

Table D

**Capital Assets**  
 State Fair Park Fund  
 Fiscal Years 2002-03 and 2001-02

	Fiscal Year 2002-03	Fiscal Year 2001-02	Dollar Increase/(Decrease)
Capital Assets	\$86,603,717	\$65,220,881	\$21,382,836
Total Depreciation	(22,944,027)	(22,475,293)	(468,734)
<b>Net Assets</b>	<b><u>\$63,659,690</u></b>	<b><u>\$42,745,588</u></b>	<b><u>\$20,914,102</u></b>
Year-to-Date Depreciation	\$2,756,752	\$2,493,511	\$263,241

The FY 2002-03 increase in capital assets over FY 2001-02 is due primarily to construction of the new grandstand and multipurpose livestock barn. The barn, which is part of State Fair Park's Agriculture Village, was funded with \$9.6 million in GPR. The grandstand was funded with program revenues totaling \$19.5 million and GPR revenues totaling \$1.0 million. The grandstand project includes new bleachers, which were erected and utilized for the 2002 racing events.

**Debt**

Table E includes a comparison between FY 2002-03 and FY 2001-02 of debt funded with program revenue.

Table E

**Debt Funded with Program Revenue**  
 State Fair Park Fund  
 Fiscal Years 2002-03 and 2001-02

	Fiscal Year 2002-03	Fiscal Year 2001-02	Dollar Increase/(Decrease)
Commercial Paper	\$ 1,475,881	\$ 1,624,090	\$ (148,209)
General Obligation Bonds	37,530,600	18,100,157	19,430,443
<b>Total Debt</b>	<b><u>\$39,006,481</u></b>	<b><u>\$19,724,247</u></b>	<b><u>\$19,282,234</u></b>

The change in commercial paper debt reflects payments on the existing debt. The change in general obligation bonds reflects new debt of \$20.4 million and payments on existing debt of \$1.0 million.

Table F provides the future debt service requirements as of June 30, 2003, to be paid from the State Fair Park Fund's program revenue.

Table F

**Debt Service Requirements**  
State Fair Park Fund  
Fiscal Years 2003-04 through 2021-22

Fiscal Year Ended June 30	Principal	Interest	Total Debt Service
2004	\$ 1,738,632	\$ 1,879,240	\$ 3,617,872
2005	1,824,954	1,792,853	3,617,807
2006	1,754,075	1,706,700	3,460,775
2007	1,828,394	1,623,752	3,452,146
2008	1,915,543	1,536,348	3,451,891
2009-2023	29,944,883	11,090,940	41,035,823
<b>Total</b>	<b><u>\$39,006,481</u></b>	<b><u>\$19,629,833</u></b>	<b><u>\$58,636,314</u></b>

### Other Known Facts

Subsequent to the 2002 fair event, the North and South Halls, Family Living Center, Youth Expo, poultry building, and horse barn were decommissioned and demolished. These actions were taken to provide events for the Exposition Center.

Program revenue lapses have also affected the State Fair Park Fund. 2001 Wisconsin Act 109 and 2001 Wisconsin Act 16 required a lapse to the State's General Fund of \$1,085,600 in FY 2001-02 and \$1,277,200 in FY 2002-03, for a total lapse of \$2,362,800 over the biennium.

## Component Unit

The Wisconsin State Fair Park Exposition Center, Inc. (Exposition Center) is organized as a separate not-for-profit organization and reports on a calendar year. Following the guidance of the Governmental Accounting Standards Board (GASB), the Exposition Center is reported as a discretely presented component unit of the State of Wisconsin and, because of its close relationship with the State Fair Park Fund, is included in these financial statements as well. The purpose of the Exposition Center is to finance, build, manage, and maintain an exposition center on the Wisconsin State Fair Park grounds. Upon repayment of the debt issued to finance construction of the Exposition Center, the title to the Exposition Center will transfer to the Wisconsin State Fair Park and the not-for-profit organization will be dissolved.

The component unit is reported for the year ended December 31, 2002. Financial highlights include:

- 1) Construction on the Exposition Center was substantially completed in August 2002, and financial operations of the Exposition Center began in 2002.
- 2) The Exposition Center had a loss from operations for 2002 of \$404,171.
- 3) The Exposition Center refinanced industrial revenue bonds of \$44.9 million, which resulted in bond refinancing income of \$4.1 million.
- 4) The Exposition Center's net assets increased by \$2.6 million, which includes the bond refinancing income.
- 5) Net assets at year-end were \$2.6 million.

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# Financial Statements ■

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Wisconsin State Fair Park

**Statement of Net Assets**

	State Fair Park Fund (As of June 30, 2003)	Component Unit— State Fair Park Exposition Center, Inc. (As of December 31, 2002)	Total (Memorandum Only)
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents (Notes 2C and 6)	\$ 1,381,627	\$ 10,022,576	\$ 11,404,203
Receivables (net of estimated uncollectible accounts) (Note 10)	2,908,630	276,268	3,184,898
Inventories	51,051	0	51,051
Prepaid items	109,599	56,712	166,311
Total Current Assets	4,450,907	10,355,556	14,806,463
Noncurrent Assets:			
Deferred charges	190,473	496,402	686,875
Capital assets (net of accumulated depreciation) (Notes 2E and 3)	63,659,690	37,573,942	101,233,632
Total Noncurrent Assets	63,850,163	38,070,344	101,920,507
<b>TOTAL ASSETS</b>	<b>68,301,070</b>	<b>48,425,900</b>	<b>116,726,970</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable (Note 10)	\$ 4,716,095	\$ 261,435	\$ 4,977,530
Due to other funds (Notes 2G and 10)	2,643,861	0	2,643,861
Tax and other deposits	66,634	0	66,634
Deferred revenue (Note 2D)	1,897,254	0	1,897,254
Other accrued expenses	0	39,854	39,854
Construction costs payable	0	53,617	53,617
Unearned license fees	0	466,352	466,352
Interest payable	313,322	188,597	501,919
Capital leases (Note 4)	98,239	0	98,239
Compensated absences (Notes 2F and 9)	66,313	0	66,313
Notes payable (Note 5)	155,200	0	155,200
General obligation bonds payable (Note 5)	1,504,168	0	1,504,168
Industrial revenue bonds payable	0	4,100,000	4,100,000
Total Current Liabilities	11,461,086	5,109,855	16,570,941
Noncurrent Liabilities:			
Capital leases (Note 4)	77,699	0	77,699
Compensated absences (Notes 2F and 9)	36,330	0	36,330
Notes payable (Note 5)	1,320,681	0	1,320,681
General obligation bonds payable (Note 5)	36,026,432	0	36,026,432
Industrial revenue bonds payable	0	40,795,000	40,795,000
Total Noncurrent Liabilities	37,461,142	40,795,000	78,256,142
<b>TOTAL LIABILITIES</b>	<b>48,922,228</b>	<b>45,904,855</b>	<b>94,827,083</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	24,667,744	0	24,667,744
Restricted for Debt and Capital Assets	1,321,127	0	1,321,127
Unrestricted	(6,610,029)	2,521,045	(4,088,984)
<b>TOTAL NET ASSETS</b>	<b>\$ 19,378,842</b>	<b>\$ 2,521,045</b>	<b>\$ 21,899,887</b>

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, 2003)	Component Unit— State Fair Park Exposition Center, Inc. (As of December 31, 2002)	Total (Memorandum Only)
<b>OPERATING REVENUES</b>			
Charges for Sales and Services	\$14,933,880	\$ 1,052,710	\$ 15,986,590
Other Income	17,575	46,006	63,581
<b>Total Operating Revenues</b>	<b>14,951,455</b>	<b>1,098,716</b>	<b>16,050,171</b>
<b>OPERATING EXPENSES</b>			
Salaries and Fringe Benefits	4,303,082	405,468	4,708,550
Supplies and Services	10,239,140	676,151	10,915,291
Depreciation	2,756,752	414,792	3,171,544
Other Expenses	0	6,476	6,476
<b>Total Operating Expenses</b>	<b>17,298,974</b>	<b>1,502,887</b>	<b>18,801,861</b>
<b>OPERATING LOSS</b>	<b>(2,347,519)</b>	<b>(404,171)</b>	<b>(2,751,690)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment and Interest Income	12,688	1,808	14,496
Amortization Expense	(8,460)	0	(8,460)
Bond Refinancing Income	0	4,100,000	4,100,000
Loss on Sale/Disposal of Assets	(308,465)	0	(308,465)
Interest Expense	(910,517)	(1,143,254)	(2,053,771)
Total Nonoperating Revenues (Expenses)	(1,214,754)	2,958,554	1,743,800
Income (Loss) Before Transfers	(3,562,273)	2,554,383	(1,007,890)
Transfers In (Notes 2H and 11)	7,121,126	0	7,121,126
Transfers Out (Notes 2H and 11)	(1,531,067)	0	(1,531,067)
<b>CHANGE IN NET ASSETS</b>	<b>2,027,786</b>	<b>2,554,383</b>	<b>4,582,169</b>
<b>NET ASSETS</b>			
Total Net Assets, Beginning of Year as Previously Stated	17,494,379	(33,338)	17,461,041
Prior-Period Adjustment (Note 7)	(143,323)	0	(143,323)
Total Net Assets—Beginning of the Year Adjusted	17,351,056	(33,338)	17,317,718
Total Net Assets—End of the Year	\$19,378,842	\$2,521,045	\$ 21,899,887

The accompanying notes are an integral part of this statement.

**Statement of Cash Flows—State Fair Park Fund  
for the Year Ended June 30, 2003**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Customers	\$ 14,461,458
Cash Payments to Suppliers for Goods and Services	(10,222,735)
Cash Payments to Employees for Services	(4,293,251)
Other Operating Revenues	17,575
Other Operating Expenses	0
Transfers Out	(212,969)
<b>Net Cash Used by Operating Activities</b>	<b>(249,922)</b>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers Out	(27,098)
<b>Net Cash Used by Noncapital Financing Activities</b>	<b>(27,098)</b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Issuance of Debt	20,383,847
Transfers In	7,121,126
Repayment of Debt	(1,101,613)
Interest Paid	(756,115)
Debt Issuance Costs	(111,196)
Capital Lease Payments	(46,639)
Purchase of Fixed Assets	(23,839,736)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>1,649,674</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment and Interest Receipts	12,688
<b>Net Cash Provided by Investing Activities</b>	<b>12,688</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,385,342</b>
Cash and Cash Equivalents, Restated—Beginning of the Year	(3,715)
Cash and Cash Equivalents—End of the Year	\$ 1,381,627

The accompanying notes are an integral part of this statement.

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

Net Operating Loss	<u>\$ (2,347,519)</u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Depreciation expense	2,756,752
Change in provision for uncollectible accounts	(4,323)
Transfers out	(212,969)
Changes in Assets and Liabilities:	
Decrease (increase) in receivables	(1,382,072)
Decrease (increase) in inventories	571
Decrease (increase) in prepaid items	15,848
Decrease (increase) in deferred charges	(37,540)
Increase (decrease) in accounts payable	1,058,804
Increase (decrease) in due to other funds	(998,614)
Increase (decrease) in deposits	(22,664)
Increase (decrease) in deferred revenues	913,973
Increase (decrease) in compensated absences	9,831
Total Adjustments	<u>2,097,597</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (249,922)</u></b>

Noncash Activity:

During FY 2002-03, Wisconsin State Fair Park entered into a capital lease for equipment for \$101,946.

*The accompanying notes are an integral part of this statement.*



**Statement of Cash Flows: Component Unit—Exposition Center  
for the Year Ended December 31, 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	<u>\$ 2,554,383</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	414,792
Amortization	28,788
Bond refinancing income	(4,100,000)
Changes in Assets and Liabilities:	
Decrease (increase) in receivables	(276,268)
Decrease (increase) in prepaid items	(13,091)
Increase (decrease) in accounts payable	261,435
Increase (decrease) in other accrued expenses	10,311
Increase (decrease) in unearned license fees	<u>466,352</u>
Total Adjustments	<u>(3,207,681)</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>(653,298)</u></b>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from Refinancing of Industrial Revenue Bonds	<u>4,100,000</u>
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<b><u>4,100,000</u></b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	<u>(29,286,948)</u>
<b>Net Cash Used by Investing Activities</b>	<b><u>(29,286,948)</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b><u>(25,840,246)</u></b>
Beginning of the Year—Cash and Cash Equivalents	<u>35,862,822</u>
End of the Year—Cash and Cash Equivalents	<u>\$ 10,022,576</u>

Supplemental Disclosure:

During the year ended December 31, 2002, the Exposition Center paid interest of \$2,838,292.

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# Notes to the Financial Statements ■

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## 1. DESCRIPTION OF THE WISCONSIN STATE FAIR PARK

The Wisconsin State Fair Park is located in the cities of West Allis and Milwaukee. In addition to holding the annual Wisconsin State Fair, State Fair Park hosts cultural, sporting, agricultural, domestic, and commercial interest events.

State Fair Park is a separate state agency within the administrative structure of the State of Wisconsin. State Fair Park's financial activity is accounted for within the State Fair Park Fund, which is part of the State of Wisconsin financial reporting entity.

The Wisconsin 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. Therefore, financial statements for the Exposition Center are included. The Board of the Exposition Center includes the chairperson of the State Fair Park Board, one other member of the State Fair Park Board, and three members appointed by the Exposition Center Board.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE STATE FAIR PARK FUND

### A. Fund Accounting and Basis of Presentation

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

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

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

The State Fair Park Fund applies all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 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, 2003. 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 paid by other state funds and statutorily required lapses to the General Fund.

**I. Net Assets**

Net assets represent the difference between the State Fair Park Fund's assets and liabilities and are reported in three categories: invested in capital assets, net of related debt; restricted for debt and capital assets; and unrestricted. Restricted net assets represent amounts transferred from the

State of Wisconsin's capital project funds. These amounts cannot be used for the State Fair Park Fund's operating activities. Unrestricted net assets represent amounts that, if positive, could be used at State Fair Park's discretion.

### 3. CAPITAL ASSETS

The State Fair Park Fund's capital asset transactions for the year ended June 30, 2003, are summarized as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated:				
Land	\$ 992,545	\$ 5,959	\$ 0	\$ 998,504
Construction in Progress	<u>5,706,688</u>	<u>17,004,615</u>	<u>(1,550,920)<sup>1</sup></u>	<u>21,160,383</u>
Total Capital Assets Not Being Depreciated	6,699,233	17,010,574	(1,550,920)	22,158,887
Capital Assets Being Depreciated:				
Buildings and Improvements	57,212,861	8,317,758	(2,596,483)	62,934,136
Machinery and Equipment	<u>1,308,787</u>	<u>201,907</u>	<u>0</u>	<u>1,510,694</u>
Total Capital Assets Being Depreciated	58,521,648	8,519,665	(2,596,483)	64,444,830
Less Accumulated Depreciation for:				
Buildings and Improvements	(21,329,320)	(2,624,221)	2,288,018	(21,665,523)
Machinery and Equipment	<u>(1,145,973)</u>	<u>(132,531)</u>	<u>0</u>	<u>(1,278,504)</u>
Total Accumulated Depreciation	<u>(22,475,293)</u>	<u>(2,756,752)</u>	<u>2,288,018</u>	<u>(22,944,027)</u>
Total Capital Assets Being Depreciated, Net	<u>36,046,355</u>	<u>5,762,913</u>	<u>(308,465)</u>	<u>41,500,803</u>
Total Capital Assets, Net	<u>\$42,745,588</u>	<u>\$22,773,487</u>	<u>\$(1,859,385)</u>	<u>\$63,659,690</u>

<sup>1</sup> The Construction in Progress decrease comes about because projects that were incomplete as of June 30, 2002, were finished during the year and are now reported as buildings and improvements.

See Note 13 for information about the Wisconsin Exposition Center's capital assets.

### 4. CAPITAL LEASE OBLIGATIONS

Under capital leases, State Fair Park leased equipment valued at \$96,100 during FY 1999-2000, \$86,050 during FY 2001-02, and \$101,946 during FY 2002-03. 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 \$77,023, resulting in a net book value of \$207,073. Total lease

payments for the fiscal year ended June 30, 2003, were \$50,663. Future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2003, are as follows:

For the Year Ending:	
June 30, 2004	\$104,860
June 30, 2005	71,706
June 30, 2006	<u>8,796</u>
Total Minimum Lease Payments	185,362
Less: Amount Representing Interest	<u>(9,424)</u>
Present Value of Minimum Lease Payments	<u>\$175,938</u>

During the year ended June 30, 2003, 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>\$120,631</u>	<u>\$101,946</u>	<u>\$(46,639)</u>	<u>\$175,938</u>	<u>\$98,239</u>

**5. DEBT OBLIGATIONS**

State of Wisconsin general obligation bonds and commercial paper are issued to finance the construction, development, improvement, and major repair of facilities on the State Fair Park grounds. 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, 2002</u>	<u>New Debt Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2003</u>
Notes Payable—				
Commercial Paper	\$ 1,624,090	\$ 0	\$ (148,209)	\$ 1,475,881
Bonds	<u>18,100,157</u>	<u>20,439,490</u>	<u>(1,009,047)</u>	<u>37,530,600</u>
Total	<u>\$19,724,247</u>	<u>\$20,439,490</u>	<u>\$(1,157,256)</u>	<u>\$39,006,481</u>

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

As of June 30, 2003, future debt service requirements to be paid from State Fair Park Fund program revenue are as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2004	\$ 1,738,632	\$ 1,879,240	\$ 3,617,872
2005	1,824,954	1,792,853	3,617,807
2006	1,754,075	1,706,700	3,460,775
2007	1,828,394	1,623,752	3,452,146
2008	1,915,543	1,536,348	3,451,891
2009-2013	11,349,154	6,239,610	17,588,764
2014-2018	9,699,673	3,647,332	13,347,005
2019-2023	<u>8,896,056</u>	<u>1,203,998</u>	<u>10,100,054</u>
Total	<u>\$39,006,481</u>	<u>\$19,629,833</u>	<u>\$58,636,314</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</u> <u>June 30, 2002</u>	<u>New Debt</u> <u>Proceeds</u>	<u>Payments and</u> <u>Refunds</u>	<u>Balance</u> <u>June 30, 2003</u>
Commercial Paper	\$ 2,838,312	\$ 0	\$ 0	\$ 2,838,312
Bonds	<u>13,141,278</u>	<u>6,850,000</u>	<u>(279,600)</u>	<u>19,711,678</u>
Total	<u>\$15,979,590</u>	<u>\$6,850,000</u>	<u>\$(279,600)</u>	<u>\$22,549,990</u>

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

As of June 30, 2003, future debt service requirements to be paid from State of Wisconsin general purpose revenue are as follows:

Fiscal Year Ended June 30	Total Principal	Total Interest	Total Debt Service
2004	\$ 811,115	\$ 1,153,994	\$ 1,965,109
2005	845,573	1,112,632	1,958,205
2006	887,394	1,066,536	1,953,930
2007	930,780	1,019,866	1,950,646
2008	972,221	971,351	1,943,572
2009-2013	5,958,209	4,072,055	10,030,264
2014-2018	7,884,729	2,247,658	10,132,387
2019-2023	<u>4,259,969</u>	<u>553,404</u>	<u>4,813,373</u>
Total	<u>\$22,549,990</u>	<u>\$12,197,496</u>	<u>\$34,747,486</u>

See Note 13 for information about the Wisconsin Exposition Center's debt obligations.

## 6. 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 \$1,321,127 as of June 30, 2003. 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, 2003, was \$59,500. The Federal Deposit Insurance Corporation and the Wisconsin State Deposit Guarantee Fund (s. 34.08, Wis. Stats.) cover state deposits. The entire balance of \$59,500 at June 30, 2003, was



insured and classified in risk category 1. The remaining cash balance of \$1,000 was on hand at State Fair Park and, therefore, not included in a risk category.

See Note 13 for information about the Wisconsin Exposition Center's cash and cash equivalent balances.

## 7. PRIOR-PERIOD ADJUSTMENT

State of Wisconsin capital project accounts related to the State Fair Park Fund were adjusted to properly reflect cash proceeds from debt issued in prior years. In addition, errors were found in reporting prior periods' revenues and expenses. Adjustments were made to correct misstatements in the following State Fair Park Fund accounts:

<u>Account</u>	<u>Balance June 30, 2002</u>	<u>Adjustment</u>	<u>Balance June 30, 2002 Restated</u>
Cash and Cash Equivalents	\$ 139,608	\$(143,323)	\$ (3,715)
Net Assets	(17,494,379)	143,323	(17,351,056)

## 8. 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. However, in December 2003, the state issued bonds and subsequently liquidated its prior service liability balance as of January 2003. The liquidation of the State's prior service liability resulted in credits being granted to state agencies for amounts already paid in 2003. In addition, state agencies will be required to make future contributions to fund bond payments.

The retirement plan requires employee contributions equal to specified percentages of qualified earnings based on the employee's classification, plus employer contributions at a rate determined annually. The State Fair Park Fund's contributions to the plan were \$169,250 for FY 2002-03. 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.

**9. COMPENSATED ABSENCES**

The State Fair Park Fund's compensated absences activity for the fiscal year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated Absences	<u>\$92,812</u>	<u>\$73,084</u>	<u>\$(63,252)</u>	<u>\$102,644</u>	<u>\$66,313</u>

**10. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Accounts Receivable and Accounts Payable balances, which are combined on the State Fair Park Fund's financial statements, are disaggregated as follows:

**A. State Fair Park Fund Accounts Receivable**

	<u>Fiscal Year 2002-03</u>
Accounts Receivable:	
Racing Activities	\$1,374,853
Rent Revenue	1,264,154
Miscellaneous	<u>269,623</u>
Total Accounts Receivable	<u>\$2,908,630</u>

An unknown portion of the receivable balance representing rent due from the Pettit National Ice Center may not be collected during the next fiscal year. See Note 12 for additional information about the amount due from the Pettit Center.

**B. State Fair Park Fund Accounts Payable and Due to Other Funds**

	<u>Fiscal Year 2002-03</u>
Accounts Payable:	
Vendors	\$4,566,828
Employees	15,468
Miscellaneous	<u>133,799</u>
Total Accounts Payable	<u>\$4,716,095</u>
Due to Other Funds:	
Due to General Fund for Required Lapses	\$2,376,600
Due to Department of Administration for Municipal Services Payment	112,302
Due to other State Programs	<u>154,959</u>
Total Due to Other Funds	<u>\$2,643,861</u>

**11. INTERFUND TRANSFERS**

Interfund transfers that occurred during FY 2002-03 are as follows:

**A. State Fair Park Fund Transfers In**

Transfers In:	
For Capital Building Projects	<u>\$7,121,126</u>

**B. State Fair Park Fund Transfers Out**

Transfers Out:	
For Required Lapses to the General Fund	\$1,318,098
For Municipal Services	<u>212,969</u>
Total Transfers Out	<u>\$1,531,067</u>

**12. SUBSEQUENT EVENT**

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, 2003, owed \$1,263,727 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.

### 13. 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 Exposition Center's separately issued financial report that includes financial statements and required supplementary information may be obtained by writing to:

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

##### *Basis of Accounting*

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

##### *Basis of Presentation*

The Exposition Center reports under the provisions of FASB Statement of Financial Accounting Standards No. 117, *Financial Statements for 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 reported amounts and disclosures. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

The Exposition Center considers all short-term investments with a maturity of three months or less to be a cash equivalent. Cash and cash equivalents includes \$9.0 million which is held in trust accounts and restricted in accordance with the terms of the Exposition Center's industrial revenue bonds payable.

*Accounts Receivable*

The organization uses the allowance method for recording bad debts.

*Capital Assets*

Capital assets greater than \$500 are capitalized at cost and are depreciated using the straight-line method over their estimated useful lives of 39 years for buildings and 5 to 7 years for equipment and improvements.

*Bond Issuance Costs*

Bond issuance costs of \$537,185 are being amortized using the effective-interest method over the 28-year life of the related bonds. Amortization of bond issuance costs from January 1, 2002 through July 31, 2002 totaling \$16,793 was capitalized as part of the cost of construction of the Exposition Center in 2002. Amortization of bond issuance costs after July 31, 2002 totaling \$11,995 is included in interest expense in 2002.

Total Bond Issue Costs	\$537,185
Accumulated Amortization	<u>(40,783)</u>
Unamortized Bond Issue Costs	<u>\$496,402</u>

*Unearned License Fees*

Unearned license fees consist of advance deposits received for Exposition Center events held in 2003.

*Advertising and Marketing Costs*

The Exposition Center expenses advertising and marketing costs as incurred. Advertising and marketing expenses, which are included in supplies and services expenses on the operating statement, totaled \$181,665 in 2002.

**B. Concentration of Credit Risk for Cash and Cash Equivalents**

The Exposition Center maintains cash balances at one bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation up to \$100,000. The uninsured portion, without regard to outstanding checks and deposits in transit, is \$942,927 as of December 31, 2002.

The Exposition Center maintains cash equivalent balances in trust accounts at another bank. The accounts are invested in uninsured investment grade money market funds with a rating of AA. The uninsured amount, without regard to outstanding checks and deposits in transit, is \$9.0 million as of December 31, 2002.

**C. 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. The bonds have a final maturity of August 1, 2028, with no set schedule for principal repayment. However, the bonds require a mandatory redemption to the extent of unused bond proceeds. Repayment of the bonds is guaranteed by a ground lease and license agreement and a letter of credit which expires on April 15, 2005. The Exposition Center has not been notified of any event of default with respect to the industrial revenue bonds payable restrictive covenants as of December 31, 2002.

During October 2002, the Exposition Center refinanced its industrial revenue bonds payable, which resulted in bond refinancing income of \$4.1 million in 2002. The refinancing changed the bond interest rate from a variable rate to a fixed interest rate, which is 5.34 percent as of December 31, 2002.

The balance outstanding on the industrial revenue bonds payable was \$44.9 million as of December 31, 2002. In January 2003, the Exposition Center redeemed \$4.1 million of bonds in accordance with the mandatory redemption requirements for unused bond proceeds. Thus, the current portion of industrial revenue bonds payable of \$4.1 million is classified as a current liability as of December 31, 2002.

Interest and fees incurred on the bonds from January 1, 2002 through July 31, 2002 were capitalized as part of the cost of construction of the Exposition Center in 2002. Interest and fees after July 31, 2002 are included in interest expense in 2002. In addition, generally accepted accounting principles require that interest earned on the temporary investment of bond proceeds be offset against the interest incurred. Interest earned from January 1, 2002 through July 31, 2002 was offset against the cost of construction of the Exposition Center in 2002. Interest earned after July 31, 2002 was offset against interest expense in 2002.

A summary of capitalized interest and expense for 2002 is as follows:

	<u>Capitalized Interest</u>	<u>Interest Expense</u>
Interest Incurred	\$1,398,702	\$ 978,734
Letter of Credit and Remarketing Fees	263,407	186,263
Amortization of Bond issuance Costs	16,793	11,995
Interest Earned	<u>(186,677)</u>	<u>(33,738)</u>
Total	<u>\$1,492,225</u>	<u>\$1,143,254</u>

**D. Related Party Transactions**

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

The Exposition Center entered into a ground lease agreement with the State Fair Park Board effective August 1, 2001. The operating lease allows the Exposition Center to construct and operate an exposition center on State Fair Park grounds. The term of the lease ends on the 28<sup>th</sup> 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. No rents were payable relating to this ground lease agreement as of December 31, 2002.

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. License fees pursuant to this agreement totaled \$200,000 in 2002.

Accounts receivable include \$266,099 from the State Fair Park Board as of December 31, 2002, primarily for reimbursement of parking, and \$150,000 of utility improvements to the State Fair Park grounds. Accounts payable include \$104,985 to the State Fair Park Board as of December 31, 2002, primarily for contracted labor and services.

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# Report on Compliance and Control ■

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## *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, 2003, 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. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Wisconsin State Fair Park Exposition Center, Inc., is based solely upon their report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Wisconsin State Fair Park Exposition Center, Inc., were audited by others in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*.

### 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 reporting standards. Procedures for the State Fair Park Fund's compilation process had not been documented, and the requirements of the new reporting standards were not fully considered. As a result, material adjustments were necessary.

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



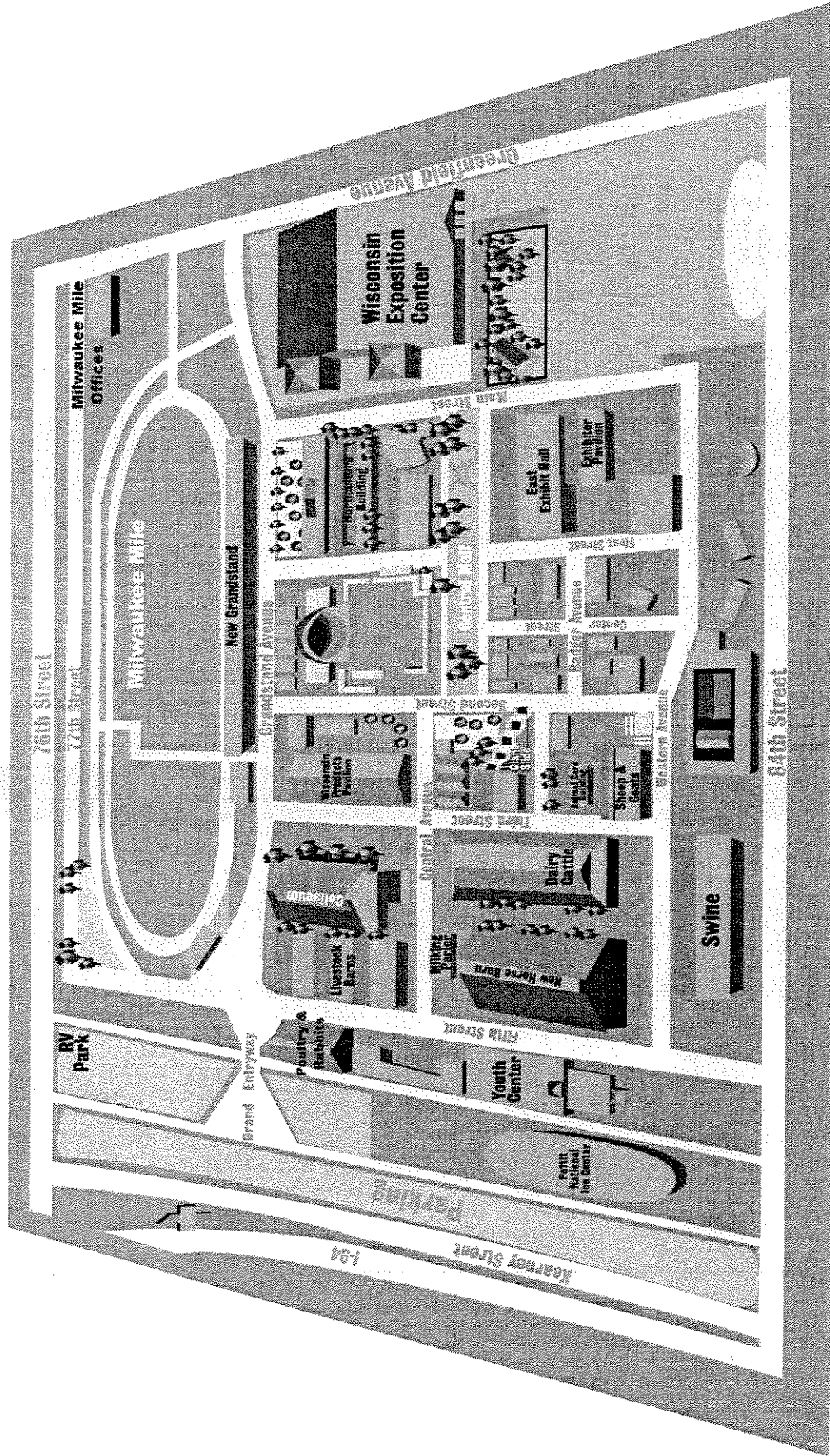
by

Julie Gordon  
Audit Director

June 11, 2004

Appendix

# Wisconsin State Fair Park



Source: State Fair Park



## Wisconsin State Fair Park

June 11, 2004


Janice Mueller, State Auditor  
Wisconsin Legislative Audit Bureau  
22 East Mifflin Street, Suite 500  
Madison, WI 53704

Dear Ms. Mueller:

This letter is in response to the Legislative Audit Bureau's audit report of the Wisconsin State Fair Park and its fiscal year 2002-03 financial statements. On behalf of the State Fair Park management team and Board, we would like to thank you and the Legislative Audit Bureau staff involved in this audit. Your team of auditors performed in a most professional manner and rest assured that your recommendations will continue to be utilized in our ongoing efforts to improve State Fair Park operations.

We agree with the audit report. The report acknowledges the substantial efforts taken by the Boards and staff of State Fair Park, Milwaukee Mile, Wisconsin Exposition Center, and Pettit National Ice Center to implement the recommendations included in the prior Legislative Audit Bureau report dated September 2003. We concur that business plans, including budgeted revenues and expenses, need to be periodically assessed and revised, and that past performance and anticipated future activity need to be the foundation of subsequent plans. We intend business plans and monthly financial performance reports to serve as the primary structure in making day-to-day management decisions.

We also agree that a number of human resource issues need to be integrated into current business plans, including the status of Milwaukee Mile employees, staff consolidation opportunities among the entities operating on the fairgrounds, and methods to address budgetary staffing reductions. In addition, revised business plans need to include additional strategies for increasing revenues and controlling costs.

We look forward to reporting to the Joint Legislative Audit Committee by October 31, 2004 on State Fair Park's financial condition and preliminary business plans for 2005. While State Fair Park has achieved many successes in the past nine months, we realize its financial health will not be assured without continued effort and progress over time. 

The Legislative Audit Bureau's advice is a welcome source of assistance while we continue to evaluate current operations as a means to improve future operations. We appreciate the time and effort extended by the Legislative Audit Bureau staff in the performance of this audit.

Sincerely,



Joseph M. Chrnelich  
Chief Executive Officer

*LA*

**Malszycki, Marcie**

**Subject:** FW: State Fair Park Board Chair Remarks

*414  
224-  
2061*

-----Original Message-----

**From:** Barkelar, Craig [mailto:craig.barkelar@sfp.state.wi.us]  
**Sent:** Wednesday, September 01, 2004 1:25 PM  
**To:** Sen.Roessler; Rep.Jeskewitz; Mueller, Janice  
**Subject:** State Fair Park Board Chair Remarks

Martin Greenberg, State Fair Park Board Chair, requested that I provide you a copy of the remarks he will make at today's board meeting, which begins at 2:30 PM. His comments touch upon the Park's financial performance in fiscal year 2003-04 and a number of actions he is initiating in response. He wanted you to be aware of this information in case a reporter contacts you later today for comment.

Marty looks forward to discussing his ideas with you and the other members of the Joint Committee on Audit when your committee next meets to consider State Fair Park. If you would like to talk sooner, please contact Marty at (414) 271-4849.

Thank you for your continued interest and assistance in improving State Fair Park.

*Craig Barkelar*

Chief Financial Officer  
Wisconsin State Fair Park  
(414) 266-7011

**WISCONSIN STATE FAIR PARK  
CHAIRMAN'S REPORT  
September 1, 2004**

One of State Fair Park's primary goals for Fiscal Year 2004 was to become financially accountable, to report its operational income and losses on a current basis, and to improve the Park's overall fiscal picture. In our Business Plan presented in November 2003, I indicated that it would take several years to improve business operations and financial results.

The '04 fiscal shortfall is \$500,000 less than the deficit incurred in Fiscal Year 2003. Fiscal Year 2004 demonstrates significant financial improvement in most areas. The State Fair earned \$800,000 more than Fiscal Year '03, while the Pettit National Ice Center and non-Fair operations lost respectively \$136,000 and \$1.2 million less than in Fiscal Year '03. The Milwaukee Mile was the only linkage that did not meet or exceed its financial expectations.

- Actual Results:

Excluding a General Fund assessment, the final '04 fiscal shortfall is \$1.5 million, which is \$500,000 less than the deficit incurred in FY 2003:

• State Fair	\$1,906,500
• Pettit Center Building Lease	(380,000)
• Non-fair Operations	(547,800)
• Milwaukee Mile	<u>(2,477,200)</u>
Overall Loss	(\$1,498,500)

Including the General Fund assessment, this shortfall increased another \$179,700 to make a \$1.7 million overall loss in FY 2004. The loss was primarily caused by the difference between the Milwaukee Mile's budgeted and actual revenue. All of the other profit-cost centers met or exceeded budget.

Given the continuing financial issues at SFP, I am taking immediate action. Several strategies have been discussed over time. Now is the time to end the discussion and implement the changes that will eliminate losses and deficits.

### I. State Fair Park Must Focus on Its Mission

Improving the Park's financial condition at the expense of its primary mission, the State Fair and Agricultural events held throughout the year, would be counterproductive. Programs and events that lose substantial sums and are not central to the Park's mission and public purpose should be eliminated unless sponsorships or back-up guarantees are obtained to insure a break-even or better result.

### II. State Fair Park Operations Must Become More Cost-Effective

- All of the entities contributing to the losses must participate in the solutions to the Park's financial issues.
- Staff redundancies need to be eliminated while efficiencies are maximized. Consolidation is now necessary. Having more than one person perform the same function is wasteful and in most cases unnecessary. Duplication must be decreased or eliminated. Some of the positions that need to be reviewed include: ticketing, public relations, marketing, sponsorship sales, and maintenance.
- All contracts, including those involving purchases as well as those generating revenue, should be critically analyzed before being signed to ensure consistency with Board policy, competitive pricing, compliance with state and other legal requirements, and an appropriate cost-to-benefit ratio - financial tagline.

### III. Debt Must be Restructured

The Pettit National Ice Center, Milwaukee Mile, and Exposition Center are overburdened with debt service. The financial prognostications for which the debt service was based has not materialized in the case of the Milwaukee Mile and Exposition Center. However, in the case of the Pettit

Ice Center the original feasibility study indicated that the facility's projected operational income could only cover operational expenses but not debt service.

By stretching out the debt repayment period to more closely match the useful lives of buildings and infrastructure, such as the recent Milwaukee Mile grandstand and track improvements, annual debt service costs could be lowered to more manageable levels, thus decreasing operational losses.

#### IV. Additional External Support.

Additional external support must be explored and secured. We must immediately increase our partnerships with the private sector, creating additional naming rights, sponsorships and advertising contracts. We must further examine our relationships with local and state governments with respect to issues of assessments, municipal fee charges, bond issues, and other forms of support. We must immediately increase the strength of our partnerships with volunteer groups and obtain significant financial support from the State Fair Park Foundation.

#### V. Immediate Marching Orders

A. Today I am directing Craig Barkelar to work with the appropriate individuals of State Fair Park, Milwaukee Mile, Exposition Center, and the Pettit Ice Center to develop a consolidation plan that will reduce duplication and increase efficiencies.

B. The Milwaukee Mile has increased its programatics and media coverage, beautified its surroundings, heightened its reputation nationally as not only the oldest track but one of the best, promoted its events with excellence, and kept in line with its budgeted expenses. This recaptured asset is in its rebirth season. However, it has failed to meet revenue expectations as budgeted. I direct Mark Perrone to work with our CFO, Craig Barkelar, and I am specially appointing Eric Butlein, Chairman of the Friends of Racing, to develop a plan to determine the actions immediately needed to avoid further losses at the Mile in Fiscal Year 2005. I would ask that a report be made on September 30<sup>th</sup> or our next scheduled meeting date outlining those immediate measures that will be taken to stem the red ink.



C. I am asking our Administration and Finance Committee to have prepared for our Board recommendations as to how debt service may be restructured and how the business operation and legal structure of SFP may be modified to create efficiencies, stability, integration and operational surpluses.

D. I am asking Mark Perrone and Kathleen O'Leary in the next 120 days to direct their marketing staffs' primary attention, time, and efforts to secure naming rights, sponsorship and strategic partnerships in order to help stabilize the enterprise and improve the bottom line.

This Board inherited financial challenges. Prior capital cost decisions based upon projected income to amortized debt service remains an uphill battle. Separate legal entities create inefficiencies and operational impossibilities. We need help and we need to get better operationally. The problems at State Fair Park have been well documented during my term as Chairman. It is our fiduciary obligation as a Board to find creative and immediate solutions once and for all to address these financial challenges or we will have failed our public charge.

Martin J. Greenberg  
Chairman



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

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

September 16, 2004

Mr. Martin J. Greenberg, Chairman  
Wisconsin State Fair Park Board of Directors  
8100 West Greenfield Avenue  
West Allis, WI 53214

Dear Mr. Greenberg:

Thank you for contacting our offices on September 1<sup>st</sup> to share your remarks concerning the financial performance of State Fair Park in fiscal year (FY) 2003-04. We appreciate your continued efforts to keep us apprised of the current status of the financial affairs at the Park.

In its most recent audit, dated June 22, 2004, the nonpartisan Legislative Audit Bureau reported the Park's expectation that overall revenues would exceed expenses by nearly \$195,000 in FY 2003-04. However, it also indicated that these financial projections relied on a strong performance by the Milwaukee Mile, reduced losses from non-fair events, and significant revenues from sponsorships and naming rights. Based on the remarks you shared on September 1<sup>st</sup> that disclosed the magnitude of the Park's FY 2003-04 deficit, it is apparent that long-standing concerns about the fiscal condition of the Park are well founded.

The Joint Legislative Audit Committee's consistent concern about the Park's fiscal stability leads us to ask that you provide a written report to the Joint Legislative Audit Committee by October 31, 2004 concerning the Park's final FY 2003-04 revenues and expenditures, and include copies of the tentative 2005 business plans for each entity affiliated with State Fair Park. This request is consistent with the recommendation issued by the Legislative Audit Bureau in its most recent report. Please ensure that the business plans provided are as comprehensive as possible, and not limited to copies of presentation slides. It is our intention to review your written report and the business plans in preparation for a public hearing on the Park to be held on Tuesday, November 16, 2004 at 10:00 a.m. in Room 411 South of the State Capitol. At that time, we will explore specific questions concerning the Park's operation and ascertain the follow-up actions required to improve the Park's fiscal condition.

Thank you for your cooperation. Please contact us with any questions you may have.

Sincerely,

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

  
Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

cc: Members, Joint Legislative Audit Committee

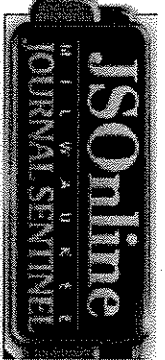
Members, State Fair Park Board of Directors

Mr. Craig Barkelar, Interim Executive Director and Chief Financial Officer  
State Fair Park

SENATOR ROESSLER  
P.O. Box 7882 • Madison, WI 53707-7882  
(608) 266-5300 • Fax (608) 266-0423

REPRESENTATIVE JESKEWITZ  
P.O. Box 8952 • Madison, WI 53708-8952  
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JSOnline E-MAIL | JS ONLINE | TMJ4 | WTMJ | WKTI

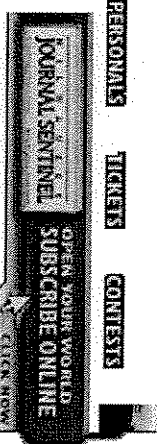


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**Mile away: State Fair Park again wants to lease out racetrack**

By ANNYSJA JOHNSON  
 anjohnson@journal sentinel.com

Posted: Oct. 23, 2004

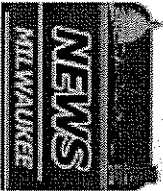
West Allis - Auto racing, it turns out, is not a business the state wants to run.

Advertisement

Just 17 months after resuming control of the money-losing Milwaukee Mile, the State Fair Park Board is looking to farm it out again, saying the losses are too great and the business too risky for the state to underwrite.

"The real issue here is whether the state should be in this business," State Fair Park Chairman Martin Greenberg said Friday of the Mile, which lost \$2.5 million in its first full year since the state bought out its contract with Carl Haas Racing Ltd. in 2003.

"Based on this performance, it's clear that this is a sportsman's



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game, not a state game," he said.

Despite the losses, Milwaukee Mile General Manager Mark Perrone said he has received inquiries from "interested parties who recognize the track is on the upswing."

Unloading the Mile - most likely the business and not the assets - is the latest step the park board is considering to put itself back in the black. Though the annual State Fair is profitable, the fair park lost \$6.2 million over the last two years because of poor performances by the Milwaukee Mile, the Petit National Ice Center and the 2-year-old Wisconsin Exposition Center.

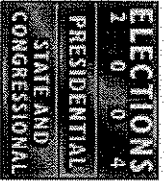
The Park Board last week gave Greenberg the OK to pursue other arrangements for running the track, which has operated on the fairgrounds for more than 100 years.

The most likely scenario is that the Park Board will lease the Mile to a promoter in an arrangement similar to, though presumably more profitable than, the contract it had with Haas.

The other two options - selling the track and new \$20.5 million grandstands, or creating another non-profit corporation like the one formed to finance and run the Exposition Center - would be harder sells, Greenberg said.

Under state law, profits from a sale would accrue to the state, not the park, so it would not affect its deficits, said Fair Park Chief Financial Officer and interim Executive Director Craig Barkelar. And it's questionable whether a sale would generate enough money to retire the Mile's share of the fair park debt, about \$20 million.

Persuading legislators to approve another non-profit would also be difficult, Greenberg conceded, considering the performance of the Expo Center, which hasn't met projections and could default as early as next year on \$45 million in bonds sold to build and operate it.



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State Fair Park bought the racing rights back from Haas last year in a move that put the state back in the racing promotions business for the first time in 60 years.

Greenberg and then-Chief Executive Officer Joe Chmelnich heralded the decision as a way to give the park greater financial control and generate additional revenue.

Only the first part turned out to be true, at least in the short term.

The Mile lost the \$2.5 million mostly on ticket revenue, despite doubling its number of races and increasing attendance by 110%, according to Perrone. It also did not secure the \$300,000 in naming rights he projected in his budget.

Even in hindsight, Barkelar said, buying out Haas was the right decision, because his contract, renegotiated under then-Chairman Bill Drew and Chmelnich, had shifted all of the debt risk onto the state.

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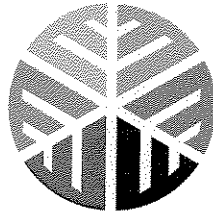
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## Wisconsin State Fair Park

October 29, 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:

Thank you for your letter dated September 16<sup>th</sup>. I look forward to meeting with the Joint Legislative Audit Committee on November 16, 2004 at 10:00 AM in Room 411 South of the State Capitol. As requested, I am providing additional information in advance of the public hearing on Wisconsin State Fair Park.

In its June 2004 report, the Legislative Audit Bureau questioned whether State Fair Park would be able to meet its target goal of \$195,000 of revenues in excess of expenses in fiscal year (FY) 2004. Legislative auditors concerns proved correct. As shown below, State Fair Park's expenses exceeded revenues by almost \$1.7 million.

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### Wisconsin State Fair Park Revenues and Expenses Fiscal Year 2004 (July 1, 2003 through June 30, 2004)

	<u>Total Activity</u>	<u>State Fair and Non-fair Events</u>	<u>Pettit Center</u>	<u>Milwaukee Mile</u>
Revenues	\$19,890,300	\$14,118,500	\$416,100	\$5,355,700
Operating Expenses	<u>18,721,700</u>	<u>12,233,900</u>	<u>68,200</u>	<u>6,419,600</u>
Operating Surplus/(Shortfall)	1,168,600	1,884,600	347,900	(1,063,900)
Debt Service	<u>2,667,100</u>	<u>525,900</u>	<u>727,900</u>	<u>1,413,300</u>
Surplus/(Shortfall) w/ Debt Service	(1,498,500)	1,358,700	(380,000)	(2,477,200)
General Fund Lapse	<u>179,700</u>			
Net Surplus/(Shortfall)	(1,678,200)			

---

While program areas generally met or exceeded performance goals, Milwaukee Mile revenues fell significantly short of projections. In order to reach attendance targets, ticket promotions were increased, which lowered the per ticket revenue average. If ticket revenue were realized as projected, State Fair Park would have exceeded its overall target by \$1.0 million.

### **Milwaukee Mile**

Operating a race track has proven to be difficult. Industry operations do not easily fit into the statutory and administrative code environment in which State Fair Park operates. Further, State Fair Park officials underestimated the need to build the fan base to a size that could support the addition of two major race events each year. To ensure that the racing program can grow and become an even more popular entertainment destination in Wisconsin, State Fair Park officials have been authorized to discuss a promotional contract and leasing of the Mile with a third party and those discussions are underway. I will notify you of any change in the Mile's operational structure. Until a decision is made, State Fair Park will continue to fund the Mile employees through the Exposition Center. Because of the duplication of some services and associated costs, we are moving the process along as fast as practical.

If State Fair Park continues to operate the Milwaukee Mile, FY 2005 results are expected to be a loss of \$1.8 million, which would be \$677,000, or a 27 percent improvement over FY 2004 results. Increased promotions and sponsorships provided by the racing series would account for a majority of the expected improvement. Lessons learned from operating the 2004 events would also allow Mile staff to generate more revenue at less cost.

### **Pettit Center**

State Fair Park has provided a subsidy of more than \$1.8 million (\$1.0 million of debt service, \$500,000 of municipal fees and \$300,000 of capital improvements) to the Pettit National Ice Center. Pettit Center operators have worked closely with State Fair Park officials to minimize recent subsidies. In FY 2005, State Fair Park expects its subsidy to be limited to the municipal fee payment of \$75,000. However, the Pettit Center may not be able to fully fund lease payments after FY 2005 because lease charges, which are set to match debt service payments, increase significantly. Because it did not have a significant role in creating the Pettit Center or in arranging its financing, the State Fair Park Board approved a resolution to move the liability for funding Pettit Center building debt payments from State Fair Park operations to the General Fund if Pettit Center operators are unable to pay all lease charges. This request is included in State Fair Park's 2005-07 biennial budget.

### **State Fair and Other Events**

State Fair Park's primary business is operating an annual State Fair as well as a number of agriculture and entertainment events. State Fair Park also operates a youth dormitory and a recreation vehicle park, and it leases Park facilities to private promoters. Overall, these core business operations are profitable; \$1.4 million in FY 2004. The State Fair accounted for \$1.9 million of profit (of this, \$425,000 is a one-time, nonrecurring benefit) and non-fair business recorded a \$547,800 loss. Both categories showed significant improvement over prior years.

### **Fiscal Year 2005 Projections**

If Milwaukee Mile operations are leased, State Fair Park is likely to break even in FY 2005. As shown in the following table, if State Fair Park continues to operate the Milwaukee Mile, a deficit of \$1.1 million is possible.

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**Wisconsin State Fair Park Projected Revenues and Expenses**

Fiscal Year 2005 (July 1, 2004 through June 30, 2005)

	<u>Total Activity</u>	<u>State Fair and Non-fair Events</u>	<u>Pettit Center</u>	<u>Milwaukee Mile</u>
Revenues	\$21,738,000	\$13,675,000	\$663,000	\$7,400,000
Operating Expenses	<u>19,387,500</u>	<u>12,062,500</u>	<u>75,000</u>	<u>7,250,000</u>
Operating Surplus/(Shortfall)	2,350,500	1,612,500	588,000	150,000
Debt Service	<u>3,275,500</u>	<u>662,500</u>	<u>663,000</u>	<u>1,950,000</u>
Surplus/(Shortfall) w/ Debt Service	(925,000)	950,000	(75,000)	(1,800,000)
General Fund Lapse	<u>186,000</u>			
Net Surplus/(Shortfall)	(1,111,000)			

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**Cost Saving Strategies**

Limiting State Fair Park's financial liability to the Pettit Center and Milwaukee Mile provide the best opportunities to stabilize financial operations and eliminate State Fair Park's \$6.0 million deficit over time. Other current savings initiatives include:

- renegotiating the agreement with CHAMP CAR to obtain a reduction in license fees in exchange for an extension of one year to the contract and other considerations. Immediate savings would be substantial, although contract terms require confidentiality on specifics;
- streamlining police and security services. Officials are negotiating with Capitol Police to restructure service delivery to rely more heavily on lower paid, part time officers and security staff as well as reducing the overhead associated with the current program. Savings of \$100,000 or more may be possible;
- reducing the cost of municipal services. Officials are discussing alternatives for the provision of municipal services (fire and back-up police protection), which could lower costs based on the local government chosen. Savings of \$100,000 or more may be possible; and
- better managing the use of limited term staff. Temporary staff labor costs exceed the amount spent on permanent staff. Because of this, program managers have been given a performance goal of controlling future costs through improved scheduling and more comprehensive oversight. Savings of \$100,000 or more may be possible.

Under 2003 Wisconsin Act 33, State Fair Park is required to eliminate 15 positions. Nine already have been eliminated and the process to eliminate the remaining six positions has begun and implementation will be complete by July 1, 2005. The



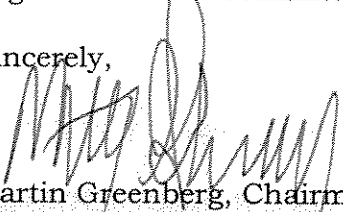
potential savings associated with eliminating these six positions is unclear at this time.

In addition to controlling costs, staff is working to generate additional sponsorship and naming rights revenue. Before this year's State Fair, naming rights for the Milk Parlor and the Dairy Bakery building were obtained. Many more opportunities exist and an additional \$100,000 to \$300,000 of sponsorship and naming rights revenue may be possible in FY 2005.

Since the June 2004 audit report was released, State Fair Park has operated two major races and the most successful State Fair and Harvest Fair events ever. In addition, the State Fair Park Board has received timely information on the Park's financial performance in FY 2004, and the State Controller's Office has received the FY 2004 financial statements, which are ready for audit. While I wish our financial condition would have improved more in the last four months, the State Fair Park Board and the Park's management are focused on resolving all of your and our concerns.

We continue to look forward to the insights and guidance provided by the Joint Legislative Audit Committee and the Legislative Audit Bureau.

Sincerely,



Martin Greenberg, Chairman  
Wisconsin State Fair Park Board

cc: Members, Joint Legislative Audit Committee  
Ms. Janice Mueller, State Auditor  
Members, State Fair Park Board of Directors  
Mr. Craig Barkelar, State Fair Park Interim Executive Director



WISCONSIN STATE LEGISLATURE  
**Joint Audit Committee**

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

November 4, 2004

Mr. Marc Marotta, Secretary  
Department of Administration  
101 East Wilson Street  
Madison, Wisconsin 53702

Dear Mr. Marotta:

The Joint Legislative Audit Committee will hold a public hearing on Legislative Audit Bureau report 04-5, *An Audit: State Fair Park*, on Tuesday, November 16, 2004, at 10:00 a.m. in Room 411 South of the State Capitol.

At this hearing, the Committee will receive testimony concerning the financial condition of the Park. We ask that you, and appropriate members of your staff, be present at the hearing to offer testimony in response to the audit findings, and to respond to questions from committee members about the Park's on-going fiscal concerns. Before you begin testifying, please also plan to provide each committee member with a written copy of your testimony at the hearing.

Please contact Ms. Pam Mathews in the office of Representative Suzanne Jeskewitz at 266-3796 to confirm your participation at the hearing. Thank you for your cooperation and we look forward to seeing you on November 16<sup>th</sup>.

Sincerely,

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

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

Enclosure

cc: Ms. Janice Mueller  
State Auditor

SFP 11-16-04

capital decisions  
w/doubt where revenues don't exist

not an easy fix  
- measured by how much in losses  
- attempt to support ourselves

we need you to help us once & for all

Plale - Strong

Milwaukie  
bear the risk of Promotion  
leases  
going to have to be separate

Gunderson -

~~Lynd/Kaufert~~  
pay for portion of Pettit

SFP - 10 positions - why not allowing  
to  
200305 mand elim IT  
9 vacant so easy

working w/ DDA - gone beyond  
of this fiscal year

moving

rules 10 pos, - paying exp etc

✓ Accept Finance oversight of lease  
agreements?

Plale

Stastunas

11 day SF

yes, wd. like to get rid of employees  
directive to run world class SF

commission - suffer

CR - pls. no more consultants

- their advice has been wrong
- aren't magic bullet

ⓧ

Gunderson

not world class if strip staff  
down to min. to running part + fair

- very aggressive plan - <sup>maybe</sup> overly aggressive
- one of folks' critical of way going
- leveled all hedges used to generate revenue

- blk of aggressive plan  
need to stop going forward on market plan  
how proceed w/ cut staff

wonderful facility - built too quickly  
re-energized CB

M-F state police

DDA

Has Gov talked to SFR Board

- Milk mile
- Pettit
- non fair events

refinancing nonconformal

Cancer  
steadily creeping toward  
goal to beat

what do to fix?

1. 4 suggestions  
believe starts at home  
internally at SFP 9-30 mtg  
deficit reduce prog  
control resources

red music

creation

Pettit own the bldg.

vendors - selling junk, food

3 cl's cars, cars &

may → minority

5.4

↓  
9.3

5.4 mill constant

2.5

①

over

475,000  
→ 4.5 mill

1.8 mill still

②

construct bond  
default

Marotta - not  
state's problem

pg. 35 10 employees

State would be liable for bonds

- sell off part of SFP to sell → hotel? <sup>to profit making</sup>  
add'l steps by Gov't legislators  
to put something in place

- some audit authority if outsourced

- no stability

hearing inspiring

- antic-busplan

Board  
Board didn't protect

Col West Alliance → hotel nearby

SFP

bldep  
been  
completed

rented vs. purchase

- mediator named
- close to naming its w/ interior tract
- when ask for public support
  - 40% private
  - contracts on the table
  - note assignment

Dupst. decisions

Drawn:

- Not on leasing fee
- State fair price measures
- Program measures
- Can't be unrolled in many ways tested in many studies

use for gate  
Payment in and  
made ->

Number 120

interrelated comp  
PT measures  
150 yrs

avg 13 lbs  
57 g

substances etc,

Diversity: multi cultured

Village - Prime Place work  
State Fair museum  
- grass  
- grass  
- grass



SFP

11-9-04

- free audit services
- personnel mgmt - through tourism
- purchasing - " "
- paying for <sup>of</sup> 2 mill through next 10 yrs for GPR infrastructure
- racing etc probably default on loans unless revenue increase hired new pres. - but no bookin 2003
- will default in 2005

promised bus plans but  
funding  
Pettit transfer from PR to GPR  
asking of the Governor

racing 2.5 mill.  
Pettit a few 100s req.

rent pymts -  
reduced recalculated how much

racing higher than ever  
contract thought to be 200,000

bus plans deficient  
another funding mech.  
pos. reduction 15 → 6-7 top  
ignore staffing in budget request

silent on staffing level

where at in search?

AMATC

39,000/mo

Michael Best

~~Foley & Lardner~~

[ > 400,000 contract ]

+ inhouse costs

- use of outside legal counsel
- do all techn. college