

**NORTH DAKOTA STATE  
FAIR ASSOCIATION  
(Enterprise Fund of the  
State of North Dakota)**

***FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009 AND 2008***

# NORTH DAKOTA STATE FAIR ASSOCIATION

## Table of Contents

---

	<u>Page</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1
<b>REQUIRED SUPPLEMENTARY INFORMATION – MANAGEMENT DISCUSSION AND ANALYSIS</b>	3
<b>FINANCIAL STATEMENTS</b>	
Balance Sheets	7
Statements of Revenues, Expenses and Changes in Net Assets	8
Statements of Cash Flows	9
Statement of Appropriations	11
Notes to Financial Statements	12
<b>ADDITIONAL REPORTS</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Schedule of Findings, Recommendations, and Agency Responses	23
Independent Auditor’s Specific Comments Requested by the North Dakota Legislative Audit and Fiscal Review Committee	25



## INDEPENDENT AUDITOR'S REPORT

---

The Board of Directors  
**North Dakota State Fair Association**  
Minot, North Dakota

We have audited the accompanying financial statements of the business-type activities of the North Dakota State Fair Association, enterprise fund of the State of North Dakota, as of and for the years ended September 30, 2009 and 2008, which comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Dakota State Fair Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the North Dakota State Fair Association are intended to present the financial position, changes in financial position, and cash flows of the State of North Dakota that are attributable to the transactions of the North Dakota State Fair Association. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of September 30, 2009 and 2008 and the changes in financial position and cash flows for the years ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the North Dakota State Fair Association as of September 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2009, on our consideration of North Dakota State Fair Association's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 - 6, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Eide Bailly LLP

Bismarck, North Dakota  
November 4, 2009

**NORTH DAKOTA STATE FAIR ASSOCIATION**  
**(Enterprise Fund of the State of North Dakota)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2009**

---

This section of the Association's annual financial report presents our analysis of the financial performance during the fiscal year that ended September 30, 2009. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The Association's net assets increased by \$1,075,135 or 8.67%.
- During the year, the Association's operating revenues increased \$1,010,788 or 24%, while operating expenses increased \$817,824 or 15.8%.
- Fair revenues increased to \$4,865,397 or 23.6% over last year.
- During the fiscal year, the property and equipment additions totaled \$1,290,881.
- Depreciation expense for the current fiscal year totaled \$930,201.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Supplementary Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the Association report information about the Association using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Balance Sheet includes all of the Association's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Association creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Association and assessing the liquidity and financial flexibility of the Association. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Net Assets. This statement measures the success of the Association's operations over the past year and can be used to determine whether the Association has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Association's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### FINANCIAL ANALYSIS OF THE ASSOCIATION

One of the most important questions asked about the Association's finances is "Is the Association as a whole better off or worse off as a result of the year's activities?" The Balance Sheet, and the Statement of Revenues, Expenses and Changes in Net Assets report information about the Association's activities in a way that will help answer this question. These two statements report the net assets of the Association and changes in them. You can think of the Association's net assets-the difference between assets and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the Association's net assets are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors such as changes in economic conditions, population declines, and competitive forms of entertainment.

### NET ASSETS

To begin our analysis, a summary of the Association's Balance Sheets is presented in the following:

#### CONDENSED BALANCE SHEETS (In Thousands of Dollars)

	FYE 09/30/09	FYE 09/30/08	Dollar Change	Total Percent Change
Current and other assets	\$ 3,513	\$ 3,155	\$ 358	11.35%
Capital assets	10,843	10,495	348	3.32%
Total assets	<u>\$ 14,356</u>	<u>\$ 13,650</u>	<u>\$ 706</u>	5.17%
Long-term debt outstanding	\$ 776	\$ 957	\$ (181)	-18.91%
Other liabilities	101	289	(188)	-65.05%
Total liabilities	<u>\$ 877</u>	<u>\$ 1,246</u>	<u>\$ (369)</u>	-29.61%
Invested in capital assets, net of related debt	\$ 10,067	\$ 9,537	\$ 530	5.56%
Restricted	473	476	(3)	-0.63%
Unrestricted	2,939	2,391	548	22.92%
Total net assets	<u>\$ 13,479</u>	<u>\$ 12,404</u>	<u>\$ 1,075</u>	8.67%

As can be seen from the table above, net assets increased over \$1 million. This increase is due to the construction in progress on the Grandstand and an increase in cash due to increased revenue from the 2009 Fair. Total liabilities decreased \$369 thousand to \$877 thousand.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (In Thousands of Dollars)

	FYE 09/30/09	FYE 09/30/08	Dollar Change	Total Percent Change
<b>OPERATING REVENUES</b>				
Fair proceeds and other revenue	\$ 4,865	\$ 3,936	\$ 929	23.60%
Arena revenue	320	244	76	31.15%
Other revenue	14	8	6	75.00%
	<u>5,199</u>	<u>4,188</u>	<u>1,011</u>	24.14%
<b>NONOPERATING REVENUES</b>				
Local grants	545	517	28	5.42%
Interest and investment income	15	33	(18)	-54.55%
(Loss)/Gain on sale of fixed assets	(2)	5	(7)	-140.00%
	<u>558</u>	<u>555</u>	<u>3</u>	0.54%
<b>TOTAL REVENUE</b>	<u>5,757</u>	<u>4,743</u>	<u>1,014</u>	21.38%
<b>OPERATING EXPENSES</b>				
General expenses	3,555	2,860	695	24.30%
Depreciation expense	930	911	19	2.09%
Salaries, wages and vacation pay	1,276	1,174	102	8.69%
Premiums, trophies and awards	237	235	2	0.85%
	<u>5,998</u>	<u>5,180</u>	<u>818</u>	15.79%
<b>NON OPERATING EXPENSES</b>				
Interest expense	32	41	(9)	-21.95%
Bond issuance costs	3	3	-	0.00%
Amortization	9	9	-	0.00%
	<u>44</u>	<u>53</u>	<u>(9)</u>	-16.98%
<b>TOTAL EXPENSES</b>	<u>6,042</u>	<u>5,233</u>	<u>809</u>	15.46%
<b>TRANSFERS -</b>				
STATE APPROPRIATIONS	<u>1,360</u>	<u>561</u>	<u>799</u>	142.42%
<b>CHANGE IN NET ASSETS</b>	<u>1,075</u>	<u>71</u>	<u>1,004</u>	
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>12,404</u>	<u>12,333</u>	<u>71</u>	
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 13,479</u>	<u>\$ 12,404</u>	<u>\$ 1,075</u>	8.67%

(continued on next page)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets, provides answers as to the nature and source of these changes. As can be seen above, the majority of the revenue increase in the current year is attributed to the operating class of revenue.

Depreciation expense for the current fiscal year has increased \$19 thousand.

### **CAPITAL ASSETS**

As of September 30, 2009, the Association had invested more than \$25 million in infrastructure including land, buildings, improvements and equipment. Approximately 93 percent of that total is related to land and structures. Maintenance and upkeep of those structures and improvements is a continual ongoing process for the Association. Annual yearly costs for building and grounds upkeep exceed \$200 thousand, excluding payroll costs for Association employees engaged in repair and upkeep procedures.

Current year additions to the capital asset category totaled approximately \$1.29 million, due to the Grandstand construction. See footnote 4 for additional details.

### **LONG-TERM DEBT**

At year end, the Association had \$795 thousand in long and short-term debt down from \$985 thousand in the prior year for a decrease of 19 percent. The decrease is due to the annual payment of the current portion of the debt. See footnote 5 for additional details.

### **ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS**

The North Dakota State Fair Association is in the entertainment business, and as such is dependent upon many factors affecting the entertainment spending decisions of its customers. Factors such as condition of the agriculture economy, Canadian exchange rates, weather, and competing entertainment providers such as casinos can all have significant impact on turnout for the annual State Fair. Fair attendance figures have been relatively consistent in the last few years, but considering the economy and competition, the State Fair is maintaining against increasing odds.

### **CONTACTING THE ASSOCIATION'S FINANCIAL MANAGER**

This financial report is designed to provide our state citizens, customers, and creditors with a general overview of the Association's finances and to demonstrate the Association's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the North Dakota State Fair Association office at P.O. Box 1796, Minot, ND 58702-1796.

**NORTH DAKOTA STATE FAIR ASSOCIATION**  
**(Enterprise Fund of the State of North Dakota)**  
**BALANCE SHEETS**  
**SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,951,326	\$ 2,367,132
Accounts receivable, net of allowance for uncollectible accounts (2009 and 2008 - \$50,000)	37,500	50,270
Due from state general fund	-	217,944
Prepaid items	43,121	33,530
Total current assets	<u>3,031,947</u>	<u>2,668,876</u>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents	252,223	260,070
Restricted investment, at fair value	220,996	215,688
Unamortized bond issuance costs	7,226	10,561
Capital assets		
Land	390,816	390,816
Infrastructure	3,263,396	3,170,130
Buildings	19,195,762	19,403,252
Equipment	1,781,536	1,739,435
Construction work in process	1,220,366	120,200
Less accumulated depreciation	<u>(15,008,685)</u>	<u>(14,329,201)</u>
Total noncurrent assets	<u>11,323,636</u>	<u>10,980,951</u>
Total assets	<u>\$ 14,355,583</u>	<u>\$ 13,649,827</u>

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Trade accounts payable	\$ 31,446	\$ 225,935
Accrued interest payable	12,000	14,725
Current portion of accrued employee leave	20,000	20,000
Bonds payable	190,000	190,000
Total current liabilities	<u>253,446</u>	<u>450,660</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued employee leave, net of current portion	37,134	28,053
Bonds payable, net of unamortized discount (2009 - \$18,969; 2008 - \$27,722)	586,031	767,277
Total noncurrent liabilities	<u>623,165</u>	<u>795,330</u>
Total liabilities	<u>876,611</u>	<u>1,245,990</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	10,067,160	9,537,355
Restricted for debt service	473,219	475,758
Unrestricted	2,938,593	2,390,724
Total net assets	<u>13,478,972</u>	<u>12,403,837</u>
Total liabilities and net assets	<u>\$ 14,355,583</u>	<u>\$ 13,649,827</u>

**NORTH DAKOTA STATE FAIR ASSOCIATION**  
**(Enterprise Fund of the State of North Dakota)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Fair proceeds and other revenue	\$ 4,865,397	\$ 3,935,908
Arena revenue	319,984	244,076
Other revenue	<u>13,581</u>	<u>8,190</u>
Total operating revenues	<u>5,198,962</u>	<u>4,188,174</u>
OPERATING EXPENSES		
General expenses	3,554,803	2,860,194
Depreciation expense	930,201	911,404
Salaries, wages and vacation pay	1,276,161	1,173,858
Premiums, trophies and awards	<u>236,698</u>	<u>234,583</u>
Total operating expenses	<u>5,997,863</u>	<u>5,180,039</u>
OPERATING LOSS	<u>(798,901)</u>	<u>(991,865)</u>
NONOPERATING REVENUES (EXPENSES)		
Local grants	545,080	516,860
Interest and investment income	9,241	32,803
Net increase in fair value of investments	5,308	454
(Loss) gain on sale of fixed assets	(1,522)	4,500
Interest expense	(32,136)	(40,856)
Bond issuance costs	(3,335)	(3,335)
Amortization of bond discount	<u>(8,754)</u>	<u>(8,754)</u>
Total nonoperating revenues	<u>513,882</u>	<u>501,672</u>
LOSS BEFORE TRANSFERS	(285,019)	(490,193)
TRANSFERS - STATE APPROPRIATIONS	<u>1,360,154</u>	<u>561,296</u>
CHANGE IN NET ASSETS	1,075,135	71,103
NET ASSETS, BEGINNING OF YEAR	<u>12,403,837</u>	<u>12,332,734</u>
NET ASSETS, END OF YEAR	<u>\$ 13,478,972</u>	<u>\$ 12,403,837</u>

**NORTH DAKOTA STATE FAIR ASSOCIATION**  
**(Enterprise Fund of the State of North Dakota)**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b>OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 5,429,676	\$ 4,213,922
Cash payments for goods and services	(3,995,581)	(2,908,694)
Cash payments to employees	(1,267,080)	(1,167,641)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>167,015</u>	<u>137,587</u>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>		
Local grants received	545,080	516,860
State appropriations received	1,360,154	343,352
<b>NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES</b>	<u>1,905,234</u>	<u>860,212</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for capital acquisitions	(1,290,882)	(410,818)
Proceeds from sale of fixed assets	10,600	-
Principal payments on bonds	(190,000)	(195,000)
Interest paid	(34,861)	(43,586)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,505,143)</u>	<u>(649,404)</u>
<b>INVESTING ACTIVITIES</b>		
Receipts of interest and dividends	3,933	32,349
Purchase of US Treasury Notes	(438,681)	(217,452)
Proceeds from the sale of US Treasury Notes	443,989	217,906
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>9,241</u>	<u>32,803</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>576,347</u>	<u>381,198</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,627,202</u>	<u>2,246,004</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,203,549</u>	<u>\$ 2,627,202</u>

(continued on next page)

**STATEMENTS OF CASH FLOWS- page 2**

	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>TO NET CASH FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (798,901)	\$ (991,865)
Adjustments to reconcile operating loss to net cash from operating activities		
Depreciation	930,201	911,404
Changes in operating assets and liabilities		
Customer receivables	230,714	25,748
Prepaid expenses	(9,591)	(6,971)
Trade accounts payable	(194,489)	193,054
Accrued leave	9,081	6,217
	<u>167,015</u>	<u>137,587</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 167,015</b>	<b>\$ 137,587</b>
 <b>SUMMARY OF CASH AND CASH EQUIVALENTS</b>		
Unrestricted cash in banks	\$ 2,951,326	\$ 2,367,132
Restricted cash in banks	252,223	260,070
	<u>3,203,549</u>	<u>2,627,202</u>
<b>SUPPLEMENTAL DISCLOSURE OF</b>		
<b>NONCASH CAPITAL FINANCING ACTIVITIES</b>		
Amortization of bond discount	<u>8,754</u>	<u>8,754</u>
Amortization of bond issuance costs	<u>3,335</u>	<u>3,335</u>

**NORTH DAKOTA STATE FAIR ASSOCIATION**  
**(Enterprise Fund of the State of North Dakota)**  
**STATEMENT OF APPROPRIATIONS**  
**YEAR ENDED SEPTEMBER 30, 2009**

	2007-2009 Appropriation	7/1/2007- 9/30/2007 Expenditures	10/1/2007- 9/30/2008 Expenditures	10/1/2008- 6/30/2009 Expenditures	Unexpended Appropriations at 6/30/2009	2009-2011 Appropriation	7/1/2009- 9/30/2009 Expenditures	Unexpended Appropriations at 9/30/2009
Debt Service	\$ 210,000	\$ -	\$ 195,000	\$ 15,000	\$ -	\$ 210,000	\$ -	\$ 210,000
Grandstand	250,000	-	120,200	129,800	-	15,000,000	970,366	14,029,634
Asphalt	265,000	-	220,101	16,412	28,487	-	-	-
Premiums	442,150	218,168	223,982	-	-	487,150	236,698	250,452
	<u>\$ 1,167,150</u>	<u>\$ 218,168</u>	<u>\$ 564,283</u>	<u>\$ 146,212</u>	<u>\$ 28,487</u>	<u>\$ 15,697,150</u>	<u>\$ 1,207,064</u>	<u>\$ 14,490,086</u>

The following schedule shows the appropriated and non-appropriated portion of premiums, operating expenses, interest expense and bond principal payments for the two-year period ended September 30, 2009. Non-appropriated expenditures are made in accordance with NDCC 4-02.1-15.

	FY 2009 Appropriated	FY 2009 Non-appropriated	FY 2008 Appropriated	FY 2008 Non-appropriated	Fiscal Years 2008-2009 Total
Premiums	\$ 236,698	\$ -	\$ 223,982	\$ 10,601	\$ 471,281
Operating expenses	-	5,761,165	-	4,945,456	10,706,621
Interest expenses	-	32,136	-	40,856	72,992
Asphalt	16,412	-	220,101	-	236,513
Grandstand	1,100,166	-	120,200	-	1,220,366
Principal payments on bonds	15,000	175,000	195,000	-	385,000
	<u>\$ 1,368,276</u>	<u>\$ 5,968,301</u>	<u>\$ 759,283</u>	<u>\$ 4,996,913</u>	<u>\$ 13,092,773</u>

**NORTH DAKOTA STATE FAIR ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009 AND 2008**

---

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The North Dakota State Fair Association is an Enterprise Fund of the State of North Dakota. The purpose of the State Fair Association is to conduct an annual exhibition of the state's resources and products in order to promote the state.

The accompanying financial statements of the North Dakota State Fair Association follow the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In addition, the Association follows all nonconflicting pronouncements of the Financial Accounting Standards Board (FASB) issued and effective subsequent to November 30, 1989.

The accounting policies of the North Dakota State Fair Association conform to generally accepted accounting principles as applicable to local governmental units. The following is a summary of the more significant policies:

*Reporting entity*

For financial reporting purposes, the North Dakota State Fair Association has included all funds, and has considered all potential component units for which the North Dakota State Fair Association is financially accountable, and other organizations for which the nature and significance of their relationship with the North Dakota State Fair Association are such that exclusion would cause the North Dakota State Fair Association's financial statements to be misleading or incomplete. The North Dakota State Fair Association has no component units. Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the North Dakota State Fair Association to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the North Dakota State Fair Association.

*Revenue recognition*

Revenue is recognized on the accrual basis for financial reporting. Appropriations received but not spent are recorded as due to the State General Fund on the accompanying balance sheet.

*Infrastructure, buildings, and equipment*

Infrastructure, buildings and equipment are stated at cost except for donated assets which are reported at fair value on the date received. Expenditures exceeding \$5,000 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance, repairs and improvements less than \$5,000 are currently charged to expense.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation are as follows:

Infrastructure	5-25 years
Buildings	20-40 years
Equipment	3-15 years

## NOTES TO FINANCIAL STATEMENTS

---

### *Pension costs*

Pension costs are funded as they accrue.

### *Cash and cash equivalents*

For purposes of reporting cash flows, the Association considers all Treasury bills, commercial paper, certificates of deposit and money market funds which have an original maturity of three months or less to be cash equivalents.

### *Accounts Receivable*

Accounts receivable are carried at original invoice amount less a reserve estimate made for doubtful accounts. Management's estimate of the allowance for doubtful accounts is based on historical loss levels and an analysis of the collectibility of individual accounts. Accounts receivable are due within 30 days after which they are charged interest at 18% annually.

### *Due from State General Fund*

The North Dakota State Fair receives funds from the State of North Dakota General Fund for certain activities designated during the State budget appropriations. The State allocates these funds to the State Fair Association after the Association has spent them on the applicable activities, so occasionally depending on the timing of the expenditures and when the funds are received from the State this can result in a due from the State General Fund.

### *Prepaid Items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

### *Bond Issuance Costs and Bond Discounts*

Bond issuance costs and bond discounts are amortized over the life of the bonds using the straight-line method.

### *Operating revenues*

For purposes of differentiating operating revenues from nonoperating revenues, the Association considers support received from the City of Minot and Ward County to be non-operating revenues. The stated purpose of the support from the mentioned entities is to help offset the operating expenses related to the fair and ice arena activities. Expenses related to the maintenance and operations of these facilities are classified as operating expenses.

### *Restricted resources*

It is the Association's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

## NOTES TO FINANCIAL STATEMENTS

---

### *Compensated absences*

Employees accrue annual leave at a rate of eight hours per month for the first three years of continuous service. The accrual rate is increased to ten hours per month after three years, twelve hours per month after seven years, fourteen hours per month after thirteen years, and sixteen hours per month after eighteen years of service. The maximum amount of leave that may be carried forward each calendar year is 240 hours. All unpaid leave is payable upon termination.

Permanent employees also earn sick leave at a rate of eight hours per month. Sick leave is being carried over from year to year. If an employee leaves after ten continuous years of service, the employee will be paid for ten percent of any unused accumulated sick leave.

### *Advertising costs*

Advertising costs are expensed as incurred. Total advertising expense for the years ended September 30, 2009 and 2008, is \$259,148 and \$239,091, respectively.

### *Estimates*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

## **NOTE 2 - CASH**

### *Custodial Credit Risk*

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds... must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions

## **NOTE 3 - INVESTMENTS**

As of September 30, 2009 and 2008, the Association has the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>2009 Fair Value</u>	<u>2008 Fair Value</u>
U.S. Treasury note	01/31/08	\$ 220,996	\$ 215,688

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. The North Dakota State Fair Association only invests in investments offered by the State Treasurer.

## NOTES TO FINANCIAL STATEMENTS

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The Association does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

### NOTE 4 - CAPITAL ASSETS

The components and changes in components of capital assets at September 30, 2009 and 2008 are as follows:

	<b>Balance 09/30/08</b>	<b>Additions/ Depreciation Expense</b>	<b>Deletions</b>	<b>Balance 09/30/09</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 390,816	\$ -	\$ -	\$ 390,816
Construction in process	120,200	1,100,166	-	1,220,366
<i>Capital assets being depreciated:</i>				
Infrastructure	3,170,130	93,266	-	3,263,396
Buildings	19,403,252	55,348	(262,838)	19,195,762
Equipment	1,739,435	42,101		1,781,536
	<u>24,823,833</u>	<u>1,290,881</u>	<u>(262,838)</u>	<u>25,851,876</u>
Less accumulated depreciation				
Infrastructure	(2,182,605)	(119,756)	-	(2,302,361)
Buildings	(10,637,950)	(759,771)	250,717	(11,147,004)
Equipment	(1,508,646)	(50,674)		(1,559,320)
	<u>(14,329,201)</u>	<u>(930,201)</u>	<u>250,717</u>	<u>(15,008,685)</u>
Net	<u>\$ 10,494,632</u>	<u>\$ 360,680</u>	<u>\$ (12,121)</u>	<u>\$ 10,843,191</u>

## NOTES TO FINANCIAL STATEMENTS

	Balance 09/30/07	Additions/ Depreciation Expense	Deletions	Balance 09/30/08
<i>Capital assets not being depreciated:</i>				
Land	\$ 390,816	\$ -	\$ -	\$ 390,816
Construction in process	-	120,200	-	120,200
<i>Capital assets being depreciated:</i>				
Infrastructure	2,934,529	235,601	-	3,170,130
Buildings	19,367,184	36,068	-	19,403,252
Equipment	1,727,486	23,449	(11,500)	1,739,435
	<u>24,420,015</u>	<u>415,318</u>	<u>(11,500)</u>	<u>24,823,833</u>
Less accumulated depreciation				
Infrastructure	(2,078,353)	(104,252)	-	(2,182,605)
Buildings	(9,879,268)	(758,682)	-	(10,637,950)
Equipment	(1,471,676)	(48,470)	11,500	(1,508,646)
	<u>(13,429,297)</u>	<u>(911,404)</u>	<u>11,500</u>	<u>(14,329,201)</u>
Net	<u>\$ 10,990,718</u>	<u>\$ (496,086)</u>	<u>\$ -</u>	<u>\$ 10,494,632</u>

### NOTE 5 - LONG - TERM DEBT

#### *Changes in Bonds payable and Accrued Employee Leave*

The following is a summary of changes in bonds payable and accrued employee leave for the year ended September 30, 2009 and 2008:

	Balance 9/30/2008	Additions	Retirements	Balance 9/30/2009	Current Portion
Bonds Payable	\$ 985,000	\$ -	\$ (190,000)	\$ 795,000	\$ 190,000
Accrued Employee Leave	48,053	9,081	-	57,134	20,000
	Balance 9/30/2007	Additions	Retirements	Balance 9/30/2008	Current Portion
Bonds Payable	\$ 1,180,000	\$ -	\$ (195,000)	\$ 985,000	\$ 190,000
Accrued Employee Leave	41,836	6,217	-	48,053	20,000

## NOTES TO FINANCIAL STATEMENTS

---

### *Maturities of Bonds Payable*

Maturities of principal and interest on bonds are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 190,000	\$ 31,825	\$ 221,825
2011	185,000	23,483	208,483
2012	420,000	9,660	429,660
	<u>\$ 795,000</u>	<u>\$ 64,968</u>	<u>\$ 859,968</u>

The following summarizes the Association's bond outstanding at September 30, 2009.

<u>Description and Due Date</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>
Refunding Revenue Bonds Series 2001 12/01/02 - 12/01/11	3.5 - 4.6	\$ 2,205,000

### *Refunding Revenue Bonds Series 2001*

Interest on the 2001 Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on December 1, 2011 are not subject to optional redemption prior to maturity except under extraordinary circumstances. The bonds are presented on the balance sheet net of unamortized discount of \$18,969 and \$27,722 for the years ended September 30, 2009 and 2008, respectively. The bonds are secured by the Association's net revenues, designated appropriations from the North Dakota Legislature, a Reserve Account in the amount of \$223,219, and by an Emergency Reserve Account in the amount of \$250,000.

## **NOTE 6 - APPROPRIATIONS**

The North Dakota State Fair Association receives premium appropriations from the State of North Dakota. These premium appropriations are restricted for the purpose of providing premiums to fair exhibition winners. Premium appropriations expended for the years ended September 30, 2009 and 2008, were \$236,698 and \$223,982, respectively.

The North Dakota State Fair Association receives debt service appropriations from the State of North Dakota. These amounts are restricted for the purpose of bond payments. Debt service appropriations expended for September 30, 2009 and 2008 totaled \$15,000 and \$195,000, respectively.

The North Dakota State Fair Association receives capital outlay appropriations from the State of North Dakota. These amounts are restricted for the purpose of asphalt repairs and the new grandstand project. Asphalt appropriations expended for September 30, 2009 and 2008 totaled \$16,412 and \$220,101, respectively. Grandstand appropriations expended for September 30, 2009 and 2008 totaled \$1,100,166 and \$120,200, respectively.

## NOTES TO FINANCIAL STATEMENTS

---

### NOTE 7 - PENSIONS

The North Dakota State Fair Association participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. The following is a brief description of the plan.

#### *Description of Plan:*

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the North Dakota State Fair Association. The plan provides retirement, disability and death benefits. If an active employee dies with less than five years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred (or, effective August 1, 1995, monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death). If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with five or more years of service. NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; P.O. Box 1214; Bismarck, ND 58502-1214.

#### *Funding Policy*

NDPERS is funded by employee contributions (set by statute) of 4% of regular compensation. During the 1983-1985 biennium the State implemented the employer pickup provision of the IRS code whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution. Employer contributions of 4.12 percent of covered compensation are set by statute. The required contributions are determined using an entry age normal actuarial funding method. The North Dakota Retirement Board was created by the State legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with Chapter 54-52 of the North Dakota Century Code. The North Dakota State Fair Association's required and actual contributions to NDPERS for the fiscal years ending September 30, 2009, 2008, and 2007, were \$33,230, \$29,494, and \$27,658, respectively.

### NOTE 8 - LEASE AGREEMENTS

The North Dakota State Fair Association, as lessor, has entered into lease agreements with local organizations for the use of Association buildings. The lessees have use of the facilities for established months of each year and the Association has use of the facilities for the period which coincides with fair time.

Lease terms are as follows:

(continued on next page)

## NOTES TO FINANCIAL STATEMENTS

	<u>Term and Expiration Date</u>	<u>Annual Rental</u>
Gymagic Gymnastics Agreement	5 years through September 2012,	\$ 24,000
All Seasons Arena Ice Contract	Annual with renewal option	105,900
Norsk Hostfest Contract	5 years through October 2011	151,900
Minot Curling Club Contract	5 years through April 20, 2012	6,000

The leases are accounted for as operating leases. The Gymagic Gymnastics and the Minot Curling Club leases are noncancelable. The All Seasons Arena Ice Contract and Norsk Hostfest contracts cancelable in the event the facilities specified within the contracts are destroyed. The annual rent for the Norsk Hostfest lease will start increasing in fiscal year 2010 as stated within the agreement.

The minimum aggregate lease revenue over the next five years is as follows:

<u>Years Ended September 30,</u>	<u>Amount</u>
2010	\$ 287,800
2011	186,400
2012	30,000
	<u>\$ 504,200</u>

The North Dakota State Fair Association entered into an operating lease commitment for lease of mailing equipment on June 1, 2007. The noncancelable lease requires monthly payments of \$66 through May 31, 2012.

Annual lease commitments under this obligation are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2010	\$ 792
2011	792
2012	528
	<u>\$ 2,112</u>

### NOTE 9 - RISK MANAGEMENT

The North Dakota State Fair Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

## NOTES TO FINANCIAL STATEMENTS

---

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of State agencies resulting from the elimination of the State's sovereign immunity. The RMF manages the tort liability of the State, its agencies' employees and the University System. All State agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

In 1986 State agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for over 2,000 State agencies and political subdivisions. The North Dakota State Fair Association pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence.

The Association also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The agency participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. The WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past two fiscal years.

### NOTE 10 - COMMITMENTS

The North Dakota State Fair Association entered into a lease and concessions arrangement with M & S Concessions. The lessee is responsible to provide for its own concession equipment. In the event that the lease is not renewed or terminated, the Association is committed to purchase the equipment and improvements installed by the lessee at a price equal to "depreciated value." Depreciated value means the original cost of the equipment or improvements, less 10% per year from the date of installation to the date of termination. Estimated depreciated value at September 30, 2009 is approximately \$167,278.

The North Dakota State Fair Association entered into agreements with contractors for the construction of the new grandstand and the demolition of the old grandstand. The amount remaining on the contract for the demolition is \$14,221. The remaining portion of the contract in place for construction of the grandstand is \$394,000.



CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

---

The Board of Directors  
**North Dakota State Fair Association**  
Minot, North Dakota

We have audited the financial statements of the North Dakota State Fair Association, as of and for the year ended September 30, 2009, and have issued our report thereon dated November 4, 2009. 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.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered North Dakota State Fair Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota State Fair Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Fair Association's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying summary of audit findings as 09-1, 09-2 and 09-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the deficiency described in the summary of audit findings as finding 09-3 to be a material weakness.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the North Dakota State Fair Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

The North Dakota State Fair Association's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the North Dakota State Fair Association's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Legislative Audit and Fiscal Review Committee, management, federal awarding agencies, and other state officials and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota  
November 4, 2009

**NORTH DAKOTA STATE FAIR ASSOCIATION  
SCHEDULE OF FINDINGS, RECOMMENDATIONS, AND AGENCY RESPONSES  
SEPTEMBER 30, 2009**

---

**CURRENT AUDIT FINDINGS AND RECOMMENDATIONS**

09-1 Segregation of Duties – Significant Deficiency

Condition: The Association has a lack of segregation of duties in certain areas due to a limited staff.

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The control deficiency could result in the improper recording of a transaction.

Effect: Inadequate segregation of duties could adversely affect the Association's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation: While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the Association.

Management's Response: At the present time the North Dakota State Fair has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.

09-2 Recording of Transactions – Significant Deficiency

Condition: We identified a misstatement in the Board's financial statements causing us to propose a significant audit adjustment. An invoice received in October for contractor services performed in September was not recorded in the 2009 fiscal year.

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Cause: A misstatement significant to the financial statements could result from inadequate controls over recording of transactions.

Effect: Inadequate internal controls over recording of transactions affect the Board's ability to detect misstatements in amounts that would be significant in relation to the financial statements.

Recommendation: During on-going construction projects it is important for the North Dakota State Fair Association to ensure they have properly requested and recorded invoices for any contractor services that would have been performed during their fiscal year so they can accurately record them in the proper timeframe.

Management's Response: Fair staff will call to receive construction invoices in a timely manner, so they can be booked in the proper month.

09-3 Preparation of Financial Statements – Material Weakness

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition: The Association does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The control deficiency could result in a misstatement to the presentation of the financial statements.

Effect: Inadequate controls over financial reporting of the Association result in the more than remote likelihood that the Association would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the Association and changes in reporting requirements.

Management's Response: Since it is not cost-effective for an for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare the audit financial statements as part of their annual audit of the North Dakota State Fair.



CPAs & BUSINESS ADVISORS

**NORTH DAKOTA STATE FAIR ASSOCIATION  
INDEPENDENT AUDITOR'S SPECIFIC COMMENTS REQUESTED BY THE  
NORTH DAKOTA LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE  
YEAR ENDED SEPTEMBER 30, 2009**

---

The Board of Directors  
**North Dakota State Fair Association**  
Minot, North Dakota

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses regarding the September 30, 2009, audit of the North Dakota State Fair Association are as follows:

**Audit Report Communications**

1. What type of opinion was issued on the financial statements?

Unqualified.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes.

3. Was internal control adequate and functioning effectively?

See schedule of findings for deficiencies in internal control, we consider the deficiency described in finding 09-3 to be a material weakness in internal control over financial reporting.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. Has action been taken on findings and recommendations included in prior audit reports?

In regards to the segregation of duties finding in the prior year the Association feels they have segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, they will not be adding administrative employees, so this is a repeat finding in the current year. This is the same for preparation of financial statements; it is not cost-effective for them to hire another employee who would be capable of preparing audit-ready financial statements so this will be a repeat finding again in the current year.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.

Yes. See Management letter for any findings and recommendations

### **Audit Committee Communications**

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions?

We noted no significant changes in accounting policies, no conflicts of interest, no contingent liabilities, and no significant unusual transactions.

2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates?

The North Dakota State Fair Association estimates the depreciation of fixed assets. Management determines the useful life of the assets based on planned use, subtracts the estimated salvage value, and depreciates the remaining cost of the asset over the useful life. The auditor's conclusion of the reasonableness of the useful lives is based on the past history of similar assets used by the organization.

The North Dakota State Fair Association also estimates the allowance for uncollectible accounts based on the history of balance write-offs and the aging of accounts receivable in the current year, the auditor's conclusion is that the allowance for uncollectible accounts is reasonable.

3. Identify any significant audit adjustments?

See management letter for audit adjustments made in the current year.

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to the financial accounting, reporting, or auditing matter that could be significant to the financial statements?

None

5. Identify any serious difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accountants about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions to be assessed by auditors are directly related to the operations of an information technology system.

None

This report is intended solely for the information and use of the Legislative Audit and Fiscal Review Committee, management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota  
November 4, 2009