

K

Seaquist, Sara

Subject: WEST ALLIS Meet w/ State Fair Park legislators
Start: Fri 01/09/2004 10:30 AM
End: Fri 01/09/2004 1:30 PM
Recurrence: (none)

West Allis City Hall, Room 128
West Allis City Hall is located at 7525 W. Greenfield Avenue in West Allis.
State Fair Park Exit
Turn left (east) Greenfield
City Hall between 76 and 75th right after 76th
Parking lot is behind the building

I-94
84th St exit
(SE exit)
Left Greenfield
City Hall betw
76 + 75th

7525 W.
Greenfield
Avenue

~~Go past turn~~
Parking lot behind

PARKING

DRIVING DIRECTIONS & PARKING

please enter at Gate #1

FROM THE NORTH

Take I-43 South to I-94 West. Go approximately 6 miles and take the 84th St. exit. Turn left (South) to Greenfield Avenue. Turn left (East) on Greenfield Avenue to 79th Street and turn left to enter at Gate #1.

Take Hwy. 45 South to I-894. Continue in a southerly direction to the Greenfield Avenue exit. Turn left (East) on Greenfield Avenue. Take Greenfield Avenue to 79th Street and turn left to enter at Gate #1 .

FROM CHICAGO AND OTHER POINTS SOUTH

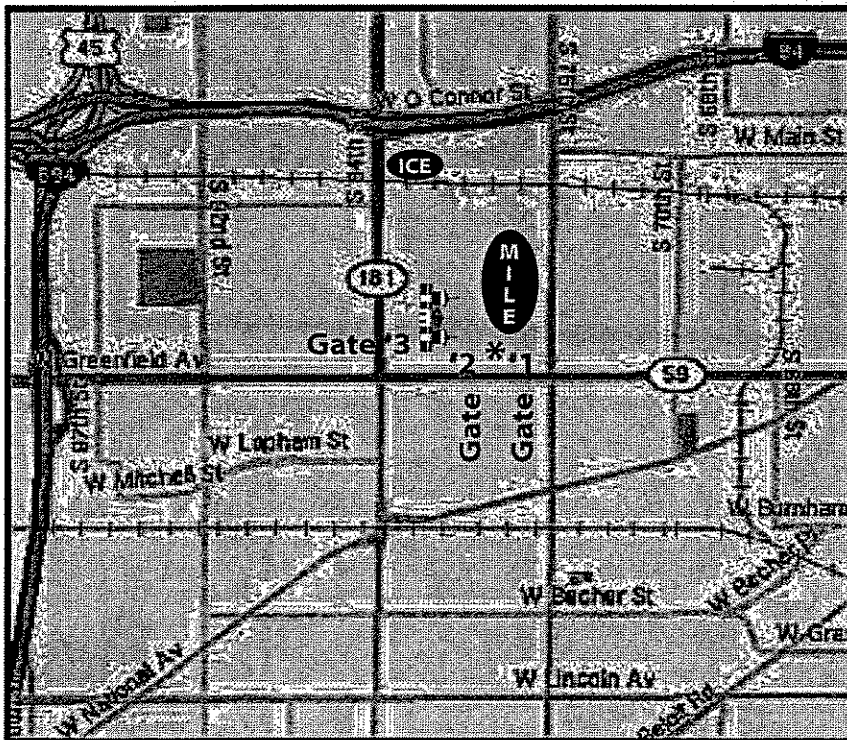
Take I-94 North to the I-894 Bypass. Take the I-894 bypass to Greenfield Avenue Exit. Go right (EAST) on Greenfield Avenue. Take Greenfield Avenue to 84th Street and turn left (NORTH) to enter at Gate #3 or take Greenfield Avenue to 79th Street and turn left to enter at Gate #1.

FROM THE WEST

Heading east on I-94, take the 84th Street exit. Turn right (south) onto 84th Street to Greenfield Avenue. Turn left on Greenfield Ave. (EAST) to 79th Street and turn left to enter at Gate #1.

FROM THE EAST:

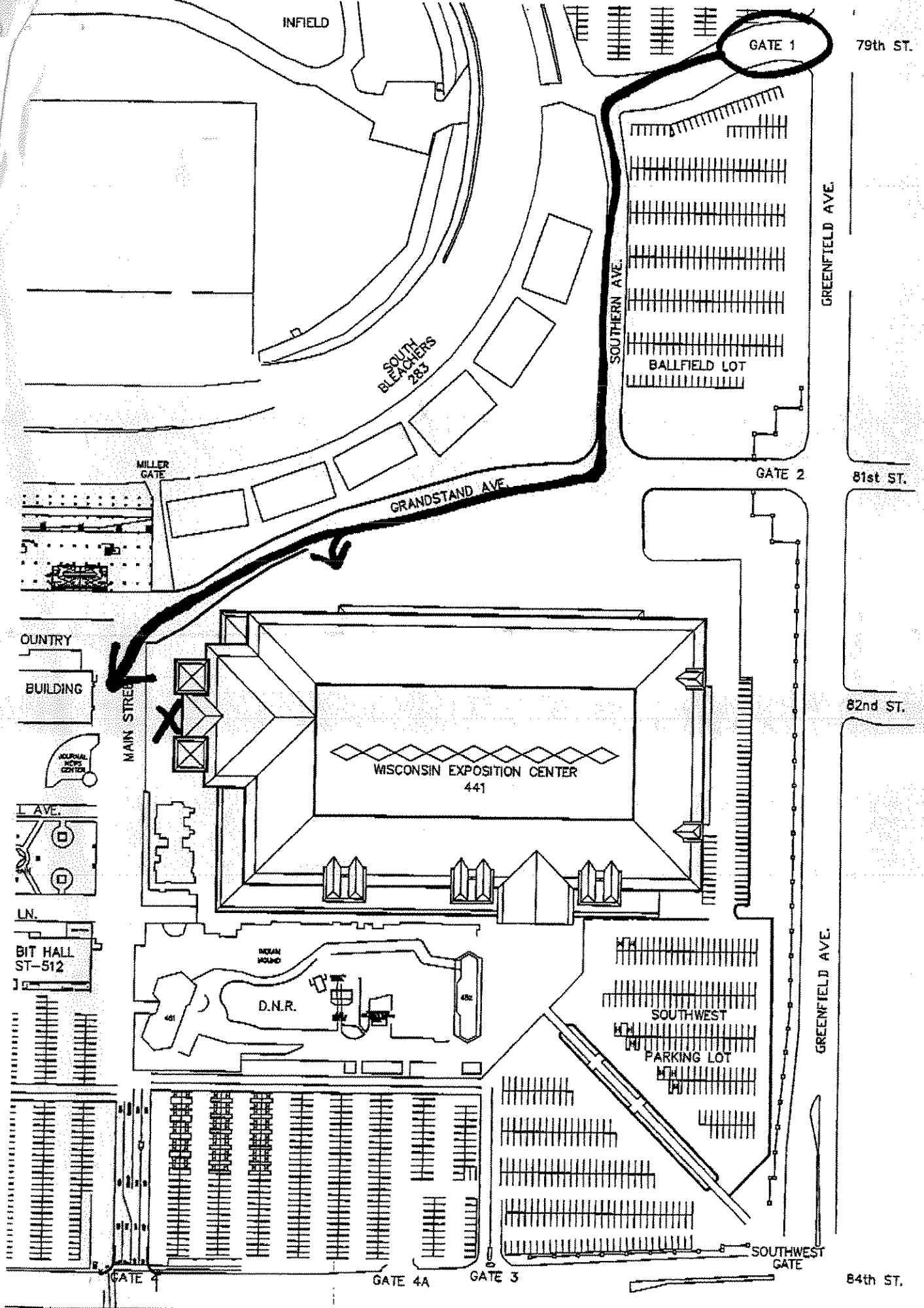
Heading west on I-94, take the 84th street exit. Turn left (south) onto 84th Street continue to Greenfield Avenue. Turn left on Greenfield Avenue (EAST) to 79th Street and turn left to enter at Gate #1.



8200 W. Greenfield Ave.
West Allis, WI 53214

414.727.8840





*Don't go back working against - policy many body not money
 Dig - Digging hands into day to day - He has performance criteria
 No evaluation criteria - no policy manual*

1. BOARD ACTION: In October 2000, the State Fair Park Board created the not-for-profit State Fair Park Exposition Center, Inc. to build and manage the Exposition Center. However, State Fair Park did not adequately consider the financial effect as revenue shifted from State Fair Park to the Exposition Center.

*any
 such as -*

CONCERNS:

- After the August 2002 State Fair, State Fair Park razed four exhibit buildings that had been the primary non-fair revenue-generating facilities on the fairgrounds.
- In calendar year 2001, State Fair Park reported 296 "event days" in buildings that were subsequently demolished. State Fair Park retained only 84 of these event days by holding them in other State Fair Park facilities.
- State Fair Park's non-fair revenue declined from nearly \$4.7 million in FY 2001-02 to \$3.1 million in FY 2002-03, a 33.3 percent decrease.

*FAIR PARK
 Director*

2. BOARD ACTION: At the State Fair Park Board meeting on September 29, 2003, the Board unanimously voted to approve a one-year extension of the Chief Executive Officer's contract.

CONCERNS:

- Concerns regarding State Fair Park's financial condition and management decisions were raised in the Legislative Audit Bureau's report, which was released on September 11, 2003.
- The chief executive officer earns a base salary of \$143,000. As a contract employee, no fringe benefits are provided.
- State Fair Park officials appear to be reluctant to provide information on salaries paid to top administrators. This aura of secrecy is a questionable posture for a government agency.

*loose
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 around
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 other
 criteria*

3. BOARD ACTION: At the State Fair Park Board meeting in November 2003, the Board unanimously voted to approve a \$6,600 bonus for the Chief Executive Officer.

CONCERNS:

- The \$6,600 bonus is the maximum amount allowed under the current contract with the Chief Executive Officer.
- In performance criteria developed for assessing the performance of the Chief Executive Officer, the following categories were included: overall leadership and administration; State Fair Park policies, contracts, and administrative rules; budget development; budget administration; and facilities management.
- It is unclear why the full bonus amount was awarded at a time when significant management concerns have been raised, including the inability to provide FY 2001-02 and FY 2002-03 financial statements, a \$4.4 million cash deficit at the end of FY 2002-03, and poor business planning related to the Milwaukee Mile and the Exposition Center.

*Milwaukee
 Mile
 21.20
 2003
 Subline
 Full/Manual
 2003
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 Feb 6 Pet*

*State
 Fair
 Park
 Rental
 11/11/03*

*Policy
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4. BOARD ACTION: At the October 31, 2003 meeting, the State Fair Park Board unanimously voted to approve \$1.8 million in program revenue bonding for additional capital improvements to the Milwaukee Mile.

CONCERN:

- While some improvements were mandated by the sanctioning bodies, State Fair Park selected other projects to benefit its appearance. Can State Fair Park afford to pay the debt service on all improvements?

*Debatable
 on hook of
 next
 this admin - wild
 nansburg app -
 SKAS*

*Spec. Dr.
 State Fair Park
 - (be not State employee*

*Heads
 Commission
 w/ Kuylen
 other*

There have been attempts to keep legs on Board

CFO being - need - strategic

CFO - Marketing Director

Bundlem started helping in running show on budgeting process - so Board, Branching off, look ahead not hand to mouth.

Joe & AL visiting DOT in.

no legal oblig. But will work together

Petit.

Heavy reliance on ice - good plans - see olds, Monty reconnection - Greenwald

Olympic rink - only 3 in the world only

— these guys are see mine x Canada. at Petit. — could see another rink

Oldest Training rink new mile

Challenges kept few mess - no slider at miles mile.

EAPO - maneuver/apid - 6 mes.

could become messy. Naming rights

never paid penny

2.5 Assessments

not happen again = all Assessments

Not P Regs

State Fair Park – 3 dates in question

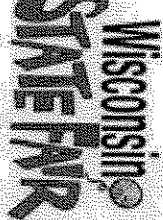
September 2003 – extension of Joe's contract – all 4 legislators were present (but that was George not Plale)

October 2003 – expansion of program revenue bonding – 3 of 4 were present (George was absent)

December 2003 – discussed bonus payment for Joe – all 4 legislators were present (Plale on this one not George)

Plale took a moment of boards time – cognicent audit committee member and member of State Fair Park board – the board extend invitation to come and hear the presentation of the business plans like in January for WI Expo.

Do we have any of the business plans – no not formal business plans. Copies of the handouts that state fair park staff gave to the board for their presentation.



August 5-15, 2004

WISCONSIN STATE FAIR PARK

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Wisconsin State Fair 2003

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Friends Of The Fair Park Links

Wisconsin Exposition Center



Wisconsin State Fair Park Board of Directors

Contact Marian Santiago-Lloyd
8100 W Greenfield Ave
West Allis, WI 53214
414/266-7021

- Martin Greenberg - Chairman
- William Drew
- Patricia B. McKeithan
- Representative Scott Gunderson
- Representative Anthony J. Staskunas
- Senator Ted Kanavas
- Senator Jeffrey Plate
- James Mejchar
- R. Douglas Wilson
- Timothy R. Sheehy
- Jim Holperin, Secretary of Tourism
- Rod Nilsestuen, Secretary of Wisconsin Department of Agriculture, Trade and Consumer Protection



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

January 14, 2004

JAN 15 2004

Mr. Joseph M. Chmelich, Chief Executive Officer
Wisconsin State Fair Park
8100 West Greenfield Avenue
P.O. Box 14990
West Allis, Wisconsin 53214-0990

Dear Mr. Chmelich:

We have received your memorandum, dated December 29, 2003, which indicates that the external auditors hired by State Fair Park to compile the required financial statements will not complete their work until January 30, 2004. Because the statutorily required audit of State Fair Park cannot begin until these financial statements are issued, the Legislative Audit Bureau communicated to the Department of Administration its willingness to adjust its audit schedule to accommodate the delay.

As you know, our ongoing concern pertains to the timeliness and completeness of the financial statements. In order to ensure the latter, we will grant State Fair Park the requested two-week extension to the timeline established in our letter to Mr. Greenberg on November 25, 2003. However, it is our expectation that complete financial statements for fiscal year 2001-2002 and fiscal year 2002-2003 will be provided to the Legislative Audit Bureau by Friday, January 30, 2004. We trust there will be no further delay in the issuance of these statements.

As you plan for the future, we expect that the timely issuance of complete financial statements will be made a top priority for the incoming Chief Financial Officer. We look forward to continuing our discussions concerning improvements to State Fair Park operations in the weeks and months ahead.

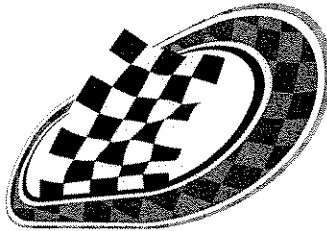
Sincerely,

Senator Carol A. Roessler, Co-chair
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair
Joint Legislative Audit Committee

cc: Mr. Martin Greenberg, Chairman
Wisconsin State Fair Park Board

Janice Mueller
State Auditor



MILWAUKEEMILE
100 YEARS AND ACCELERATING

MEMORANDUM

January 19, 2004

TO: Joseph Chmelich – WSFP CEO
FROM: Mark Perrone – Mile VP/General Manager
RE: 2004 Track Rental Update

Dear Joe,

As we move into the 2004 Race Season, I thought you would like to see the dramatic progress being made relative to track utilization and subsequent revenue implications.

YEAR	DAYS RENTED	REVENUE
2004	42	\$193,200.00
2003	22	\$ 66,000.00
Net Difference		\$127,200.00

203,200

137,200

Important points to note:

1. We are only in the first month (January) of our Race Season.
2. Our 2004 budget forecasts \$147,000.00 in track rental revenue. Therefore we are already \$46,000.00 ahead of forecast.
3. If the road course is not renovated, we will lose \$33,000.00 in '04 rental revenue.
4. Our rental numbers are significantly higher despite three of our Sanctioning Bodies having reduced the number of allowable testing dates for the 2004 season.
5. Track rental dates do not include our four major race weekend dates (12 days) or our annual Harley Hog Festival (4 days).
6. We would expect this growth trend to continue should our Road Course renovation request be approved.

2004 TRACK USE

TENTATIVE SCHEDULE

Tues-Fri.	April 6-9	Jackson Dawson (not finalized)
Mon-Tues	May 3 & 4	Ford Craftsman Truck
Wed.-Fri.	May 5-7	Newman-Haas Racing
Sat.	May 8	"Drive The Mile"
Tues.-Wed.	May 25-26	FitzBradshaw Racing
Tues.	June 1	Toyota-Atlantic
Thurs-Sat	June 3-5	Champ Car Event
Mon.	June 14	Roth Racing (Infiniti Pro)
Tues.	June 15	Infiniti Pro (Open Test)
Wed.-Thurs.	June 16-17	IRL (Open Test)
Fri-Sun	June 24-26	NASCAR Event
Sat-Sun	July 10-11	Miller Historic Club
Mon-Tues	July 12 & 13	Kevin Harvick/Richard Childress Racing
Fri.-Sun	July 16-18	Racing School (not finalized)
Fri-Sun	July 23-25	IRL – USAC Event
Mon.-Sun.	July 26-Aug. 1	Harley Event

WISCONSIN STATE FAIR AUGUST 5-15, 2004

Fri-Sat-Sun	August 20-22	Racing Reality
Sat-Sun	August 27-29	ASA – Mid-American Series
Fri-Sat-Sun	Sept. 3-5	Go Kart Event
Fri-Sat-Sun	Sept. 10-12	Race Event
Fri-Sat-Sun	October 1-3	Richard Petty Driving Experience
Sun.-Fri.	October 3-8	Car Mfr Rollout & Test Drive
Sun.-Fri.	October 10-15	Car Mfr Rollout & Test Drive

1/16/2004



Wisconsin State Fair Park

MEMORANDUM

January 20, 2004

TO: Wisconsin State Building Commission
FROM: Joseph M. Chmelich – CEO
RE: Capital Budget Requests

Dear Commission Members,

Thank you for the opportunity to discuss ongoing, prospective improvements for the Milwaukee Mile facility. As you are probably aware our Board (including three State Legislators) provided unanimous approval for Milwaukee Mile improvements up to \$1.8 million dollars based on the following:

1. Race Sanctioning Body mandates for improvements.
2. DOA affirmative opinion of our ability to pay for the improvements.
3. Potential for new and additional revenue generation from the improvements.
4. Redirecting of annual costs to support improvements.
5. Our organizations strategy to improve WSFP by improving each individual business entity on a "standalone basis".

Furthermore, we appear today to demonstrate that progress is already being made in the area of revenue generation to help support our position that these improvements are warranted and financially justifiable, despite reports on the current financial position of the State Fair Park enterprise.

Today we will provide to you the following supporting information:

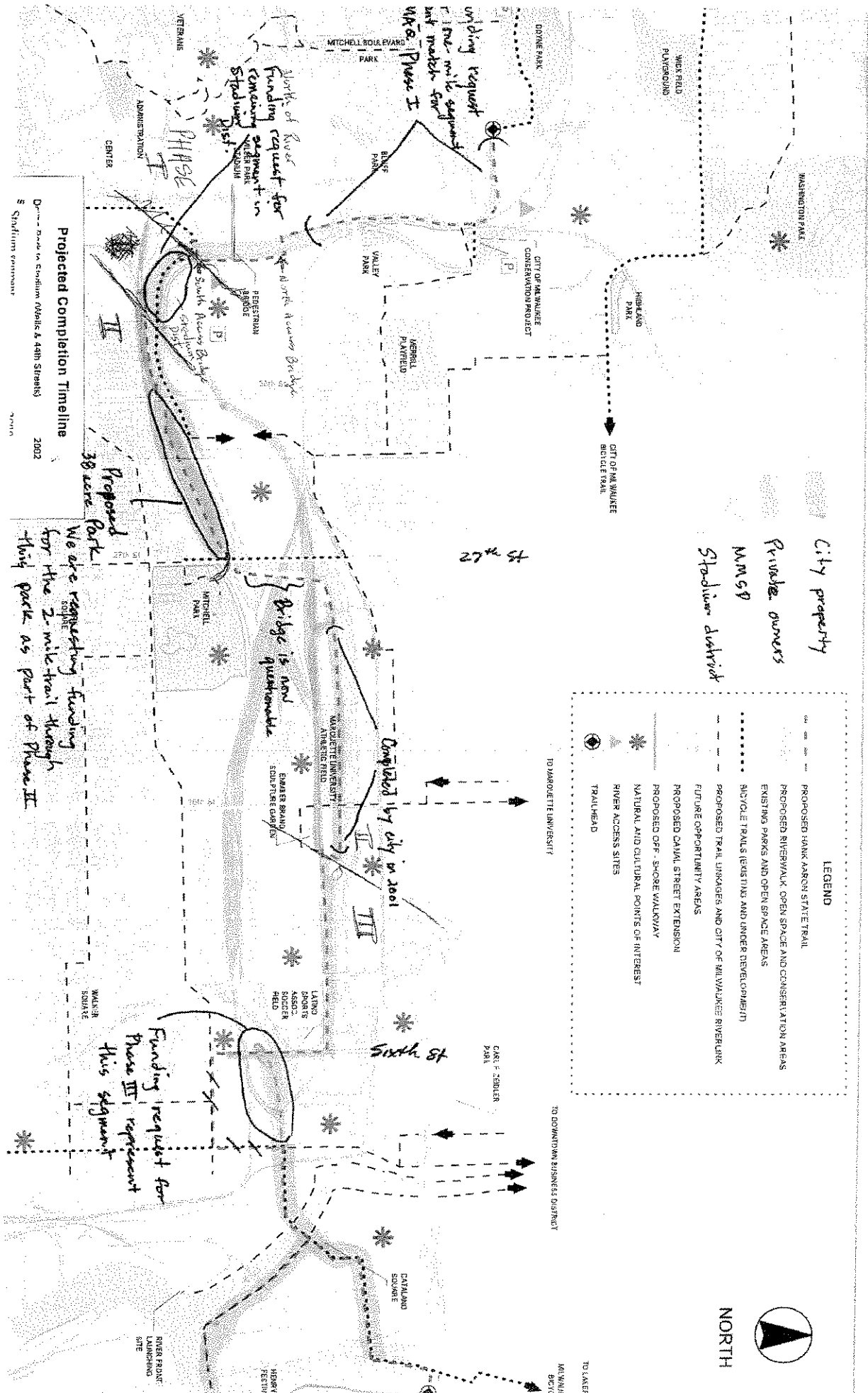
1. A letter to Governor Doyle from our Chairman Martin Greenberg urging approval of the requests.
2. Photographs of the areas requiring improvements.
3. Track rental memorandum comparing 2004 to 2003 rental activity and associated revenue. Also our 2004 track bookings calendar.
4. Update on sponsorship contribution of \$70,000 for the Road Course renovation project.

As to our request, please note that based on discussions with DOA Facilities Development Staff and understanding the current concerns of the Legislature regarding the fiscal position of WSFP, we are not requesting the entire \$1.8 million bonding

allocation at this time, but rather a reduced amount to allow for the most needed improvements to be completed.

Lastly, we believe our forecasts for supporting revenues and cost savings to be "ultra conservative" and sufficient to comfortably support the additional debt service created by these new improvements.

We thank you in advance for your continued confidence and consideration in helping to return the Milwaukee Mile to its historic, prominent position within the nations racing industry.



Projected Completion Timeline
 Drawn in Continuation of Mile & 14th Streets
 Stadium extension
 2002

- LEGEND**
- PROPOSED HANK AARON STATE TRAIL
 - PROPOSED RIVERSWALK, OPEN SPACE AND CONSERVATION AREAS
 - EXISTING PARKS AND OPEN SPACE AREAS
 - BICYCLE TRAILS (EXISTING AND UNDER DEVELOPMENT)
 - PROPOSED TRAIL LINKAGES AND CITY OF MILWAUKEE RIVERLINK
 - FUTURE OPPORTUNITY AREAS
 - PROPOSED CANAL STREET EXTENSION
 - PROPOSED OFF-SHORE WALKWAY
 - NATURAL AND CULTURAL POINTS OF INTEREST
 - RIVER ACCESS SITES
 - TRAILHEAD

City property
 Private owners
 MMSB
 Stadium district



TO WARDLETT UNIVERSITY

TO DOWNTOWN BUSINESS DISTRICT

TO LAKEFRONT
 MANNAVE
 BEVELS



MILWAUKEEMILE
100 YEARS AND ACCELERATING

7722 West Greenfield Avenue
West Allis, WI 53214
www.milwaukeeemile.com

Mark Perrone
Vice President/General Manager

Phone: (414) 453-5761
Fax: (414) 453-9920
Cell: (414) 339-6799
mperrone@milwaukeeemile.com

JAN 27 2004

Dear Senator Prosser,

I would like to take this opportunity to once again thank you for your objectivity and support with respect to the Milwaukee Mile. We are indeed the Jewel of the State Fair Park. The progress we have made in the last year has been incredible and I credit the terrific staff we have assembled, the support of civic and Political leaders like yourself and our great fans.

I will keep you informed of our forward progress and sincerely appreciate your confidence. We will not dissapoint you.

With kindest Regards,
Mark Perrone

State Fair Park Race Track Improvements

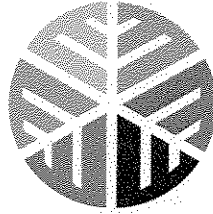
January 2004, Building Commission Request

Revenue Enchantments (construction estimate)	Annual Revenue Estimate	Racing Mandates (construction estimate)	Esthetics/Safety Issues (construction estimate)
Reconfigure Interior Track & Repave (\$300,000)	\$100,000	Extend existing outside debris fence to 18'0" (\$150,000)	Refurbish Tunnel (\$17,500)
Purchase Used Leader Boards (\$80,000)	\$75,000	Demolition of timing & score building – move to press box (\$125,000)	Replace infield perimeter fence. (\$30,000)
Recycle existing scoreboards (\$15,000)		New infield Care Center (\$250,000)	Upgrade victory lane & presentation area (\$5,000)
New Media Center (\$250,000)	\$20,000	Replace pit wall (\$100,000)	Replace safety shed (\$80,000)
New Pit/Paddock Fencing (\$29,000)	\$10,000	Repave Pit Areas (\$160,000)	
Press Box Roof (\$10,000)	\$25,000		

N.B. Construction cost estimates do not include A/E and DSF fees or project contingency.

1,230 K

8



MAR 15 2004

Wisconsin State Fair Park

Dear Friends of the Fair,

Riding the wave of excitement from Monday's Wisconsin State Fair Park Board Meeting, I wish to share the good news that has been written over the past few days. Several articles have been enclosed / attached for your review. These articles solidify that the Renaissance of the Fair Park has commenced and the future is looking brighter.

The Wisconsin State Fair and the Wisconsin State Fair Park entities are moving in a positive direction towards a healthier financial future. These articles validate that State Fair Park is ripe and fertile ground for involvement and participation.

To our Friends who have been with us on this journey, I would like to thank you for your continued support and commitment.

To our new Friends, I would like to welcome you on this exciting journey as we embark upon a great future.

As I stated in Monday's meeting, we are "Good to Go" in 2004 and beyond.

Sincerely,

Martin J. Greenberg, Chairman

Enclosures

Original URL: <http://www.jsonline.com/news/metro/mar04/213238.asp>

State Fair Park officials expect return to profitability

New financial chief says healthy budget still long ways off


By ANNYSJA JOHNSON
anjohanson@journalsentinel.com

Posted: March 8, 2004

West Allis - After years of red ink, the Wisconsin State Fair Park's operating budget is expected to end the year in the black, only the second time in six years it would have turned a profit, according to a forecast provided to the State Fair Park Board on Monday.

Although it does not erase the \$4.5 million deficit the fair park carries forward from last year, the projected \$195,000 surplus represents a significant milestone for the struggling state agency, which lost \$1.8 million on operations in 2002-'03, said Craig Barkelar, a longtime state accountant who was introduced Monday as the fair park's new chief financial officer.

**Wisconsin
State Fair**

 **Changes:** State Fair trying to draw urban youths

"It will be a long time before it's really healthy, until that deficit is paid off. But a lot of folks have worked very hard to tighten up operations, so it wouldn't get any worse this year," he said.

Barkelar's forecast attributes the surplus to strong projected performances by the Milwaukee Mile and the 2004 Wisconsin State Fair, as well as a cut in losses associated with the Pettit National Ice Center and other non-fair operations.

The Milwaukee Mile is expected to turn a profit of \$321,600 this year, compared with an \$811,000 loss in 2003. And the State Fair event has forecast profits of \$1.5 million in 2003-'04, up from \$1.1 million the previous year. (These figures reflect an accounting structure that requires expenditures and revenue to be spread over two fiscal years. The actual 2004 fair profit is expected to hit nearly \$1.7 million this year, up from \$1.5 million in 2003.)

Losses from the Pettit are expected to run \$351,300, down from \$516,000 last year, and all other losses from non-fair operations should drop to \$1.3 million from \$1.8 million, according to the projections.

The financial forecast was announced as part of park board Chairman Martin Greenberg's state of the fair park address and release of the business plan for the 2004 Wisconsin State Fair, Aug. 5-15.

In other fair business:

- The park board approved \$20,000 in upgrades to the Cream Puff Parlor intended to push sales over \$1 million.
- The board revised the midway contract with Murphy Bros. to add additional years and adjust annual payments to the fair in return for a \$500,000 payment upfront that will be applied to the deficit.
- State and fair officials have abandoned their efforts to refinance up to \$45 million in bonds borrowed to build the Wisconsin Exposition Center at State Fair Park. Greenberg said Monday that it would cost \$7 million to convert the bonds from a fixed rate of 5.5% to a lower variable rate. The refinancing would have saved about \$200,000 a year for the struggling facility, which is expected to lose \$207,000 this year.

Original URL: <http://www.jsonline.com/news/metro/mar04/213241.asp>

State Fair trying to draw urban youths

By ANNYSJA JOHNSON
anjohanson@journalsentinel.com

Posted: March 8, 2004

West Allis - The 11-day Wisconsin State Fair has long been touted as the place "where urban meets rural."

That could increase this year with changes intended to boost attendance among several groups, including youth and minorities.

"We're working with an ethnic agency to help us" attract an urban audience, State Fair Park Marketing Director Kathleen O'Leary told board members Monday.

As part of that effort, she said, the fair will welcome the V100 Jam 4 Peace, which has drawn thousands to Milwaukee's lakefront with its rap and R&B acts.

The park will also work with central-city youth to design a mural promoting the 2004 fair.

The urban outreach was one of several new programs announced Monday as part of the marketing campaign, "Good to Go," for the 2004 Wisconsin State Fair Aug. 5-15.

Fair officials are also targeting residents from outstate and northern Illinois in an effort to boost attendance by 870,000 in 2004. That will be driven in part by an aggressive discount ticket promotion in April, O'Leary said.

Regular adult admission remains \$8, unchanged from last year. All other prices will remain at 2003 levels.

Among new attractions announced Monday is a livestock birthing center in the Ag Village, an extreme sports show with BMX and skateboarding, and a new offering in the Cream Puff Parlor: a 4 1/2-inch "Blue Ribbon Brownie."

From the March 9, 2004 editions of the Milwaukee Journal Sentinel

Original URL: <http://www.jsonline.com/news/editorials/mar04/213343.asp>

Editorial: State Fair's looking better

From the Journal Sentinel

Posted: March 9, 2004

Only a month ago, the news from State Fair Park didn't look very good. But happily, things now are looking up.

After years of red ink, the fair park's operating budget is expected to end the current year in the black, officials announced Monday. Craig Barkelar, the park's impressive new chief financial officer, projects the park will end up with a surplus of \$195,000.

The park still has a \$4.5 million deficit carried forward from last year. But Barkelar didn't attempt to sugarcoat it. "It'll be a long time before it's really healthy, until that deficit is paid off," he told Journal Sentinel reporter Annysa Johnson.

His forecast attributes the surplus to strong projected performances by the Milwaukee Mile and this year's State Fair as well as reduced losses by the Pettit National Ice Center and other non-fair operations. The fair itself is a sure bet. It finished last year with a \$1.5 million profit and is expected to do even better this summer, in part because of new attractions and plans to boost attendance among youth and minorities.

Prior to taking the job at the fair park, Barkelar spent 13 years in the highly respected state Legislative Audit Bureau. "He will shape this place up rapidly," Marty Greenberg, chairman of the State Fair Park Board, told us. We share Greenberg's confidence, and we like the direction he is taking the park.

Admitting that for too long the park was "run not like a business but more like a club," Greenberg is trying to step up accountability and find ways to dramatically increase revenue. In an effort to capitalize on the growing popularity of auto racing, Greenberg is exploring a spinoff of the Milwaukee Mile, including selling the assets or leasing the rights to a promoter. He and other officials also are working on selling naming rights on the fairgrounds, including the new Milwaukee Mile grandstand and infield track, and possibly luring a hotel to W. Greenfield Ave. in West Allis to help support the Exposition Center.

Joe Chrnlich, the chief executive officer of the fair park, has said he will step down this year, and Greenberg wants to have a national search to find a replacement. That's another sign he means business.

From the March 10, 2004 editions of the Milwaukee Journal Sentinel

The Business Journal of Milwaukee - March 8, 2004
<http://milwaukee.bizjournals.com/milwaukee/stories/2004/03/08/story2.html>

THE Business Journal

SERVING GREATER MILWAUKEE

EXCLUSIVE REPORTS

From the March 5, 2004 print edition

State fair grounds turn profit

Milwaukee Mile, sponsorships, Pettit improve revenue picture

Pete Millard

Wisconsin State Fair Park officials estimate the park will break even and maybe even show a six-figure profit by the end of its fiscal year in June.

A year ago, State Fair posted \$4.5 million in net losses because of a \$2.1 million operating loss and the state seeking \$2.4 million more in debt payments to narrow the state's \$3.2 billion budget deficit.

For the past several years, three of the four operations of the State Fair Park have lost money. In fiscal 2003-2004, the operations for State Fair itself will show a \$1.8 million profit. However, other operations on the State Fair grounds -- the Milwaukee Mile, Wisconsin Exposition Center and Pettit National Ice Center -- will lose an estimated \$1.6 million.

The final budget figures for the State Fair Park will not be complete until July.

"We are on the way to balancing our budget and paying down on prior shortfall years," said Joe Chernelich, chief executive officer for Wisconsin State Fair Park and the Milwaukee Mile.

Revenue from sponsorships, advance tickets sales at the Milwaukee Mile and advertising signage throughout the park is expected to give the park a budget surplus, State Fair officials said.

"I feel good about the direction we're going," said Martin Greenberg, who was named chairman of the park board by Gov. Jim Doyle in February 2003.

One source of State Fair's improved finances is that the Pettit Center has made more lease payments in the past year. The Pettit made seven of its \$75,000 monthly lease payments to State Fair Park since January 2003, said Cindy Yomantis, executive director of the Pettit. In 2002, the Pettit was in arrears on all of its lease payments. The skating complex has also increased its program income from a year ago by 32 percent, she said.

New revenue streams

State Fair Park officials are seeking new revenue streams, including negotiating with more than half a dozen companies about buying naming rights for the Wisconsin Exposition Center and other buildings and streets on the fairgrounds, Greenberg said.

"We have fertile brands that are ripe for revenue enhancement," said Greenberg, a Milwaukee lawyer who specializes in sports law and real estate.

Greenberg is at the forefront of several changes with the operations and future plans for the park.

The biggest project Greenberg is pushing in 2004 involves building a hotel near the park's southeast boundary in West Allis along Greenfield Avenue.

A hotel near the Wisconsin Exposition Center would give the center's promoters an edge in attracting more consumer and business trade shows, said Sandy Lange, president of the expo center.

"Trade show people like to be within walking distance of their hotel," she said.

West Allis city officials are willing to work with the Fair Park to bring a new hotel to the Greenfield Avenue business corridor. West Allis and State Fair Park will split the cost of a feasibility study to determine if a hotel is practical for the corridor, said John Stibal, director of West Allis' department of development.

"We need to work with the fair to make the Greenfield corridor more commercially productive," he said.

West Allis is willing to create a tax incremental financing district along Greenfield Avenue to attract a private developer to the hotel project, Stibal said.

Greenberg said State Fair Park officials would be willing to explore a land lease for state property if a developer is willing take on the hotel project. Since State Fair Park is in West Allis, a developer who leases land, even though it is state-owned, would pay taxes on any improvements to the property.

A year ago, the State Fair Park board talked about developing several acres on the park's northeast corner near an existing park-and-ride lot. Developing the northeast parcel is still a possibility, said Rep. Anthony Staskunas (D-West Allis), who also is a member of the State Fair Park board.

"The exact location of a hotel is not etched in stone," said Staskunas.

Staskunas said building the hotel south of Greenfield Avenue on private property might make more sense than on the State Fair grounds.

Other initiatives that Greenberg is pushing include refinancing \$45 million in bonds used to construct the Wisconsin Expo Center and spinning off the Milwaukee Mile into a stand-alone organization. State Fair Park reacquired the rights to the Milwaukee Mile from Atlanta promoter Carl Haas last May for \$250,000.

If the park board is successful in restructuring the debt of the Expo Center, the interest rate on the bonds would drop from 5 percent to 2 percent. That would result in the Expo Center saving about \$200,000 a year in debt service payments.

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*State Senator
Carol Roesler*



Memorandum

TO: Karen
FROM: Jennifer
DATE: June 21, 2004
SUBJECT: State Fair Park Audit

Carol met with Jan and Julie from the Audit Bureau regarding the release of the State Fair Park (SFP) Audit.

- The Audit was done to help SFP get their financial house in order.
- Revenues do continue to lag behind expenditures.
- Debt Service Payments SFP has to pay: \$3.4 million annually PR and \$2.0 million annually GPR.
- Operational changes were made in accordance with Audit Bureau Recommendations.
- Business plans that have been developed for 2004 continue to include overly optimistic plans.
- The first Nascar Race will help to wipe out a \$2.1 million debt. The SFP estimated that they would generate \$195,000 more than they would need to pay the debt, however Julie thinks this is not likely to happen. Again, overly optimistic.
- Paying off this debt really depends on the Milwaukee Mile (the race track). There are a few races scheduled, Nascar being the largest. It is possible SFP may get some funds in advance for the State Fair as well.
- There is a graph on the second page of the "Highlights" insert which compares 2003 actual revenues and 2004 projected revenues.
- CR brought up the issue of sponsorships: SFP is not getting as many as they had hoped for. This is definitely an area SFP sees growth happening. CR and Sue should not be too negative in any press or interviews they do because this may hurt any opportunity to get sponsorships. However, they should not be too positive either.
- The Audit contains a strong recommendation that the SFP report back to the Legislature after the State Fair, October 31st. Also, maybe have a hearing at the end of the year to see where things are.
- Jan thought it was positive that the letter from Joseph Chmelich, located at the very back of the audit, said, "We look forward to reporting to the Joint Legislative Audit Committee by October 31, 2004 on the State Fair Park's financial condition and preliminary business plans for 2005."
- CR asked about the staff duplication issue: SFP has worked with DOA to address this. SFP staff was reduced by 15 when 2003-05 state budget cuts hit. They are working to figure out what to do with the Milwaukee Mile staff who are funded through the Expo Center.

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- Julie said that the SFP will be the first to tell you that in order to address the staffing issue, they need to know what structure the SFP should be. For example, all in house or people contracted out. If you asked all 13 members of the Board, all 13 will give you a different answer. Julie feels like someone, at some level, should make a decision about this.
- When the staff are "out of house" there is more protection from cuts.
- CR asked about the progress in finding other uses for the Petite Ice Center: There have been some other uses identified. There will be some events there during the State Fair. Cows on Ice is an event that is planned as well as some fundraising events. There will also be joint marketing with Olympic Rings.
- Rent payments with the Petite are under negotiation. These have been ongoing for some time. Originally, the SFP was supposed to use rent to pay off debt service. Now, the rent that was set for the Petite to pay does not match the debt service payments. The negotiations are now over what the rent should be so that it matches the new debt service payments and takes into account any overpayments.
- Greenberg called Jan and said that they (Audit Bureau) were going to kill them with their negative audits. He was referring to their efforts to secure sponsors.
- CR asked about media grades (I think that is what she called it). This was something that was approved in January 2004. Jan said to CR that she approved this item. I think she meant through Building Commission. They will not be ready for the Milwaukee Mile but are in the works.
- Julie mentioned that the inclusion of the Exposition Center in the SFP financial statements is a big worry/big concern.
- In terms of press, Jan said to keep it pretty neutral...not too strong in support of or in opposition to. She suggested saying such things as:
 - Pleased that an unqualified opinion on financial statements has been completed.
 - Look forward to the races, the Milwaukee Mile. SFP did work hard to secure advanced ticket sales (this is beneficial in the event it rains).
 - We need to give SFP some time.
 - Encouraged by some things and look forward to the report back from SFP in October.
 - State Fair is always successful.
 - Business plans are an important first step to build upon as they move forward toward improvement.
 - Keep the release short.
- Anesa Johnson of the MJS covers State Fair Park. Given that it is a slow time, it is possible that the AP may pick up the story.
- The audit is confidential until 9:00am on Tuesday June 22nd. CR would like press to go out on the heels of the Audit Bureau releasing the audit.



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

Committee Co-Chairs:
State Senator Carol Roessler
State Representative Suzanne Jeskewitz

For Immediate Release

June 22, 2004

For More Information Contact:

Representative Suzanne Jeskewitz
Senator Carol Roessler

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Audit Co-Chairs Reserve Judgment on Financial Condition of State Fair Park

(Madison) Today the nonpartisan Legislative Audit Bureau (LAB) released a financial audit of the State Fair Park. Unlike the audit released last September, the LAB was able to issue unqualified audit opinions on State Fair Park's financial statements for fiscal year (FY) 2001-02 and FY 2002-03. The audit highlights both the financial condition of the Park and steps taken to address concerns from the last audit.

"I am encouraged by some of the audit recommendations that State Fair Park has implemented, however their financial condition continues to warrant scrutiny," said Suzanne Jeskewitz (R-Menomonee Falls). "At least we finally have a complete picture of the State Fair Park's financial condition so we can really determine the degree of the Park's fiscal problems, something we didn't have last September."

Key findings in the audit reveal that the State Fair Park is showing of improvement. State Fair Park has and continues to address several of the recommendations made in the last audit including: developed business plans for the Milwaukee Mile, Pettit National Ice Center (PNIC) and the Wisconsin Exposition Center (WEC); the Milwaukee Mile expanded its 2004 racing program from two to four events; and renegotiated parking revenues with the WEC. While these changes are positive, expenses are still outpacing revenues and revenue projections moving forward may be overly optimistic. It is still too early to know if these and other changes at State Fair Park will help turn the financial picture around. The audit recommends that the State Fair Park report back to the Joint Legislative Audit Committee by October 31, 2004 on its final FY 2003-04 revenues and expenses and its revised business plans.

"The business plans developed by the State Fair Park are a first step toward fiscal stability," remarked Carol Roessler (R-Oshkosh). "I want to take a closer look at the State Fair Park after the racing season ends and the state fair is over. These events have the potential to generate significant revenue needed to bring the State Fair Park's fiscal house in order. However, it is too early to predict at this juncture the magnitude of financial issues the State Fair Park may be facing at the end of the year." An important race event for this season is the NASCAR weekend on June 24-26, 2004, and the State Fair runs from August 5-15, 2004.

Both Co-Chairs Jeskewitz and Roessler are committed to holding a public hearing on the financial audit of State Fair Park later this year.

SENATOR ROESSLER
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REPRESENTATIVE JESKEWITZ
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State of Wisconsin \ LEGISLATIVE AUDIT BUREAU

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June 22, 2004

Senator Carol A. Roessler and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

We are required by s. 13.94(1)(dm), Wis. Stats., to conduct an annual financial audit of State Fair Park. In 2003 (report 03-11), we were unable to render an audit opinion because State Fair Park could not provide complete and accurate financial statements for fiscal year (FY) 2001-02.

State Fair Park later contracted with a private accounting firm to compile its financial statements for both FY 2001-02 and FY 2002-03. We have issued unqualified audit opinions for each year, and FY 2001-02 statements are included in this letter report. In report 04-5, which has been released separately today, we provide the FY 2002-03 financial statements and follow up on our 2003 recommendations regarding improvements to State Fair Park's financial operations.

We appreciate the courtesy and cooperation extended to us by the staff of State Fair Park.

Respectfully submitted,

A handwritten signature in cursive script that reads "Janice Mueller".

Janice Mueller
State Auditor

JM/JG/bm

Enclosure

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE WISCONSIN STATE FAIR PARK

We have audited the accompanying statement of net assets of the Wisconsin State Fair Park as of June 30, 2002, and the related statement of revenues, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the Wisconsin State Fair Park's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Wisconsin Exposition Center, Inc., which represents 100 percent of the financial activity of the discretely presented component unit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

The financial statements of the Wisconsin State Fair Park Exposition Center, Inc. have not been audited, and we were not engaged to audit the Wisconsin State Fair Park Exposition Center, Inc.'s financial statements as part of our audit of the Wisconsin State Fair Park's financial statements. The Wisconsin State Fair Park Exposition Center, Inc.'s financial activities are presented with the Wisconsin State Fair Park's financial statements as a discretely presented component unit and represent 100 percent of the financial activity of the discretely presented component unit.

As discussed in Note 1, the financial statements referred to above present only the Wisconsin State Fair Park and do not purport to, and do not, present fairly the financial position of the State of Wisconsin and the changes in its financial position and its cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

Because the Wisconsin State Fair Park Exposition Center, Inc.'s financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of this discretely presented component unit as of and for the year ended December 31, 2001.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State Fair Park Fund as of June 30, 2002, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the financial statements, for fiscal year 2001-02, the State Fair Park Fund implemented Governmental Accounting Standards Board Statement Number 34, *Basic*

Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2004, on our consideration of the Wisconsin State Fair Park Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

LEGISLATIVE AUDIT BUREAU

June 11, 2004

by *Julie Gordon*

Julie Gordon
Audit Director

Wisconsin State Fair Park

Statement of Net Assets

	State Fair Park Fund (As of June 30, 2002)	Component Unit— State Fair Park Exposition Center, Inc. (As of December 31, 2001) UNAUDITED	Total (Memorandum Only)
ASSETS			
Current Assets:			
Cash and cash equivalents (Notes 2C and 7)	\$ 139,608	\$ 35,862,822	\$ 36,002,430
Receivables (net of estimated uncollectible accounts)	1,509,438	43,621	1,553,059
Due from other funds	12,797	0	12,797
Inventories	51,622	0	51,622
Prepaid items	125,447	0	125,447
Total Current Assets	<u>1,838,912</u>	<u>35,906,443</u>	<u>37,745,355</u>
Noncurrent Assets:			
Deferred charges	50,197	525,190	575,387
Capital assets (net of accumulated depreciation) (Notes 2E and 3)	42,745,588	11,897,393	54,642,981
Total Noncurrent Assets	<u>42,795,785</u>	<u>12,422,583</u>	<u>55,218,368</u>
TOTAL ASSETS	<u>44,634,697</u>	<u>48,329,026</u>	<u>92,963,723</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 2,380,322	\$ 18,357	\$ 2,398,679
Due to other funds (Note 2G)	3,590,807	0	3,590,807
Tax and other deposits	89,298	0	89,298
Deferred revenue (Note 2D)	983,281	0	983,281
Interest payable	158,920	199,783	358,703
Capital Leases	46,636	0	46,636
Compensated absences (Notes 2F and 10)	63,252	0	63,252
Construction costs payable	0	3,249,224	3,249,224
Notes payable (Note 6)	147,621	0	147,621
General obligation bonds payable (Note 6)	960,397	0	960,397
Total Current Liabilities	<u>8,420,534</u>	<u>3,467,364</u>	<u>11,887,898</u>
Noncurrent Liabilities:			
Capital leases	73,995	0	73,995
Compensated absences (Notes 2F and 10)	29,560	0	29,560
Notes payable (Note 6)	1,476,469	0	1,476,469
General obligation bonds payable (Note 6)	17,139,760	0	17,139,760
Industrial revenue bonds payable	0	44,895,000	44,895,000
Total Noncurrent Liabilities	<u>18,719,784</u>	<u>44,895,000</u>	<u>63,614,784</u>
TOTAL LIABILITIES	<u>27,140,318</u>	<u>48,362,364</u>	<u>75,502,682</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	22,950,907	0	22,950,907
Unrestricted	(5,456,528)	(33,338)	(5,489,866)
TOTAL NET ASSETS	<u>\$ 17,494,379</u>	<u>\$ (33,338)</u>	<u>\$ 17,461,041</u>

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Net Assets

	State Fair Park Fund (As of June 30, 2002)	Component Unit— State Fair Park Exposition Center, Inc. (As of December 31, 2001) UNAUDITED	Total (Memorandum Only)
OPERATING REVENUES			
Charges for Sales and Services	\$ 15,223,722	\$ 0	\$ 15,223,722
Other Income	6,163	0	6,163
Total Operating Revenues	15,229,885	0	15,229,885
OPERATING EXPENSES			
Salaries and Fringe Benefits	5,091,466	0	5,091,466
Supplies and Services	8,304,534	33,338	8,337,872
Depreciation	2,493,511	0	2,493,511
Other Expenses	4,704	0	4,704
Total Operating Expenses	15,894,215	33,338	15,927,553
NET OPERATING LOSS	(664,330)	(33,338)	(697,668)
NONOPERATING REVENUES (EXPENSES)			
Investment & Interest Income	(29,579)	0	(29,579)
Amortization Expense	(51,520)	0	(51,520)
Interest Expense	(919,993)	0	(919,993)
Total Nonoperating Revenues (Expenses)	(1,001,092)	0	(1,001,092)
Net Loss Before Operating Transfers	(1,665,422)	(33,338)	(1,698,760)
Transfers In (Note 2H)	4,511,519	0	4,511,519
Transfers Out (Notes 2H and 12)	(2,326,522)	0	(2,326,522)
TOTAL NET INCOME (LOSS)	519,575	(33,338)	486,237
NET ASSETS			
Total Net Assets, Beginning of Year as Previously Stated	17,230,882	0	17,230,882
Prior Period Adjustment (Note 8)	(256,078)	0	(256,078)
Total Net Assets—Beginning of Year (As Restated)	16,974,804	0	16,974,804
Total Net Assets—End of Year	\$ 17,494,379	\$ (33,338)	\$ 17,461,041

The accompanying notes are an integral part of this statement.

Wisconsin State Fair Park

**Statement of Cash Flows—State Fair Park Fund
for the Year Ended June 30, 2002**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 14,563,239
Cash Payments to Suppliers for Goods and Services	(7,499,648)
Cash Payments to Employees for Services	(5,081,413)
Other Operating Revenues	6,163
Other Operating Expenses	(4,704)
Transfers Out	(1,240,922)
Net Cash Provided by Operating Activities	742,715

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Issuance of Debt	732,303
Transfers In	4,511,519
Repayment of Debt	(3,172,088)
Interest Paid	(1,005,518)
Capital Lease Payments	(32,104)
Purchase of Fixed Assets	(4,502,420)
Other Cash Flows from Capital and Related Financing Activities	(50,197)
Net Cash Used by Capital and Related Financing Activities	(3,518,505)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment and Interest Income	(29,579)
Net Cash Used by Investing Activities	(29,579)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,805,369)
Cash and Cash Equivalents—Beginning of the Year	2,944,977
Cash and Cash Equivalents—End of the Year	\$ 139,608

The accompanying notes are an integral part of this statement.

Wisconsin State Fair Park

**Statement of Cash Flows—State Fair Park Fund
for the Year Ended June 30, 2002 (Continued)**

**RECONCILIATION OF NET OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Net Operating Loss	<u>\$ (664,330)</u>
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation expense	2,493,511
Change in provision for uncollectible accounts	(52,935)
Transfers out	(1,240,922)
Change in Assets and Liabilities:	
Decrease (increase) in receivables	(162,704)
Decrease (increase) in due from other funds	(12,797)
Decrease (increase) in inventories	56,632
Decrease (increase) in prepaid items	54,976
Increase (decrease) in accounts payable	110,219
Increase (decrease) in due to other funds	573,517
Increase (decrease) in deposits	9,541
Increase (decrease) in deferred revenues	(432,046)
Increase (decrease) in compensated absences	10,053
Total Adjustments	<u>1,407,045</u>
Net Cash Provided by Operating Activities	<u>\$ 742,715</u>

Noncash Activity:

During FY 2001-02, Wisconsin State Fair Park entered into a capital lease for equipment for \$86,050.

The accompanying notes are an integral part of this statement.

Wisconsin State Fair Park

**Unaudited Statement of Cash Flows: Component Unit—Exposition Center
for the Year Ended December 31, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (33,338)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
None	0
Net Cash Used by Operating Activities	(33,338)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from Issuance of Industrial Revenue Bonds	44,895,000
Bond Issue Costs	(535,685)
Net Cash Provided by Capital and Related Financing Activities	44,359,315

CASH FLOWS FROM INVESTING ACTIVITIES

Exposition Center Construction	(8,463,155)
Net Cash Used by Investing Activities	(8,463,155)
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,862,822
Cash and Cash Equivalents—Beginning of the Year	0
Cash and Cash Equivalents—End of the Year	\$ 35,862,822

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

1. Description of the Wisconsin State Fair Park

The Wisconsin State Fair Park is located in the cities of West Allis and Milwaukee. The Wisconsin State Fair, which is held on State Fair Park grounds, is one of the state's oldest and largest events and typically hosts approximately one million people during the 11-day event. In addition to holding the annual fair, State Fair Park hosts cultural, sporting, agricultural, domestic, and commercial interest events.

State Fair Park is a separate state agency within the administrative structure of the State of Wisconsin. State Fair Park is governed by a 13-member board appointed by the Governor of the State of Wisconsin. The current charter of the Wisconsin State Fair Park Board reads as follows: "The State Fair Park Board is directed to manage State Fair Park and supervise its use for fairs, exhibits, or promotional events for agricultural, commercial, educational, and recreational purposes, to lease or license the property's use for other purposes when not needed for a public purpose, and to charge reasonable rents and fees for use of the premises. The Board is also directed to develop new facilities at State Fair Park and to provide a permanent location for an annual Wisconsin State Fair, major sports events, agricultural and industrial expositions, and other programs of civic interests."

State Fair Park's financial activity is accounted for within the State Fair Park Fund, which is part of the State of Wisconsin financial reporting entity.

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

2. Summary of Significant Accounting Policies for the State Fair Park Fund

A. *Fund Accounting and Basis of Presentation*

The financial statements of the State Fair Park Fund have been prepared in conformance with generally accepted accounting principles (GAAP) for proprietary funds. The accompanying financial statements were prepared based on the flow of economic resources and full accrual basis of accounting, with revenues recognized when earned and expenses recognized when incurred.

The Statement of Revenues, Expenses, and Changes in Net Assets classifies the State Fair Park Fund's fiscal year activity as either operating or non-operating. Because the State Fair Park Fund is an enterprise fund, which is a type of proprietary fund, it accounts for operations in a manner similar to private businesses in which operating revenues are derived from exchange transactions, such as sales. Operating expenses include salaries, supplies, and depreciation of capital assets.

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

The State Fair Park Fund applies all GASB pronouncements as well as the following pronouncements issued on or before November 30, 1998, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

B. *Revenue Recognition*

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

C. *Cash and Cash Equivalents*

Cash and cash equivalents reported on the State Fair Park Fund's statement of net assets and the statement of cash flows include:

- cash deposited with the State Treasurer, where available balances beyond immediate needs are pooled in the State Investment Fund, a short-term investment pool of state and local funds managed by the State of Wisconsin Investment Board with oversight by its Board of Trustees;
- cash deposited with a commercial financial institution; and
- currency on hand at State Fair Park.

D. *Deferred Revenue*

For cash receipts collected in advance of events from vendors or the general public, revenue is not recognized until the event occurs. Therefore, deferred revenue is recorded based upon payments received before events occur.

E. *Capital Assets*

Capital assets purchased for \$5,000 or more are recorded at cost and are depreciated using the straight-line method according to the following schedule:

	<u>Estimated Life</u>
Buildings and Improvements	15 to 31.5 years
Machinery and Equipment	5 to 7 years

F. **Employee Compensated Absences**

The State Fair Park Fund's compensated absence liability consists of accumulated unpaid leave, compensatory time, personal holiday hours, and Saturday/legal holiday hours earned and vested as of June 30, 2002. The liability and expense for compensated absences are based on current rates of pay.

G. **Due to (from) Other State Funds**

During the course of operations, transactions for goods provided or services rendered occur among individual state programs. The statement of net assets classifies these receivables and payables as "Due from Other Funds" or "Due to Other Funds."

H. **Transfers In (Out)**

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

3. **Capital Assets**

The State Fair Park Fund's capital asset transactions for the year ended June 30, 2002, are summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 988,747	\$ 3,798	\$ 0	\$ 992,545
Construction in Progress	<u>1,542,997</u>	<u>5,398,898</u>	<u>(1,235,207)¹</u>	<u>5,706,688</u>
Total Capital Assets, Not Being Depreciated	2,531,744	5,402,696	(1,235,207)	6,699,233
Capital Assets, Being Depreciated:				
Buildings and Improvements	54,212,815	3,459,476	(459,430)	57,212,861
Machinery and Equipment	<u>1,222,737</u>	<u>86,050</u>	<u>0</u>	<u>1,308,787</u>
Total Capital Assets, Being Depreciated	55,435,552	3,545,526	(459,430)	58,521,648
Less Accumulated Depreciation for:				
Buildings and Improvements	(19,322,274)	(2,414,955)	407,909	(21,329,320)
Machinery and Equipment	<u>(1,067,417)</u>	<u>(78,556)</u>	<u>0</u>	<u>(1,145,973)</u>
Total Accumulated Depreciation	<u>(20,389,691)</u>	<u>(2,493,511)</u>	<u>407,909</u>	<u>(22,475,293)</u>
Total Capital Assets Being Depreciated, Net	<u>35,045,861</u>	<u>1,052,015</u>	<u>(51,521)</u>	<u>36,046,355</u>
Total Capital Assets, Net	<u>\$37,577,605</u>	<u>\$6,454,711</u>	<u>\$(1,286,728)</u>	<u>\$42,745,588</u>

¹Construction in progress disposals of \$1,235,207 represent construction projects in progress as of June 30, 2001, which were subsequently completed during FY 2001-02 and are now reported as buildings and improvements.

See Note 14 for information about the Wisconsin Exposition Center's capital assets.

4. Capital Lease Obligations

State Fair Park leased equipment valued at \$96,100 during FY 1999-2000 and \$86,050 during FY 2001-02 under capital leases. The assets are included in the State Fair Park Fund's capital assets and are depreciated over the term of the lease. The accumulated depreciation on the equipment totaled \$81,481, resulting in a net book value of \$100,669. Total lease payments for the fiscal year ended June 30, 2002 were \$36,923. Future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2002, are as follows:

<u>For the Year Ending:</u>	
June 30, 2003	\$ 50,663
June 30, 2004	50,664
June 30, 2005	17,509
June 30, 2006	<u>8,796</u>
Total Minimum Lease Payments	127,632
Less: Amount Representing Interest	<u>(7,001)</u>
Present Value of Minimum Lease Payments	<u>\$120,631</u>

During the year ended June 30, 2002, the following changes occurred in the State Fair Park Fund's capital lease liability:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Capital Leases	<u>\$66,685</u>	<u>\$86,050</u>	<u>\$(32,104)</u>	<u>\$120,631</u>	<u>\$46,636</u>

5. Operating Lease Obligations

State Fair Park leases equipment under operating leases expiring in FY 2001-02. The State Fair Park Fund's total rental expense for the year ended June 30, 2002, was \$809.

6. Debt Obligations

State of Wisconsin general obligation bonds and commercial paper are issued to finance the construction, development, improvement, and repair of some facilities on the State Fair Park grounds. All general obligation bonds authorized and issued by the State are secured by the full faith, credit, and taxing power of the State of Wisconsin. Funding to cover debt service payments comes from program revenue received from State Fair Park Fund operations, as well as from general purpose revenues of the State of Wisconsin.

Debt to Be Repaid from State Fair Park Fund Program Revenue

Program revenue-supported bonding is reported on the State Fair Park Fund's statement of net assets. The changes in the State Fair Park Fund's portion of long-term liability are as follows:

	<u>Balance June 30, 2001</u>	<u>New Debt Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2002</u>
Notes Payable—				
Commercial Paper	\$3,120,796	\$ 0	\$(1,496,706)	\$ 1,624,090
General Obligation Bonds	<u>19,043,236</u>	<u>732,303</u>	<u>(1,675,382)</u>	<u>18,100,157</u>
Total	\$22,164,032	\$732,303	\$(3,172,088)	\$19,724,247

The bond debt has a fixed interest rate while the commercial paper has a variable interest rate which changes daily.

As of June 30, 2002, future debt service requirements to be paid from State Fair Park Fund program revenue are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2003	\$ 1,108,018	\$ 972,626	\$ 2,080,644
2004	1,066,470	978,511	2,044,981
2005	1,113,423	915,553	2,028,976
2006	1,016,936	854,295	1,871,231
2007	1,063,983	799,422	1,863,405
2008-2012	6,380,038	3,093,232	9,473,270
2013-2017	5,033,790	1,506,204	6,539,994
2018-2022	<u>2,941,589</u>	<u>392,301</u>	<u>333,890</u>
Total	<u>\$19,724,247</u>	<u>\$9,512,144</u>	<u>\$29,236,391</u>

Debt to Be Repaid from State of Wisconsin General Purpose Revenue

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

	<u>Balance June 30, 2001</u>	<u>New Debt Proceeds</u>	<u>Payments and Refunds</u>	<u>Balance June 30, 2002</u>
Commercial Paper	\$ 2,806,053 ¹	\$ 32,264	\$ (5)	\$ 2,838,312
Bonds	<u>9,156,741</u>	<u>5,956,255</u>	<u>(1,971,718)</u>	<u>13,141,278</u>
Total	<u>\$11,962,794</u>	<u>\$5,988,519</u>	<u>\$ (1,971,723)</u>	<u>\$ 15,979,590</u>

¹ June 30, 2001 balance was restated to correct prior year's understatement of \$95,000.

The bond debt has a fixed interest rate while the commercial paper has a variable interest rate which changes daily.

As of June 30, 2002, future debt service requirements to be paid from State of Wisconsin general purpose revenues are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2003	\$ 535,572	\$1,002,036	\$1,537,608
2004	561,241	811,404	1,372,645
2005	588,061	783,492	1,371,553
2006	621,239	751,749	1,372,988
2007	652,605	718,104	1,370,709
2008-2012	3,939,091	3,050,074	6,989,165
2013-2017	6,134,052	1,735,905	7,869,957
2018-2022	<u>2,947,729</u>	<u>363,641</u>	<u>3,311,370</u>
Total	<u>\$15,979,590</u>	<u>\$9,216,405</u>	<u>\$25,195,995</u>

See Note 14 for information about the Wisconsin Exposition Center's debt obligations.

7. Deposits

GASB Statement 3 requires deposits with financial institutions be categorized to indicate the level of risk assumed by the State. The risk categories for deposits are: 1) insured or collateralized with securities held by the State Fair Park Fund or by its agent in the State Fair Park Fund's name; 2) uninsured but collateralized by the financial institution; and 3) uninsured and uncollateralized.

The State Fair Park Fund's cash balances are deposited with the State of Wisconsin Treasurer and in a commercial checking account. In addition, cash is kept on hand for use during State Fair Park events. The State of Wisconsin Investment Board, through the State Investment Fund, invests cash deposited with the State of Wisconsin Treasurer. The carrying amount of shares in the State Investment Fund, which approximates market value, was \$79,108 as of June 30, 2002. Holdings of the State Investment Fund include certificates of deposit and investments consisting primarily of direct obligations of the federal government and the State, and unsecured notes of qualifying financial and industrial issuers. Where possible, investments in the State Investment Fund are reported at fair value for financial reporting purposes and are based on quoted market prices. Shares in the State Investment Fund are not required to be categorized under GASB Statement 3. The State Investment Fund is not registered with the Securities and Exchange Commission as an investment company.

The carrying amount that is the bank balance of the commercial checking account at June 30, 2002, was \$40,300. The Federal Deposit Insurance Corporation and the Wisconsin State Deposit Guarantee Fund (s. 34.08, Wis. Stats.) cover state deposits. The entire balance of \$40,300 at June 30, 2002, was insured and classified in risk category 1. The remaining cash balance of \$20,200 was on hand at State Fair Park and, therefore, not included in a risk category.

See Note 14 for information about the Wisconsin Exposition Center's cash and cash equivalent balances.

8. Prior-Period Adjustment

Due to a reporting error, State Fair Park Fund accounts receivable as of June 30, 2001 were overstated by \$256,078 and charges for sales and services for the period ending June 30, 2001 were overstated by the same amount. As a result, the beginning net assets for FY 2001-02 have been restated as follows:

Net Assets 6/30/01 (As Previously Reported)	\$17,230,882
Restatement of Accounts Receivable	<u>(256,078)</u>
Net Assets 7/1/02 (As Restated)	<u>\$16,974,804</u>

9. Employee Retirement Plan

Permanent, full-time employees of the State Fair Park Fund are participants in the Wisconsin Retirement System, a cost-sharing, multiple employer, defined benefit plan governed by Chapter 40 of Wisconsin Statutes. State and local government public employees are entitled to an annual formula retirement benefit based on: 1) the employee's final average earnings, 2) years of creditable service, and 3) a formula factor. If an employee's contributions, matching employer's contributions, and interest credited to the employee's account exceed the value of the formula benefit, the retirement benefit may instead be calculated as a money purchase benefit. The Wisconsin Retirement System is considered part of the State of Wisconsin's financial reporting entity. Copies of the separately issued financial report that includes financial statements and required supplementary information may be obtained by writing to:

Department of Employee Trust Funds
801 West Badger Road
P.O. Box 7931
Madison, WI 53707-7931

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

Generally, the State's policy is to fund retirement contributions on a level-percentage-of-payroll basis to meet normal and prior service costs of the retirement system. Prior service costs are amortized over 40 years, beginning January 2, 1990. The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. The State Fair Park Fund's contributions to the plan were \$251,629 for FY 2001-02. The relative position of the State Fair Park Fund in the Wisconsin Retirement System is not available because the Wisconsin Retirement System is a statewide, multi-employer plan.

10. Compensated Absences

The State Fair Park Fund's compensated absence activity for the fiscal year ended June 30, 2002 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated Absences	<u>\$82,759</u>	<u>\$62,179</u>	<u>\$(52,126)</u>	<u>\$92,812</u>	<u>\$63,252</u>

11. Change in Accounting Principle

The State Fair Park Fund implemented a new financial reporting model for FY 2001-02, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussions and Analysis—for State and Local Governments*. Financial statement presentation changed to reflect assets invested in capital assets, net of related debt and unrestricted net assets.

12. Transfers to the General Fund

2001 Wisconsin Act 16, enacted on August 30, 2001, required that \$638,600 be lapsed in FY 2001-02 from the State Fair Park Fund to the State of Wisconsin's General Fund. 2001 Wisconsin Act 109, enacted on July 29, 2002, required the State Fair Park Fund to lapse an additional \$447,000 in FY 2001-02. Lapses totaling \$1,085,600 are reported as transfers out on the FY 2001-02 State Fair Park Fund statement of revenues, expenses, and changes in net assets.

13. Subsequent Events

The Pettit National Ice Center, an enclosed year-round ice center, is located on State Fair Park grounds and is operated by Pettit National Ice Center, Inc., a private not-for-profit corporation. The State Fair Park Fund reports the facility and outstanding debt liability on its statement of net assets and is responsible for making debt service payments related to the cost of building the Pettit Center. Under the terms of a lease it has with State Fair Park, the Pettit Center was responsible for making monthly rent payments of \$74,341 to the State Fair Park Fund. This amount was equal to the debt service payments required under the initial bonds issued to fund the Pettit Center's construction. The Pettit Center is behind on making the payments and as of June 30, 2002, owed \$892,140 to the State Fair Park Fund. In January 2004, State Fair Park and the Pettit Center revised the monthly rent payments to equal the State Fair Park Fund's current debt service costs, which have changed since the initial agreement was signed due to bond refinancings. In addition, at its July 2004 meeting, the State Fair Park Board is expected to consider a proposal to forgive some of the Pettit Center's past-due rent, in recognition of annual rent that exceeded the actual debt service costs.

In past years State Fair Park contracted with a private racing promoter to sponsor and promote racing at the Milwaukee Mile, the race track located on State Fair Park grounds. In May 2003, State Fair Park entered into a contract to regain control of racing activities by buying out the racing promoter's contract. At that time, State Fair Park began managing the racing function internally.

As part of State Fair Park's master plan, a comprehensive plan to renovate and replace aging State Fair Park facilities, a number of buildings, including exhibit halls and the racing grandstand were demolished in late 2002. A new grandstand was substantially completed in time for the 2003 racing season. Some larger events previously held in demolished buildings have moved to the Exposition Center while other events have moved to smaller State Fair Park facilities or are no longer held at State Fair Park. As a result of the demolitions, the State Fair Park Fund revenue is expected to decline by an unknown amount.

14. Component Unit—Wisconsin State Fair Park Exposition Center, Inc.

A. *Summary of Significant Accounting Policies*

ORGANIZATION

The purpose of the Wisconsin State Fair Park Exposition Center, Inc., is to finance, build, manage, and maintain an exposition center on the Wisconsin State Fair Park grounds in West Allis, Wisconsin. The Exposition Center was substantially complete and placed in service as of August 1, 2002. Upon repayment of the bond issued to finance the construction of the Exposition Center, the title to the structure will be transferred to State Fair Park and the State Fair Park Exposition Center, Inc., will be dissolved. The Exposition Center reports on a fiscal year ended December 31.

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

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

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

BASIS OF ACCOUNTING

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

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

ACCOUNTS RECEIVABLE

The Organization uses the allowance method for recording bad debts.

B. *Construction in Progress*

Construction in progress represents costs incurred to erect an approximately 300,000 square foot exposition hall, which was not complete as of December 31, 2001, the end of the Exposition Center's fiscal year. Construction was finalized by August 2002.

C. *Deferred Bond Issuance Costs*

Bond issuance costs are being amortized using the effective interest method over the twenty-eight-year life of the bond. Based on an issue date of August 1, 2001, amortization of such issue costs amounted to \$11,995 for the fiscal year ended December 31, 2001. The following is a summary of the original issue costs and accumulated amortization as of December 31, 2001:

Total Bond Issue Costs	\$537,185
Accumulated amortization	<u>(11,995)</u>
Unamortized Bond Issue Costs	<u>\$525,190</u>

D. *Retainage on Contractor Payments*

Per contract with the general contractor, payments for work completed are subject to a ten percent retainer until 50 percent of the entire work has been completed. After such point, payments will be made in full. Release of retained amounts will occur upon final acceptance of the completed structure.

E. *Industrial Revenue Bonds Payable*

On August 1, 2001, \$44.9 million worth of City of West Allis, Wisconsin, Variable Rate Demand Revenue Bonds, Series 2001 were issued to finance the construction of the Exposition Center. The bonds call for monthly interest-only payments for the first two years, and a final maturity of August 1, 2028. Other than the final maturity date, the bond has no set schedule for principal repayment. The interest rate as of December 31, 2001 was approximately 5.34 percent.

Total interest incurred during the fiscal year ended December 31, 2001 amounted to \$998,914, all of which was capitalized as part of the cost of construction of the Exposition Center.

Repayment of the bonds is guaranteed by a letter of credit. The letter of credit has been extended to April 15, 2005.

F. Capitalized Interest

All interest incurred on the bonds during 2001 was capitalized as part of the cost of the Exposition Center construction. Generally accepted accounting principles require that interest earned on temporary investment of such bond proceeds be offset against the interest incurred. The following is a summary on the net interest capitalized as part of the exposition center construction cost during 2001:

Interest Incurred on Bond Issue	\$998,914
Interest Earned on Temporary Investments	(373,973)
Letter of Credit Fees	163,509
Amortization of Bond Issue Costs	<u>11,995</u>
Total Capitalized Interest	<u>\$800,445</u>

G. Related Party Transactions

The Exposition Center's Board is required to have two members who are also members of the State Fair Park Board.

The Exposition Center entered into a ground lease agreement with the State Fair Park Board effective August 1, 2001. The lease allows the Exposition Center to construct and operate an exposition center on State Fair Park grounds. The term of the lease ends on the 28th anniversary of the date on which the construction of the Exposition Center is completed, with options for five one-year extensions. The Exposition Center shall pay rent equal to the excess of its annual gross revenues from all sources over its annual expenses of operating the Exposition Center, including debt service of any type, debt reserves, operating costs and reserves. Rents are payable annually in arrears each January 15 following the completion of the Exposition Center.

The Exposition Center has also entered into a license agreement with the State Fair Park Board granting the State Fair Park Board the sole right to use the entire Exposition Center during the two-week period in August of each year when the State Fair Park Board holds its annual State Fair. The license fee to be paid shall be \$200,000 per year for all rental space. All parking fees generated during the two weeks of the State Fair are the sole revenue of the State Fair Park Board. The license agreement continues in effect until the Exposition Center's ground lease expires or terminates.

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of the Wisconsin State Fair Park as of and for the year ended June 30, 2002, and have issued our report thereon dated June 11, 2004. We did not audit the financial statements of the Wisconsin State Fair Park Exposition Center, Inc. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wisconsin State Fair Park Exposition Center, Inc. were not audited.

Compliance

As part of obtaining reasonable assurance about whether the State Fair Park Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Fair Park Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State Fair Park Fund's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We believe that the State Fair Park Fund's financial statement compilation process represents a reportable condition because it did not appropriately summarize the State Fair Park Fund's activities, in accordance with new reporting standards implemented in fiscal year 2001-02. Procedures for the State Fair Park Fund's compilation process had not been documented, and the changes associated with the implementation of new reporting standards had not been fully considered. As a result, material adjustments were necessary, and financial reporting was not completed in a timely manner.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements

in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we consider the reportable condition related to the State Fair Park Fund's compilation process described above to be a material weakness.

This independent auditor's report is intended for the information and use of the Wisconsin State Fair Park Fund's management, and the Wisconsin Legislature. This independent auditor's report, upon submission to the Joint Legislative Audit Committee, is a matter of public record and its distribution is not limited. However, because we do not express an opinion on compliance or provide assurance on internal control over financial reporting, this report is not intended to be used by anyone other than these specified parties.

LEGISLATIVE AUDIT BUREAU

June 11, 2004

by

Julie Gordon

Julie Gordon
Audit Director
