

UTAH STATE FAIR CORPORATION

Annual Financial Report
For the Year Ended December 31, 2012

Report No. 12-56



OFFICE OF THE
UTAH STATE AUDITOR

UTAH STATE FAIR CORPORATION

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AUDIT TEAM:

Jon T. Johnson, CPA, Audit Director
Rebekka Wilkinson, CPA, Audit Supervisor
Melanie Henderson, CPA, Senior Staff

UTAH STATE FAIR CORPORATION

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Directors
and
Michael J. Steele, Executive Director
Utah State Fair Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Utah State Fair Corporation (the Corporation), a component unit of the State of Utah, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utah State Fair Corporation as of December 31, 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Office of the Utah State Auditor

April 25, 2013

UTAH STATE FAIR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

As management of the Utah State Fair Corporation (Corporation), we offer the readers of the following basic financial statements this narrative overview and analysis of the financial activities of the Corporation for the year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

- Total assets of \$2,328,117 are comprised of \$1,474,557 in cash and cash equivalents, \$692,955 in capital assets, and \$160,605 in other assets.
- The year ended December 31, 2012 had an increase of net position of \$88,983 in comparison to the increase of \$62,261 for the year ended December 31, 2011.

This discussion and analysis is intended to serve as an introduction to the Corporation's basic financial statements. The Corporation's basic financial statements consist of Financial Statements and the Notes to the Financial Statements.

Financial Statements are designed to provide the readers with a broad overview of the Corporation's finances in a comparable basis to a private-sector business.

- The *Statement of Net Position* presents the information on all of the Corporation's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in the net position may serve as an indicator of whether the financial position of the Corporation is improving or deteriorating. However, other nonfinancial factors should also be considered.
- The *Statement of Revenues, Expenses, and Changes in Net Position* presents information on the revenues and expenses of conducting operations. The statement also presents information on the net position of the Corporation as affected by the operations during the year.
- The *Statement of Cash Flows* presents information about the cash flows of the Corporation during the year. The statement reconciles the operating income or loss to the net cash provided or used by operating activities.

The Notes to the Financial Statements are designed to provide detailed information about specific policies, accounts, and transactions to the reader for a better understanding of how the Corporation functioned during the year.

FINANCIAL ANALYSIS

As noted earlier, the net position may serve over time as a useful indicator of the Corporation's financial position. The Corporation's assets exceeded its liabilities by \$1,859,283 as of December 31, 2012.

UTAH STATE FAIR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

Because the Corporation entered into a lease with the State of Utah, the land and buildings are still owned by the State. Therefore, those assets do not appear on the Corporation's Statement of Net Position. Capital improvements made by the Corporation to the grounds and buildings are recorded as leasehold improvements. Most of the current assets of the Corporation are held in cash or cash equivalents to provide for the current operating expenses of conducting the annual Utah State Fair and rental operations during non-fair times.

CONDENSED STATEMENT OF NET POSITION

	<u>12/31/2012</u>	<u>12/31/2011</u>
ASSETS:		
Current and other assets	\$ 1,635,162	\$ 1,634,731
Capital assets	<u>692,955</u>	<u>704,073</u>
Total assets	<u>2,328,117</u>	<u>2,338,804</u>
LIABILITIES:		
Current liabilities	462,475	568,504
Noncurrent liabilities	<u>6,359</u>	<u>-</u>
Total liabilities	<u>468,834</u>	<u>568,504</u>
NET POSITION:		
Net investment in capital assets	678,336	652,965
Restricted	38,680	50,643
Unrestricted	<u>1,142,267</u>	<u>1,066,692</u>
Total net position	<u>\$ 1,859,283</u>	<u>\$ 1,770,300</u>

Total assets decreased by \$10,687 during the year ended December 31, 2012 primarily due to a decrease in capital asset book values.

Total liabilities decreased by \$99,670 during the year ended December 31, 2012. A decrease of \$42,018 in accounts payable related to increased payments to vendors during the year, thereby reducing the accounts payable balance by year end. Net lease and notes payable additions and payments in 2012 resulted in a \$36,489 reduction to overall notes payable and lease obligations by year end. Additionally, accrued wages and related expenses payable at year end were down by \$19,233 compared to year end 2011.

Approximately two percent of the net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position, totaling \$1,142,267 at December 31, 2012, may be used to meet the Corporation's obligations to creditors.

Since the annual fair can be adversely affected by inclement weather as well as other factors, the Corporation maintains part of the unrestricted net position as an emergency contingency amount.

UTAH STATE FAIR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended	
	<u>12/31/2012</u>	<u>12/31/2011</u>
REVENUES		
Admissions	\$ 1,828,668	\$ 1,619,745
Rentals and fees – state fair	1,055,145	915,678
Building rental – non-fair	420,166	421,100
Parking	318,713	308,850
Sponsorships	99,032	116,222
Leases and concessions – non-fair	20,629	35,358
Other	107,215	95,874
State appropriation	<u>675,200</u>	<u>675,100</u>
Total revenues	<u>4,524,768</u>	<u>4,187,927</u>
EXPENSES		
Salaries, wages and benefits	1,455,501	1,425,420
Travel	49,344	44,169
Advertising	354,659	326,232
Contractual and technical services	816,035	674,173
Professional entertainment	461,363	393,050
Exhibit awards and premiums	159,055	150,710
Maintenance and grounds	244,978	233,124
Other operating	294,018	328,095
Utilities	303,756	262,205
Insurance	54,904	58,463
Other administrative	72,563	64,260
Depreciation	145,016	128,658
Interest and bank processing fees	24,593	32,679
Loss on sale of assets	-	4,428
Total expenses	<u>4,435,785</u>	<u>4,125,666</u>
INCREASE IN NET POSITION	88,983	62,261
TOTAL NET POSITION – BEGINNING	<u>1,770,300</u>	<u>1,708,039</u>
TOTAL NET POSITION – ENDING	<u>\$ 1,859,283</u>	<u>\$ 1,770,300</u>

The overall financial operations of the Corporation were stronger for 2012 than they were for 2011.

Corporation revenues increased by \$336,841 from the previous year. Increased attendance by fair goers and vendors accounted for the main increase in revenue. Similarly, Corporation expenses also increased by \$310,119 in 2012 compared to 2011. One-time expenditures in 2012

UTAH STATE FAIR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

in the amount of \$116,400 included a feasibility study for the fair and fairpark, arena re-design, and fireworks.

The Corporation is a business-type entity and does not have any taxing authority. The Corporation depends upon revenues from services provided, sponsorships for the annual state fair, and an appropriation from the Utah State Legislature as its principal sources of revenue. In the year ended December 31, 2012, the Corporation generated 85.1 percent of its own revenue and the Utah State Legislature provided 14.9 percent of the revenue. In the same period for 2011, the Corporation generated 83.9 percent of its own revenue and the Utah State Legislature provided 16.1 percent.

BUDGETARY HIGHLIGHTS

The general fund amounts appropriated by the Legislature for the Corporation vary from year to year. The Corporation received \$675,200 of state appropriation in 2012 and \$675,100 in 2011.

Because budget requests are subject to the Governor's budget action and legislative action, the Corporation's annual budget is made with assumptions for the upcoming session. We expect that future general fund appropriations will also be subject to this type of fluctuation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Corporation has a lease with the State of Utah for the use of the Fairpark grounds. The State of Utah owns the land and buildings situated at the Fairpark. The Corporation has made improvements to the buildings, grounds, and equipment at the Fairpark since the inception of the lease. The improvements to the buildings and grounds are recorded as leasehold improvements. If the Corporation's lease were not renewed, the leasehold improvements would become property of the State of Utah. The board of directors of the Corporation has authorized leasehold improvements to upgrade the facilities and improve the looks of the Fairpark.

As mentioned above, the Corporation does not record state funded infrastructure such as land or buildings. However, capital projects initiated and funded by the Corporation are capitalized and depreciated, as discussed in the footnotes.

The Corporation made upgrades to river, barn, and grandstand lighting in 2012. The cost of these upgrades was \$38,173. Folding chairs and related racks were purchased in 2012 in the amount of \$34,681. Sound system improvements, cafeteria equipment, and computer upgrades were also purchased in 2012 costing \$36,442. Additionally, a leased forklift valued at \$24,602 was added to fixed assets in 2012.

Total capital asset additions in 2012 were \$133,898.

UTAH STATE FAIR CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2012

ECONOMIC FACTORS

The weather during the annual fair is a significant factor in the financial success of the fair.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Utah State Fair Corporation, 155 North 1000 West, Salt Lake City, Utah 84116.

UTAH STATE FAIR CORPORATION

STATEMENT OF NET POSITION DECEMBER 31, 2012

ASSETS

Current assets:

Cash and cash equivalents (Notes 2 and 3)	\$ 1,474,557
Accounts receivable, net (Notes 2 and 5)	93,450
Accounts receivable – State of Utah (Note 5)	26,460
Deposits	1,435
Prepaid expenses	39,260
Total current assets	<u>1,635,162</u>

Noncurrent assets:

Capital assets (Note 4):

Leasehold improvements	1,217,804
Furniture and fixtures	119,762
Machinery and equipment	930,119
Vehicles	262,895
Less accumulated depreciation	<u>(1,837,625)</u>
Total noncurrent assets	<u>692,955</u>

Total assets	<u>2,328,117</u>
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LIABILITIES

Current liabilities:

Accounts payable (Note 5)	222,865
Wages payable	65,905
Vacation payable	27,234
Accrued leave	663
Payroll taxes payable	7,757
Workers compensation payable	2,639
Retirement fund payable	10,533
Unearned revenue	101,166
Unclaimed property liability	4,331
Sick leave liability	11,122
Notes and capital leases (Note 6)	8,260
Total current liabilities	<u>462,475</u>

Noncurrent liabilities

Notes and capital leases (Note 6)	<u>6,359</u>
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Total liabilities	<u>468,834</u>
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NET POSITION

Net investment in capital assets	678,336
Restricted – expendable:	
Livestock	38,680
Unrestricted	<u>1,142,267</u>
Total net position	<u>\$ 1,859,283</u>

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

UTAH STATE FAIR CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2012

Operating revenues:	
Admissions	\$ 1,828,668
Rentals and fees – state fair	1,055,145
Building rentals – non-fair	420,166
Parking	318,713
Sponsorships	99,032
Leases and concessions – non-fair	20,629
Miscellaneous income	99,080
	<hr/>
Total operating revenues	3,841,433
Operating expenses:	
Salaries, wages and benefits	1,455,501
Travel	49,344
Advertising	354,659
Contractual and technical services	816,035
Professional entertainment	461,363
Exhibit awards and premiums	159,055
Maintenance and grounds	244,978
Other operating	294,018
Utilities	303,756
Insurance	54,904
Other administrative	72,563
Depreciation	145,016
Bank and processing fees	23,703
	<hr/>
Total operating expenses	4,434,895
	<hr/>
Net operating loss	(593,462)
Nonoperating revenues / (expenses):	
State appropriation	675,200
Interest income	8,135
Interest on long-term liabilities	(890)
	<hr/>
Total nonoperating revenues	682,445
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Change in net position	88,983
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Total net position – beginning	1,770,300
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Total net position – ending	\$ 1,859,283
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The accompanying notes are an integral part of these financial statements.

UTAH STATE FAIR CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 3,741,972
Payments to Suppliers	(2,808,053)
Payments for Employee Services and Benefits	(1,451,452)
Net Cash Used by Operating Activities	<u>(517,533)</u>
Cash Flows from Noncapital Financing Activities:	
Appropriations from the Utah State Legislature	<u>675,200</u>
Net Cash Provided by Noncapital Financing Activities	<u>675,200</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(109,296)
Principal Payments on Capital Asset Financing	(61,091)
Interest Payments on Capital Asset Financing	(890)
Net Cash Used by Capital and Related Financing Activities	<u>(171,277)</u>
Cash Flows from Investing Activities:	
Receipts of Interest from Investments	<u>8,135</u>
Net Cash Provided by Investing Activities	<u>8,135</u>
Net Decrease in Cash and Cash Equivalents	(5,475)
Beginning Cash and Cash Equivalents	<u>1,480,032</u>
Ending Cash and Cash Equivalents	<u>\$ 1,474,557</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:	
Net Operating Loss	\$ (593,462)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	145,016
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(3,082)
Increase in Other Assets	(2,824)
Decrease in Accounts Payable and Other Liabilities	(43,948)
Decrease in Accrued Compensation and Associated Taxes	(19,233)
Net Cash Used by Operating Activities	<u>\$ (517,533)</u>
Noncash Capital and Financing Activities	
Capital Lease for Equipment	<u>\$ 24,602</u>

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

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

The Utah State Fair Corporation (Corporation) was created on July 1, 1995 by action of the Utah State Legislature (*Utah Code*, Section 63H-6-101 through 63H-6-107) as a public, nonprofit corporation. The Corporation was established to plan expositions of livestock, poultry, agriculture, domestic science, horticulture, floriculture, mineral and industry, manufactured articles, and domestic animals to stimulate and promote livestock breeding, agriculture, horticulture, mining, manufacturing, mechanical arts, creative arts, and educational pursuits of the people of Utah. The Corporation was also charged with the responsibility to provide, sponsor, and arrange for public entertainment, displays, and exhibits and publicize and promote the various events, securing funds to cover the cost of the exhibits from private contributions and public appropriations, admission charges, and by other lawful means.

The Corporation is governed by a board of directors appointed by the governor with the advice and consent of the Senate.

The board hires an executive director who serves at the pleasure of the board and may be terminated by the board at will.

The Corporation is a 501(c)(3) organization as determined by the Internal Revenue Service.

For financial reporting purposes, the Corporation is a discrete component unit of the State of Utah.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting and reporting policies of the Corporation conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Corporation uses the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred. All assets and liabilities of the Corporation are included on the Statement of Net Position. In addition, the Corporation applies all GASB pronouncements.

The Corporation distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from conducting the annual state fair and building rental operations during non-fair times. The principal operating revenues of the Corporation are admissions, rentals, fees, and sponsorships. Operating expenses for the Corporation include various expenses from conducting the annual state fair,

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Financial Statement Presentation

The reporting period for the Corporation is the calendar year. The Corporation's financial statements for the year ended December 31, 2012 will be included in the State of Utah's *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2013 as a discrete component unit of the State of Utah.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, deposits, and short-term, highly liquid investments with original maturities of less than three months. The Corporation invests in the Utah Public Treasurers' Investment Fund (PTIF), an external investment pool managed by the State Treasurer. PTIF investments are considered cash equivalents.

Restricted Cash

Both the operating account and the junior livestock auction account receive contributions that have been restricted based on the contributors' wishes. The amounts received in the operating account during the period under audit were restricted for the use in paying awards and premiums, constructing special exhibits, and conducting the rodeo at the fair, as well as conducting other events at the Fairpark.

The contributions received in the junior livestock auction account are restricted for use in the junior livestock auction conducted during the annual fair and for auction committee expenses.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are primarily made up of receivable contracts for facility rentals by the State of Utah or private functions that are owed at December 31, 2012. The Statement of Net Position reflects the receivables, net of a \$1,000 allowance for doubtful accounts.

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 3: DEPOSITS AND INVESTMENTS

Utah Code, Section 63H-6-103(7)(a)(b) states that “the corporation is exempt from...Title 51, Chapter 7, State Money Management Act,” but that “the board shall adopt policies parallel to and consistent with...Title 51, Chapter 7, State Money Management Act.” The board of directors and management of the Corporation have authorized investments in financial instruments that are commonly used by state agencies such as the Utah Public Treasurers’ Investment Fund and insured accounts at banks.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Corporation’s deposits may not be returned to it. The Corporation does not have a formal deposit policy for custodial credit risk. As of December 31, 2012, \$149,265 of the Corporation’s bank balance of \$399,265 was uninsured and uncollateralized.

Investments

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the State Money Management Act, *Utah Code*, Section 51-7. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses - net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2012, the Corporation had \$1,157,633 invested in the PTIF, which is unrated, and has maturities less than 1 year.

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation's policy for managing its exposure to fair value loss arising from increasing interest rates is to follow procedures consistent with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 13 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's policy for reducing its exposure to credit risk is to invest in the authorized investments, as previously discussed.

NOTE 4: CAPITAL ASSETS

Capital assets are recorded at historical cost. Donated assets are valued at their estimated fair value at the date of donation. The useful lives of the assets vary between 5 and 21 years based on the type of asset and whether it is a leasehold improvement. A salvage value is assigned to each asset varying from 0 to 16 percent based on the type of the asset. Except for leasehold improvements, depreciation is calculated on a straight-line basis on the depreciable basis for the useful life of the asset. Depreciation for leasehold improvements is calculated on a straight-line basis on the depreciable basis for the lesser of the length of the Fairpark lease or the useful life of the asset. Assets placed in service through the 15th of the month are depreciated from the beginning of the month in which they are placed in service. Assets placed in service after the 15th of the month are depreciated at the beginning of the next month.

The capitalization policy for the Corporation is to capitalize those assets with costs exceeding \$3,000 and a useful life greater than 1 year.

Depreciation for the period ended December 31, 2012 was \$145,016.

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance at 12/31/2011	Additions	Deletions	Balance at 12/31/2012
Capital Assets:				
Leasehold improvements	\$ 1,179,631	\$ 38,173	\$ -	\$ 1,217,804
Furniture and fixtures	85,081	34,681	-	119,762
Machinery and equipment	825,727	36,442	-	862,169
Capital leases – equipment	67,950	-	-	67,950
Vehicles	193,718	-	-	193,718
Capital leases – vehicles	44,575	24,602	-	69,177
Total	2,396,682	133,898	-	2,530,580
Accumulated Depreciation:				
Leasehold improvements	660,809	98,961	-	759,770
Furniture and fixtures	42,186	10,033	-	52,219
Machinery and equipment	739,523	13,316	-	752,839
Capital leases – equipment	42,413	9,707	-	52,120
Vehicles	176,795	2,465	-	179,260
Capital leases – vehicles	30,883	10,534	-	41,417
Total	1,692,609	145,016	-	1,837,625
Net Capital Assets	\$ 704,073	\$ (11,118)	\$ -	\$ 692,955
Net Book Value:				
Leasehold improvements				\$ 458,034
Furniture and fixtures				67,543
Machinery and equipment				109,330
Capital leases – equipment				15,830
Vehicles				14,458
Capital leases – vehicles				27,760
				\$ 692,955

NOTE 5: ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable at December 31, 2012 consist of the following:

Trade	\$ 90,136
State of Utah reimbursable	26,460
Other	4,314
Less: Allowance	(1,000)
Total accounts receivable	\$ 119,910

Accounts payable at December 31, 2012 are primarily made up of obligations to vendors.

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 6: LONG-TERM LIABILITIES

	<u>Balance at</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/2012</u>	<u>Current</u> <u>Portion</u>
Capital leases	\$ 5,859	\$ 24,602	\$ 15,842	\$ 14,619	\$ 8,260
Notes payable	45,249	-	45,249	-	-
Total	<u>\$ 51,108</u>	<u>\$ 24,602</u>	<u>\$ 61,091</u>	<u>\$ 14,619</u>	<u>\$ 8,260</u>

NOTE 7: NOTES PAYABLE AND CAPITAL LEASES

A lease agreement was previously entered into for a water truck and was due in equal installments, including principal and interest. The remaining principal payment of \$5,859 was made in 2012.

A financing agreement was previously entered into for grading and covering a parking lot with rock and was due in equal installments, including principal and interest. The remaining principal payment of \$45,249 was made in 2012.

A lease agreement was entered into for a forklift and is due in equal installments, including principal and interest. The last payment will come due in September 2014. The liability is secured by equipment costing \$24,602.

Future minimum payments for the capital lease as of December 31, 2012 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2013	\$ 8,260	\$ 325	\$ 8,585
2014	6,359	80	6,439
	<u>\$ 14,619</u>	<u>\$ 405</u>	<u>\$ 15,024</u>

NOTE 8: DONATIONS

Nonmonetary Transactions

Several entities donated services (e.g., advertising and equipment rentals) to the Corporation for the annual state fair totaling \$62,965. These same entities also received benefits from the Corporation (e.g., fair gate admission and entertainment admission) totaling \$32,711. These services and benefits are recorded as revenues and expenses by the Corporation. The amount by which services donated by the entities exceed the

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

benefits given to the entities is \$30,254, which is classified as operating "Sponsorships" revenue by the Corporation.

NOTE 9: EMPLOYEE RETIREMENT PLANS

The Corporation's eligible employees participate in the Contributory and Noncontributory Retirement Systems, cost-sharing, multiple-employer defined benefit pension plans administered by Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statuses.

URS was established and governed by the respective sections of Title 49 of the *Utah Code*. Title 49 provides for the administration of the URS under the directions of the Utah Retirement Board whose members are appointed by the Governor.

URS issues a publicly available financial report that includes financial statements and required supplementary information for the Noncontributory and Contributory Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

The URS retirement plan is divided into two tiers. The Tier 1 plan is for employees hired prior to July 1, 2011. The Tier 2 plan is for employees hired on or after July 1, 2011.

The contribution requirements of URS are authorized by statute and specified by the Utah Retirement Board.

The Corporation's required contribution rates for annual covered salaries, as actuarially determined, for the year ended December 31, 2012 were as follows:

Noncontributory Retirement System (Tier 1)	16.86% - 18.76%
Contributory Retirement System (Tier 2)	14.24% - 15.06%
401(k) Defined Contribution Plan (Tiers 1 and 2)	1.50%

The Corporation's contributions were equal to the required contributions each year.

	Year Ended December 31		
	2012	2011	2010
<i>Corporation's contributions</i>			
Noncontributory Retirement System (Tier 1)	\$ 86,846	\$ 101,033	\$ 88,400
Contributory Retirement System (Tier 2)	\$ 9,714	n/a	n/a
401(k) Defined Contribution Plan (Tiers 1 and 2)	\$ 10,302	\$ 9,666	\$ 8,638
<i>Employees' contributions</i>			
401(k) and Roth IRA	\$ 6,420	\$ 6,795	\$ 7,635

UTAH STATE FAIR CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 10: RISK MANAGEMENT AND INSURANCE

The Corporation is at risk for loss from general liability, property damage, and worker injury. The risk for general liability and property damage is handled by paying insurance premiums to the State of Utah Risk Management Fund. The risk for worker injury is handled by paying insurance premiums to the Workers Compensation Fund of Utah (WCF).

The right of the Corporation is to have legitimate claims paid by Risk Management and WCF. The responsibility of the Corporation is to conduct operations in a prudent and safe manner and make timely premium payments. The right of Risk Management and WCF is to have the Corporation pay its premiums and conduct operations in a prudent and safe manner. The responsibility of Risk Management and WCF is to pay legitimate claims promptly.

NOTE 11: ECONOMIC DEPENDENCE

The Corporation has significant economic dependence on the State of Utah to support continuing operations through general fund appropriations. The appropriation during the year ended December 31, 2012 was \$675,200.

There is a significant amount of deferred maintenance on the buildings and infrastructure at the Fairpark. The State of Utah has the responsibility for the buildings and infrastructure because the land and buildings are owned by the State of Utah. The Corporation is, therefore, dependent upon the State to fund deferred maintenance. In the Corporation's opinion, the deferred maintenance impairs the Corporation's ability to attract other sources of revenue.