4,135,000	206,750
Totals	$ 62,165,000	$ 46,799,681

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, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2012:					
Revenue bonds payable	$ 11,235,000	$ 62,165,000	$ 11,235,000	$ 62,165,000	$ 1,275,000
Compensated absences	376,485	-	69,556	306,929	181,327
Total long-term liabilities	$ 11,611,485	$ 62,165,000	$ 11,304,556	$ 62,471,929	$ 1,456,327

F. Restricted Assets

Cash and investments restricted include the following:

1. 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.

2. Indiana State Fair Foundation – All funds held on account and stock held in the name of the Indiana State Fair Foundation, totaling $5,401,535, are listed as restricted current assets to reflect the authority of the Foundation on how those funds are disbursed; although, $192,900 is considered unrestricted by the Foundation.

3. Construction Project Funds – There is $58,407,113 held by a trustee in three separate accounts: a Coliseum Construction Fund to be used to pay construction related costs on the Coliseum Renovation Project, a Capitalized Interest Fund to hold funds designated for future interest payments on the 2012 bonds, and an Expense Account Fund to pay issuance costs related to the 2012 bonds.

The balances of restricted asset accounts are as follows:

Year Ended December 31	Principle
Construction Project Funds	$ 58,407,113
Indiana State Fair Foundation	5,401,535
Dedicated Funds	199,744
Total restricted assets	$ 64,008,392

G. 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 $169,645,397, and possible loss of business revenue related to such destruction of assets, which covers up to $4,186,000. 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, Chief Financial Officer, 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 2012 State of Indiana Comprehensive Annual Financial Report.

C. Pension Plan

<u>Public Employees' Retirement Fund</u>

<u>Plan Description</u>

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 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
One N. Capitol Ave., Suite 001
Indianapolis, IN 46204
Ph. (317) 233-4162

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 8 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

For 2012, the Commission's annual pension cost of $280,683 for PERF was greater than the Commission's required and actual contributions of $201,979.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	$ 280,570
Interest on net pension obligation	(744)
Adjustment to annual required contribution	857
Annual pension cost	280,683
Contributions made	201,979
Increase (decrease) in net pension obligation	78,704
Net pension obligation, beginning of year	(10,629)
Net pension obligation, end of year	$ 68,075

	PERF
Contribution rates:	
State Fair Commission	8.00%
Plan members	3%
Actuarial valuation date	06-30-12
Actuarial cost method	Entry age normal cost
Amortization method	Level dollar, closed amortization period
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	75% of expected actuarial value plus 25% of market value
Amortization period	30 years
Amortization period (from date)	07-01-07
Asset valuation method	Level dollar, closed amortization period

Actuarial Assumptions

Investment rate of return	6.75%
Projected future salary increases:	
Total	4.50%
Cost-of-living adjustments	1.00%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-10	$ 231,023	93%	$ (83,767)
	06-30-11	263,853	72%	(10,629)
	06-30-12	280,683	72%	68,075

Funded Status and Funding Progress for the Above Plan

The Schedule of Funding Progress, presented as RSI for the above plan following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employee's Retirement Fund

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL or (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL or (Funding Excess) as a Percentage of Covered Payroll ((b-a)/c)
06-30-10	$ 2,890,638	$ 3,679,924	$ 789,286	78.55%	$ 3,074,043	25.68%
06-30-11	2,119,635	3,126,583	1,006,948	67.79%	2,707,438	37.19%
06-30-12	1,971,501	3,565,294	1,593,793	55.30%	3,152,588	50.56%

INDIANA STATE FAIR COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2013, with Cynthia C. Hoye, Executive Director; Andre Lacy, Chairman of the State Fair Commission; Matt Rekeweg, State Fair Commissioner; David Ellis, Chief Financial Officer; and David Shaw, Chief Operations Officer. Our report disclosed no material items that warrant comment at this time.