

State of Illinois
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
COMPLIANCE EXAMINATION
For the Two Years Ended September 30, 2015

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
COMPLIANCE EXAMINATION
For the Two Years Ended September 30, 2015

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DEPARTMENT OF AGRICULTURE
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AGENCY OFFICIALS

Director	Raymond Poe (3/13/16 - present) Raymond Poe, Acting (11/16/15 – 3/12/16) Warren Goetsch, Acting (9/25/15 - 11/15/15) Phillip Nelson (1/20/15 - 9/24/15) Robert F. Flider (through 1/19/15)
Chief Fiscal Officer	Tyler P. White (8/1/16 – present) Vacant (7/30/16 – 7/31/16) Richard Campbell (1/4/15 – 7/29/16) Vacant (12/31/15 - 1/3/16) Laura A. Cadagin (through 12/30/15)
General Counsel	Craig Sondgeroth (4/1/15 - present) Raymond Watson (through 4/3/15)
Chief Internal Auditor	Gary Shadid (12/16/14 - present) Vacant (5/1/14 - 12/15/14) Ted Tracy (through 4/30/14)
Division Manager, Fairs and Promotional Services	Kevin Gordon (2/26/16 - present)
Fair Manager	Kevin Gordon (2/26/16 - present) Vacant (9/25/15 - 2/25/16) Patrick Buchen (5/5/15 - 9/24/15) Vacant (2/1/15 - 5/4/15) Amy Bliefnick (7/1/04 - 1/31/15)
Assistant Fair Manager	Shawn Mayernick (2/26/16 - present) Vacant (2/16/16 - 2/25/16) Janet Dobrinsky (1/16/15 - 2/15/16)

Department offices are located at:

State Fairgrounds
801 E. Sangamon Ave.
Springfield, IL 62702

MANAGEMENT ASSERTION LETTER

Sikich, LLP
3201 West White Oaks Dr. Suite 102
Springfield, IL 62704

November 17, 2016

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois State Fair (ISF). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the ISF's compliance with the following assertions during the two-year period ended September 30, 2015. Based on this evaluation, we assert that during the years ended September 30, 2015 and September 30, 2014, the ISF has materially complied with the assertions below.

- A. The ISF has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The ISF has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The ISF has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the ISF are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the ISF on behalf of the State or held in trust by the ISF have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,
Illinois State Fair

SIGNED ORIGINAL ON FILE

Raymond Poe, Director, Department of Agriculture

SIGNED ORIGINAL ON FILE

Kevin Gordon, Division Manager, Fairs and Promotional Services
and Fair Manager

SIGNED ORIGINAL ON FILE

Tyler P. White, Chief Fiscal Officer, Department of Agriculture

SIGNED ORIGINAL ON FILE

Craig Sondgeroth, General Counsel, Department of Agriculture

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
COMPLIANCE EXAMINATION
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COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	2	4
Repeated findings	2	3
Prior recommendations implemented or not repeated	2	3

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2015-001	9	Noncompliance with the State Comptroller Act	Noncompliance and Significant Deficiency
2015-002	10	Noncompliance with the Illinois Horse Racing Act	Noncompliance and Significant Deficiency

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	12	Failure to comply with State Fair Act
B	12	Inadequate controls over temporary employee timesheets

EXIT CONFERENCE

The Department of Agriculture, Illinois State Fair did not request an exit conference.

Responses to the recommendations were provided by Gary Shadid in correspondence dated November 15 and 17, 2016.

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Agriculture, Illinois State Fair's (ISF) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended September 30, 2015. The management of the ISF is responsible for compliance with these requirements. Our responsibility is to express an opinion on the ISF's compliance based on our examination.

- A. The ISF has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The ISF has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The ISF has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the ISF are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the ISF on behalf of the State or held in trust by the ISF have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the ISF's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the ISF's compliance with specified requirements.

In our opinion, the ISF complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended September 30, 2015. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2015-001 through 2015-002.

Internal Control

Management of the ISF is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the ISF's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the ISF's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the ISF's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2015-001 through 2015-002, that we consider to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The ISF's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the ISF's response and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended September 30, 2015 and September 30, 2014 in Schedules 1 through 8 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the September 30, 2015 and the September 30, 2014 accompanying supplementary information in Schedules 1 through 8. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the September 30, 2013 accompanying supplementary information in Schedules 1 through 8 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

Springfield, Illinois
November 17, 2016

SCHEDULE OF FINDINGS

CURRENT FINDINGS – State Compliance

2015-001 FINDING (Noncompliance with the State Comptroller Act)

The Illinois State Fair (ISF) was not in compliance with the State Comptroller Act (Act) concerning timeliness of reimbursement to the Illinois Office of the Treasurer (Treasurer) for funds provided to operate an imprest account for making change for ISF activities.

The Act (15 ILCS 405/21) states the “Comptroller may provide in his or her rules and regulations for periodic transfers, with the approval of the State Treasurer, for use in accordance with the imprest system, subject to the rules and regulations of the Comptroller ... as follows: (c) To the Department of Agriculture for the purpose of making change for activities at each State Fair, not to exceed \$200,000, to be returned within 5 days of the termination of such activity.”

In fiscal year 2015, the ISF failed to reimburse the Treasurer for funds provided to operate an imprest account for making change at the ISF within 5 days of the termination of the fair, as outlined by the Act. The 2015 fair ended August 23, 2015. The ISF reimbursed the Treasurer utilizing 3 different checks. Two of the checks were submitted to the Treasurer on August 31 and September 17, 2015; 3 and 20 days overdue, respectively.

In response to this finding from the previous examination, ISF officials stated they would ensure the Treasurer is reimbursed within 5 days of the termination of the ISF. In regards to the ongoing noncompliance, ISF management stated the reimbursements were taken to the Treasurer as they were received.

Failure to return funds provided by the Treasurer within 5 days represents noncompliance with State law. (Finding Code No. 2015-001, 2013-003)

RECOMMENDATION

We recommend the Illinois State Fair adopt policies to ensure the Treasurer is reimbursed within 5 days of the termination of the ISF.

ISF RESPONSE

We agree with the finding. The Department took corrective action and the 2016 Illinois State Fair reimbursed the Treasurer’s office within the 5 day requirement. Procedures were implemented making employees aware of the importance of processing deposits in an efficient manner within the statutory deadline.

2015-002 FINDING (Noncompliance with the Illinois Horse Racing Act)

The Illinois State Fair (ISF) was not in compliance with the Illinois Horse Racing Act of 1975 (Act).

During testing of all races held at the ISF in 2015 and 2014, we noted the following:

- The nominating, sustaining and starting fee of \$300 to be paid by an entrant exceeded 2% of the purse for 27 of 30 (90%) races in 2015 and 16 of 36 (44%) races in 2014. The nominating, sustaining and starting fee exceeded 2% of the purse by 0.5% to 19.1% for the races held at the 2015 ISF and 0.1% to 5.5% for the races held at the 2014 ISF.

The Illinois Horse Racing Act of 1975 (Act) (230 ILCS 5/31(j)) requires the Department of Agriculture to provide by rule, with the assistance and advice of the Illinois Standard Breeders Fund Advisory Board, for the payment of nominating, sustaining and starting fees for racing promoting the sport of harness races and for the races to be conducted at the State Fair provided that the nominating, sustaining and starting payment required from an entrant shall not exceed 2% of the purse of such race. All nominating, sustaining and starting payments shall be held for the benefit of entrants and shall be paid out as part of the respective purses for such races.

- The ISF is required to provide at least a 5 day racing program to be conducted at the State Fair each year; however, the ISF provided a 4 day racing program in 2015. In addition, the 2015 ISF program did not include an aged Trot and Pace, and Mare Division limited to Illinois conceived and foaled horses. The Act (230 ILCS 5/31(j)(3)) requires the Department of Agriculture to provide at least a 5 day racing program at the State Fair each year, which the program shall include at least the following races limited to Illinois conceived and foaled horses: (a) a two year old Trot and Pace, and Filly Division of each; (b) a three year old Trot and Pace, and Filly Division of each; (c) an aged Trot and Pace, and Mare Division of each.

In response to this finding from the previous examination, ISF officials indicated they would comply with provisions of the Illinois Horse Racing Act or seek legislative remedy to assist its compliance. Regarding the ongoing exceptions, ISF officials stated the nominating, sustaining and starting fee of \$300 to be paid by an entrant exceeded 2% of the purse of races in 2014 due to the purses for the Championship races greatly declining over the years due to less appropriations for purses. Therefore, if current budget circumstances continue, the ISF will be unable to comply with the Horse Racing Act of 1975 as it is currently written. The issue in 2015 was due to the State not having a budget; therefore, there were no additional State dollars added to any of the purses, resulting in the nominating and entry fees being a substantial part of the overall purse. ISF management stated, in regards to the 5-day racing program, with no State funds added to the purses, there were not enough Illinois conceived and foaled (ICF) horses to hold a 5-day program. Cards were written for aged Trot and Pace, and Mare division for ICF horses, but these races were not filled due to a lack of horses.

Failure to comply with the provisions of the Act represents noncompliance with State law. (Finding Code No. 2015-002, 2013-001, 11-2)

RECOMMENDATION

We recommend the Illinois State Fair comply with provisions of the Illinois Horse Racing Act or seek legislative remedy to assist its compliance.

ISF RESPONSE

The Department agrees with the finding and will continue to strive to comply while legislative remedies are being sought.

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Failure to comply with State Fair Act)

During the previous examination, the Illinois State Fair (ISF) did not develop or adopt an official plan for the operation of the State Fair and the State Fairgrounds and its facilities.

During the current examination, the ISF developed an official plan for the operation of the State Fair and the State Fairgrounds and its facilities. The ISF presented the plan at a public hearing during the examination period. As a result, this finding was not repeated. (Finding Code No. 2013-002, 11-3)

B. **FINDING** (Inadequate controls over temporary employee timesheets)

During the previous examination, the Illinois State Fair (ISF) did not exercise adequate controls over temporary employee timesheets.

During the current examination, the number of temporary employees who failed to complete timesheets in accordance with ISF procedures decreased significantly. As a result, this finding was moved to the Department's Report of Immaterial Findings. (Finding Code No. 2013-004, 11-4)

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
COMPLIANCE EXAMINATION
For the Two Years Ended September 30, 2015

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Comparative Schedule of Revenues and Expenditures
- Notes to Comparative Schedule of Revenues and Expenditures
- Analytical Review of Revenues and Expenditures
- Reconciliation of State Fair and Non Fair Revenues to Deposits Remitted to the Comptroller
- Detail Schedule of Revenues
- Pari-Mutuel Wagering Receipts and Expenditures
- Grandstand Shows Revenues and Expenditures
- Competitive Events Revenues and Expenditures

- Analysis of Operations (Not Examined):

- Division Functions and Planning Program (Not Examined)
- Number of Employees (Not Examined)
- Miscellaneous Operating Statistics (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the September 30, 2015 and September 30, 2014 accompanying information in Schedules 1 through 8. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR

Schedule 1

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

For the Years Ended September 30, 2015, 2014, and 2013

	2015	2014	2013
Revenues:			
Ticket	\$ 4,210,976	\$ 4,002,173	\$ 4,524,056
Space rental	1,115,496	1,041,099	1,144,333
Entry (1)	426,599	442,125	456,772
Promotions (2)	291,859	259,784	308,648
	<u>6,044,930</u>	<u>5,745,181</u>	<u>6,433,809</u>
Total Revenues			
Expenditures:			
Personal services (3)	617,047	536,930	554,046
Extra help	223,793	242,407	204,468
Contractual payroll employees	33,064	55,221	61,467
Contributions - employee retirement system	178,762	149,585	168,868
Contributions - social security	64,774	62,073	61,186
Group insurance	42,600	24,867	68,478
Contractual services	4,172,643	4,522,999	4,287,662
Travel	13,912	7,716	5,149
Commodities	47,746	48,645	32,363
Printing	14,781	20,687	20,400
Equipment	8,499	9,091	25,637
Telecommunications	105,068	110,804	111,319
Operation of automotive equipment	957	1,262	919
Interest	139,573	-	-
Promotions	21,781	-	-
Awards and premiums:			
Harness racing	-	178,600	178,600
Livestock breeding (4)	221,500	181,141	217,615
Other	458,143	484,057	456,818
Permanent improvements	-	19,075	-
Refunds	923	4,736	1,957
Allocated costs (5)	1,573,961	1,707,399	3,522,118
	<u>7,939,527</u>	<u>8,367,295</u>	<u>9,979,070</u>
Total expenditures			
Deficiency of revenues under expenditures	<u>\$ (1,894,597)</u>	<u>\$ (2,622,114)</u>	<u>\$ (3,545,261)</u>

Footnotes:

- (1) Miscellaneous revenue for 2013 was reduced from the amount included in the 2013 report because the ISF reduced a receivable by \$19,643 after the 2013 report was issued.
- (2) Sponsorship revenue for 2013 was reduced from the amount included in the 2013 report because the ISF reduced a receivable by \$17,000 after the 2013 report was issued.
- (3) The 2015 amount includes the total salary of the ISF and DuQuoin State Fair Manager's \$49,342 salary. He was compensated by ISF appropriations.
- (4) Livestock breeding awards and premiums for 2013 was reduced from the amount included in the 2013 report because the ISF received a \$3,885 awards and reimbursement after the 2013 report was issued.
- (5) In 2013, the allocated cost was calculated by an external vendor. In 2014 and 2015, the ISF calculated this figure internally using a new methodology.

See Schedule 2 for additional notes to comparative schedule of revenues and expenditures.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR

Schedule 2

NOTES TO COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
For the Two Years Ended September 30, 2015

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES:

The accompanying schedule of revenues and expenditures (Schedule 1) presents activity directly related to the operations of the Illinois State Fair (ISF) and the fairgrounds. It includes activity in the General Revenue Fund – 0001, the Illinois State Fair Fund – 0438, and for fiscal year 2015, the State Fair Promotional Activities Fund - 0835.

Revenues and expenditures are reported on a fair year, October 1 to September 30, and contain activity from more than one State fiscal year. For example, revenues and expenditures for 2015 are for the fair held in August 2015, but consist of activity from the State fiscal years 2015 and 2016.

Revenues consist of fair related receipts deposited with the State Comptroller from October 1 to September 30 plus accrued receivables at September 30 of the current year related to the current year's fair less accrued receivables at September 30 of the prior year related to the prior year's fair.

Expenditures consist of fair related expenditures from appropriated accounts from October 1 through September 30, plus accrued expenditures at September 30 of the current year related to the current year's fair less accrued expenditures at September 30 of the prior year related to the prior year's fair. The following is a breakdown of expenditures paid from appropriated accounts during the years ended September 30, 2015, 2014, and 2013:

	2015	2014	2013
Illinois State Fair Fund:			
Fair	\$ 5,873,203	\$ 6,207,767	\$ 6,107,253
Non-Fair	980,791	773,158	1,076,224
General Revenue Fund	470,582	452,129	349,699
State Fair Promotional Activities Fund	21,781	-	-
Totals	\$ 7,346,357	\$ 7,433,054	\$ 7,533,176

2013 Fair expenditures were reduced after the 2013 report was issued due to a \$3,885 awards and reimbursement received related to livestock breeding.

2. FISCAL SCHEDULES AND ANALYSIS OF OTHER SPECIAL REVENUE FUNDS:

The fiscal schedules and analysis of other special revenue funds, including the Illinois Standardbred Breeders Fund – 0708 and the Illinois Thoroughbred Breeders Fund – 0709, relating to the Illinois State Fair are not included in this report. The fiscal schedules and analysis of these funds are included in the compliance examination of the State of Illinois, Department of Agriculture.

3. ILLINOIS STATE FAIR FUND:

The State Fair Act (20 ILCS 210/10) states that effective July 1, 1994, “All revenues from the operation and use of any facilities of the Illinois State Fair at Springfield and the Springfield State Fairgrounds shall be deposited in the Illinois State Fair Fund.” It further states, “All funds in the Illinois State Fair Fund shall be used by the Department of Agriculture in accordance with appropriation by the General Assembly for the operation of the Illinois State Fair.”

4. NON-FAIR REVENUES AND EXPENDITURES:

Non-fair expenditures from the Illinois State Fair Fund for each June 30 fiscal year are limited to non-fair revenues for the preceding fiscal year ended June 30 plus any unspent balances from preceding periods, not exceeding the amount appropriated. Non-fair revenues and expenditures from the Illinois State Fair Fund for fiscal years ended September 30 were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 986,434	\$ 1,102,651	\$ 1,102,635
Expenditures	<u>980,791</u>	<u>773,158</u>	<u>1,076,224</u>
Excess of revenues over expenditures	<u>\$ 5,643</u>	<u>\$ 329,493</u>	<u>\$ 26,411</u>

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
ANALYTICAL REVIEW OF REVENUES AND EXPENDITURES
For the Two Years Ended September 30, 2015

Schedule 3

The Illinois State Fair's (ISF) explanations for significant fluctuations in revenue items which vary by 10% or more and \$10,000 from the prior year, and expenditure items which vary by 10% or more and \$10,000 from the prior year, as presented in the Comparative Schedule of Revenues and Expenditures, are detailed below.

Revenues

Ticket revenue decreased from fiscal year 2013 to 2014 due to grandstand ticket sales declining approximately \$427,000 from 2013 sales and gate admissions declining approximately \$110,000 from 2013. This is due to 8 days of rain during the 2014 ISF, which caused attendance to be down from the 2013 ISF.

Space rental revenue decreased from fiscal year 2013 to 2014 because fewer contracts were entered into in fiscal year 2014. In addition, 8 out of 11 days of rain resulted in less attendance; therefore, space rental contracts that pay the ISF on a percentage of sales basis generated less revenue.

Promotions revenue decreased from fiscal year 2013 to 2014 due to a \$35,000 US Cellular sponsorship received in 2013 that was not received in 2014. Promotions revenue increased from fiscal year 2014 to 2015 due to the ISF receiving 44 sponsorship contracts in fiscal year 2015 compared to 39 in fiscal year 2014.

Expenditures

Personal service expenditures increased from fiscal year 2014 to 2015 due to having an additional position (Assistant State Fair Manager) which had not been previously filled. Additionally, the new State Fair Manager had a higher salary than the individual previously in that position. This also increased the contributions – employee retirement system and group insurance expenditures.

Extra help expenditures increased from fiscal year 2013 to 2014 because the number of temporary summer workers increased in 2014. Temporary summer workers increased from 1,111 in fiscal year 2013 to 1,270 in fiscal year 2014.

Contractual payroll employee expenditures decreased from fiscal year 2014 to 2015 because, in 2014, the previous Grandstand Manager was a contractual employee hired to train the new Grandstand Manager. During 2015, she was not contracted in that position.

Contributions – employee retirement system expenditures decreased from fiscal year 2013 to 2014 because the payroll amount paid from the General Revenue Fund increased in 2014. When personal services are paid out of the General Revenue Fund the ISF does not have to pay retirement.

Similar to contributions - employee retirement system expenditures, group insurance is not paid by the ISF when personal services are paid out of the General Revenue Fund. As a result, the group insurance expenditures were lower in fiscal year 2014.

Commodity expenditures increased from fiscal year 2013 to 2014 because payments for trophies and plaques for fiscal year 2014 were paid from a lump sum appropriation under commodities; however, for the 2013 ISF, the payment was made from the awards and premiums line.

Equipment expenditures decreased from fiscal year 2013 to fiscal year 2014 due to several large expenditures incurred in 2013 that were not made in 2014. A few examples of the equipment expenditures made in 2013 were a butter cow turntable, media cameras and four refrigerators.

Interest expenditures increased from fiscal year 2014 to 2015 because the budget impasse which occurred in State fiscal year 2016. The Illinois Department of Agriculture's operating budget for fiscal year 2016, which started on July 1, 2015, was not passed until June 30, 2016. As a result, many invoices for the 2015 ISF accumulated interest owed to vendors.

Promotion expenditures increased from fiscal year 2014 to 2015 because some advertising expenditures were paid from the State Fair Promotional Activities Fund. This fund was not used in fiscal year 2014 or 2013.

Harness racing awards and premiums expenditures decreased from fiscal year 2014 to 2015 because State fiscal year 2016 appropriations, which funded much of the 2015 ISF, did not authorize any of these expenditures.

Livestock breeding awards and premiums decreased from fiscal year 2013 to 2014 because, during the 2013 fair, the payment for trophies and plaques was paid from the awards and premiums line. It was paid from the commodities appropriation in fiscal year 2014.

Permanent improvements expenditures increased from fiscal year 2013 to 2014 due to improvements made in Happy Hollow for the 2014 ISF, which consisted of shade sails including poles set in concrete and tandem blocks used for the installation of a retaining wall. Permanent improvements expenditures decreased from fiscal year 2014 to fiscal year 2015 because there were several permanent improvements made in 2014, but none in 2015.

Allocated costs decreased from fiscal year 2013 to 2014 because the ISF calculated the allocated cost figure on their own using a different methodology than in the past. In prior years, the ISF paid an external vendor to conduct the study. The present methodology is based more on actual centralized expenditures relative to the ISF versus the previous methodology. The Department believes the prior methodology included excessive estimates.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR

Schedule 4

**RECONCILIATION OF STATE FAIR AND NON FAIR REVENUES
TO DEPOSITS REMITTED TO THE COMPTROLLER**

For the Years Ended September 30, 2015 and 2014

Total 2015 Illinois State Fair Revenues	<u>\$</u>	<u>6,044,930</u>
Add:		
Deposits in transit, beginning of period, Fair and Non Fair, 10/1/14		192,583
Adjustments		(80)
2015 Non Fair revenues		986,434
Previous fair year event money		<u>141,912</u>
		<u>1,320,849</u>
Deduct:		
Deposits in transit, end of period, 9/30/15		162,161
2015 Fair event revenue received after 9/30/15		66,033
2015 Non Fair event refunds issued after 9/30/15		(9,535)
Receivables		<u>61,375</u>
		<u>280,034</u>
Cash Receipts per Comptroller	<u>\$</u>	<u>7,085,745</u>
Total 2014 Illinois State Fair Revenues	<u>\$</u>	<u>5,745,181</u>
Add:		
Fair deposits in transit, beginning of period, 10/1/13		38,662
Non Fair deposits in transit beginning of period, 10/1/13		51,162
2014 Non Fair revenues		1,102,651
Adjustments		455
Previous fair year event money		<u>143,461</u>
		<u>1,336,391</u>
Deduct:		
Deposits in transit, end of period, Fair and Non Fair, 9/30/14		192,583
2014 Fair event revenue received after 9/30/14		127,540
2014 Non Fair event revenue received after 9/30/14		13,995
Receivables		<u>362</u>
		<u>334,480</u>
Cash Receipts per Comptroller	<u>\$</u>	<u>6,747,092</u>

Note: In the previous report, the ISF reconciled only Fair receipts to the Comptroller. In this report, the ISF has reconciled both Fair and Non-Fair receipts.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
DETAIL SCHEDULE OF REVENUES
For the Years Ended September 30, 2015, 2014, and 2013

Schedule 5

	2015	2014	2013
Ticket Revenues:			
Gate admissions	\$ 1,670,273	\$ 1,727,823	\$ 1,846,241
Grandstand shows	1,946,247	1,659,005	2,086,050
Mega pass	407,286	430,370	429,575
Camping	187,170	184,975	162,190
Totals	\$ 4,210,976	\$ 4,002,173	\$ 4,524,056
 Space Rental Revenues:			
Fees and commissions from exhibits, concessions, and other contractors (1)	920,241	873,147	930,344
Carnival	73,739	51,417	65,508
Beer concessions	121,516	116,535	148,482
Totals	\$ 1,115,496	\$ 1,041,099	\$ 1,144,334
 Entry Revenues:			
Regular entry	123,411	123,090	122,279
Western horse shows	51,593	48,085	37,255
Society horse shows	73,226	73,125	68,370
Miscellaneous (2)	178,369	197,825	228,868
Totals	\$ 426,599	\$ 442,125	\$ 456,772
 Promotion Revenues			
Sponsorships (3)	282,467	249,810	299,222
Promotions	9,392	9,974	9,425
Totals	\$ 291,859	\$ 259,784	\$ 308,647
GRAND TOTAL OF REVENUES	\$ 6,044,930	\$ 5,745,181	\$ 6,433,809

Footnotes:

- (1) Fees and commissions from exhibits, concessions, and other contractors and carnival receipts were changed from the 2013 report. In previous years, the ISF included all the carnival monies due to the ISF under carnival revenue, which included percentage of ticket sales commissions. During the current engagement period, the ISF began reporting the percentage of ticket sales from the carnival under fees and commissions from exhibits, concessions, and other contractors. The space rental revenue breakdown has been adjusted to reflect the new policy.
- (2) Miscellaneous revenue for 2013 was reduced from the amount included in the 2013 report because the ISF reduced a receivable by \$19,643 after the 2013 report was issued.
- (3) Sponsorship revenue for 2013 was reduced from the amount included in the 2013 report because the ISF reduced a receivable by \$17,000 after the 2013 report was issued.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
PARI-MUTUEL WAGERING RECEIPTS AND EXPENDITURES
For the Years Ended September 30, 2015, 2014, and 2013

Schedule 6

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Receipts (net of commissions)	\$ 82,840	\$ 86,120	\$ 122,460
Expenditures	<u>(168,814)</u>	<u>(187,198)</u>	<u>(213,134)</u>
Deficiency of receipts under expenditures	<u>\$ (85,974)</u>	<u>\$ (101,078)</u>	<u>\$ (90,674)</u>

Note: The ISF contracted with Maywood Park Trotting Association in 2015, 2014, and 2013 to conduct the pari-mutuel wagering operations at the Illinois State Fair. Maywood collected receipts and paid expenditures associated with pari-mutuel wagering in 2015, 2014, and 2013. The ISF paid Maywood for the losses on the contracts.

Receipts (net commissions) are a function of the total on-track wagering (handle) less returns to bettors and privilege tax. Expenditures represent costs paid by the contractor associated with pari-mutuel wagering.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
GRANDSTAND SHOWS REVENUES AND EXPENDITURES
For the Years Ended September 30, 2015, 2014, and 2013

Schedule 7

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Ticket sales	<u>\$ 1,946,247</u>	<u>\$ 1,659,005</u>	<u>\$ 2,086,050</u>
Expenditures:			
Entertainment	1,875,460	1,952,460	1,788,980
Sound/light/video	89,975	89,975	89,975
Booking agent	40,000	40,000	40,000
Stagehands (1)	67,043	66,487	67,417
Ushers/merchandise sellers	5,500	5,500	5,000
Catering	24,500	24,500	26,754
Equipment rental	8,805	36,156	-
Grandstand roof and backdrop	25,000	25,000	25,000
Transportation	633	494	960
Cancelled event refunds	-	618	-
Total expenditures	<u>2,136,916</u>	<u>2,241,190</u>	<u>2,044,086</u>
Excess (deficiency) of revenues over/under expenditures	<u><u>\$ (190,669)</u></u>	<u><u>\$ (582,185)</u></u>	<u><u>\$ 41,964</u></u>

Footnotes:

(1) The ISF reported total stagehand expenditures for the 2013 report. The ISF began separating out stagehands for free entertainment and stage hands for grandstand performers. The 2013 amount in this report reflects this change.

The above represents direct revenues and expenditures related to the grandstand shows and the multi-purpose arena.

This schedule does not include other indirect revenues and expenditures relating to grandstand shows, including but not limited to the following:

- Admission to the fairgrounds
- Concessions
- Parking
- Facility costs and overhead
- Fair personnel costs related to grandstand ticket sales, booking, maintenance, and overhead.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
COMPETITIVE EVENTS REVENUES AND EXPENDITURES
For the Years Ended September 30, 2015, 2014, and 2013

Schedule 8

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:			
Entry fees	\$ 123,411	\$ 123,090	\$ 122,279
Expenditures:			
Extra help	47,074	44,936	42,796
Contractual services	185,187	181,847	181,524
Commodities	55,931	55,589	52,079
Awards and premiums	<u>557,041</u>	<u>573,192</u>	<u>537,672</u>
Total expenditures	<u>845,233</u>	<u>855,564</u>	<u>814,071</u>
Deficiency of revenues under expenditures	<u>\$ (721,822)</u>	<u>\$ (732,474)</u>	<u>\$ (691,792)</u>

The above represents direct revenues and expenditures related to competitive events held during the 2015, 2014, and 2013 Illinois State Fairs. Entry fees include fees directly related to the ISF and do not include entry fees for special events such as the Western and Society Horse Shows.

This schedule does not include other indirect revenues and expenditures relating to competitive events including but not limited to the following:

- Admission to the fairgrounds
- Concessions
- Parking
- Facility costs and overhead
- Fair personnel costs related to competitive events, maintenance, and overhead.
- Portable stall rentals for fairgrounds
- Veterinarian services

Awards & premiums amount does include horse show premiums and special events premiums

Contractual services does not include judges for horse shows or special events

Commodities does not include trophies, ribbons, etc. for horse shows or special events

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
DIVISION FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended September 30, 2015
(Not Examined)

GENERAL

The Illinois State Fair (ISF) is an operating division of the Department of Agriculture and is located at the State Fairgrounds, 801 East Sangamon Avenue, Springfield, Illinois 62794. The Director of the Department of Agriculture is Raymond Poe. The Department of Agriculture is responsible for fulfilling the statutory obligation to hold the annual ISF. The ISF is held to promote agriculture and the agriculture industry and to provide for exhibits and activities in the fields of industry, education, arts and crafts, labor, entertainment, and other areas of interest to the people of the State. The Department of Agriculture is responsible for developing long-range operational and building use programs.

The State Fair Act establishes the legal responsibility of the Department of Agriculture. The Department of Agriculture further established Administrative Rules which constitutes its rules and policies governing the operations of the ISF.

The ISF is composed of six functional areas through which the above objectives can be achieved.

- Office of the State Fair Manager
- Office of the Assistant State Fair Manager
- Space Rental
- Credentials
- Special Events/Sponsorship
- Competitive Events

A description of each functional area follows:

Office of the State Fair Manager – The State Fair Manager provides centralized management for the ISF and is responsible for its adherence to the provisions of the State Fair Act. The State Fair Manager develops a plan for the operation of the ISF. The State Fair Manager has offices in the Emerson Building on the State Fairgrounds, Springfield, Illinois.

Office of the Assistant State Fair Manager – The Assistant State Fair Manager is responsible for initiating, drafting, and editing contracts for the ISF including, but not limited to, invitation for bid (IFB) and request for proposal (RFP) bid contracts, personal services contracts, vendor contracts and rental agreements. The Assistant State Fair Manager is responsible for assisting in the planning and execution of a comprehensive advertisement program for the ISF. The Assistant State Fair Manager initiates, plans, and directs activities associated with entertainment at the grandstand and other locations throughout the fairgrounds; and assists the ISF Manager in selecting, negotiating and contracting grandstand artists. The Assistant State Fair Manager is responsible for acquiring, selecting and contracting free stage and roving grounds entertainment acts; and works with ISF personnel and contracted vendors to resolve any issues that may arise,

and is also responsible for the enforcement of Administrative Rules and Regulations along with the development of policies and procedures. The Assistant State Fair Manager oversees the operation and booking of Director's Lawn Events and Receptions.

Space Rental – The Space Rental Manager assists in evaluating, developing, revising, and implementing policies and procedures associated with the operation of the ISF concessions, commercial exhibits, etc. The Space Rental Department is directly charged with the responsibility of collecting and receiving all rental funds and maintaining adequate records of rental activity.

Credentials - The Credentials Manager position encompasses the following duties: receiving, processing and filling of both paid and non-paid gate and parking credentials; receiving, auditing, processing and placement of all camping units on the fairgrounds beginning August 1st and continuing through the run of the Fair; advertising and selling of carnival Mega Passes-commencing in November and continuing until the last weekend of the Fair; receiving, processing and assigning golf car rentals along with the required operating permits. This position is also responsible for the supervision of up to seven (7) part-time staff.

Special Events/Sponsorships – The Special Events/Corporate Sponsorship Manager is responsible for the following: creation, coordination and supervision of all special events and contests that occur during the Fair; oversight of special one-day events including the coordination and supervision of the ISF Parade; responsible for the acquisition of both cash and in-kind Sponsorship amounts, which encompasses maintaining current sponsor relationships, seeking out new sponsors, and creating new and innovative events that could promote new sponsorships. This position is also responsible for the supervision of up to three (3) part-time staff.

Competitive Events – The Competitive Events Manager directs, develops, and coordinates a program of events for the Fair, and maintains the necessary records for competitive events administration. Prior to the ISF, the Competitive Events Manager determines event premiums and prizes, procures the appropriate prizes, directs the preparation of event entry books, and collects entry fees from competitors. During the ISF, responsibilities include obtaining proper authorization for the awarding of premiums and prizes and determining that winners of events receive the proper premium or prize.

STRATEGIC PLANNING

The mission of the ISF is to provide an attractive and entertaining annual fair that promotes family fun and agriculture awareness, supports local business, and optimizes fairground facilities. Additionally, it is the mission of the Department of Agriculture to promote and contract for non-Fair special events to maximize use of the fairgrounds.

The main goal of the ISF is to provide a safe, entertaining and educational experience at the Fair. In order to accomplish this goal, the following objectives have been set:

- Increase the attendance at the Fair.
- Increase the number of concessionaires.
- Monitor the appearance of the exhibits.
- Update, renovate and maintain buildings and structures on the fairgrounds to enhance their appearance, ensure their public safety level and provide additional comfort to the fairgoers.
- Provide additional entertainment, exhibits, educational events and clinics.

- Increase the number of non-Fair events, which will increase the revenue generated by non-Fair events.
- Establish a close working relationship with the County Fairs and horse racing industry of Illinois.

The Department of Agriculture has developed a strategic plan that reflects the vision and goals of the agency. The ISF is a part of the Department of Agriculture's strategic planning process.

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
NUMBER OF EMPLOYEES
For the Years Ended September 30, 2015, 2014, and 2013
(Not Examined)

	2015	2014	2013
Average Full-Time Employees:			
Department:			
Administration	4	3	3
Competitive events	1	1	1
Fair activities	3	3	2
Totals	8	7	6

*Oct - May	**June	***July - September
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Temporary Employees:			
State Fair - Approximate Number of Employees (2015)	7	32	139
State Fair - Approximate Number of Employees (2014)	6	31	154
State Fair - Approximate Number of Employees (2013)	8	27	141
Bureau of Buildings and Grounds Approximate Number of Employees (2015)	9	40	238
Bureau of Buildings and Grounds Approximate Number of Employees (2014)	6	64	241
Bureau of Buildings and Grounds Approximate Number of Employees (2013)	7	40	232

* Oct-May – number used is an average of the total from the 8 months

** June – number used is the highest of the 2 pay periods

*** Jul-Sept – number used is the highest of these pay periods

STATE OF ILLINOIS
DEPARTMENT OF AGRICULTURE
ILLINOIS STATE FAIR
MISCELLANEOUS OPERATING STATISTICS
For the Years Ended September 30, 2015, 2014, and 2013
(Not Examined)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>% Increase (Decrease) 2015/2014</u>	<u>% Increase (Decrease) 2014/2013</u>
Number of Contracts:					
Concessions	347	344	366	0.87 %	(6.01) %
Exhibits	82	110	101	(25.45) %	8.91 %
Contractual services	34	27	47	25.93 %	(42.55) %
Entertainment	114	114	120	0.00 %	(5.00) %
Awards and premiums	5	5	5	0.00 %	0.00 %
Sponsorships	44	39	20	12.82 %	95.00 %
Tickets Sold:					
Gate admissions - tickets	263,205	271,559	293,081	(3.08) %	(7.34) %
Grandstand & MPA shows - tickets	55,701	55,020	62,085	1.24 %	(11.38) %
Miscellaneous Statistics:					
Estimated attendance	411,547	844,649	961,000	(51.28) %	(12.11) %
Amount of beer sold - kegs	534	481	687	11.02 %	(29.99) %
Amount of beer sold - cases	6,961	6,839	7,106	1.78 %	(3.76) %
Number of camping - permits	628	630	599	(0.32) %	5.18 %
Number of parking - permits	35,887	36,254	35,500	(1.01) %	2.12 %

For 2015, 2014, and 2013 attendance was based on actual numbers for grandstand attendance, concessionaires, exhibitors and governmental employees. Further estimates were based on vehicles parked on the fairgrounds and perimeter; Illinois State Police and State Fire Marshal crowd estimations based on their respective observations and experience; past fairs' experiences for a particular day; and revenue generated.