Financial Statements
September 30, 2018

North Dakota State Fair Association

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of the North Dakota State Fair Association, a component unit of the State of North Dakota, and of its discretely presented component unit, North Dakota State Fair Foundation, as of and for the year then ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions 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 from material misstatement.

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

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

Basis for Qualified Opinions
As discussed in Notes 9 and 10 to the financial statements, the North Dakota State Fair Association has not determined the net pension liability and the other postemployment benefits liability, as of a measurement date no earlier than the end of the employer's prior fiscal year. Accounting principles generally accepted in the United States of America require that each liability be determined as of a measurement date no earlier than the end of the employer's prior fiscal year. The effect of this departure on the deferred outflows of resources, deferred inflows of resources, liabilities, net pension liability, and expenses has not been determined.

Qualified Opinions
In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Dakota State Fair Association, and of its discretely presented component unit as of September 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of North Dakota State Fair Association, an enterprise fund of the State of North Dakota, are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities of the State of North Dakota that is attributable to the transactions of 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, 2018, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Notes 1 and 13 to the financial statements, the Association has adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which has resulted in a restatement of the net position as of October 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer's Share of Net Pension Liability and Schedules of Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018 on our consideration of the North Dakota State Fair Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota State Fair Association's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
November 1, 2018

This section of the Association's annual financial report presents our analysis of the financial performance during the fiscal year that ended September 30, 2018. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Association's net position was adjusted due to the implementation of GASB 75. After the adjustment, the Association's net position decreased by $665,909 or -2.46% in fiscal year 2018.
- During fiscal year, the Association's operating revenues increased by $406,881 or 6.23%, while operating expenses increased by $237,994 or 2.84%.
- Fair revenues increased to $6,624,183 or 6.79%.
- Property and equipment additions totaled $319,871.
- Depreciation expense totaled $1,654,700.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis, Financial Statements, and Required 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 Change in Net Position. 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.

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 Position report information about the Association's activities in a way that will help answer this question. These two statements report the net position of the Association and changes in them. You can think of the Association's net position-the difference between assets, deferred outflows and inflows and liabilities-as one way to measure financial health or financial position. Over time, increases or decreases in the Association's net position 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 Position

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

Condensed Balance Sheets
(In Thousands of Dollars)

	2018	2017	Dollar Change	Total Percent Change
Assets				
Current and other assets	$ 6,946	$ 6,217	$ 729	11.73%
Capital assets	25,364	26,716	(1,352)	-5.06%
Total assets	32,310	32,933	(623)	-1.89%
Deferred Outflows of Resources	867	409	458	
Total assets and deferred outflows of resources	$ 33,177	$ 33,342	$ (165)	-0.49%
Liabilities				
Current liabilities	$ 235	$ 238	$ (3)	-1.26%
Long-term debt outstanding	1,577	1,709	(132)	0.00%
Other liabilities	1,782	1,071	711	66.39%
Total liabilities	3,594	3,018	576	19.09%
Deferred Inflow of Resources	93	90	3	
Net Position				
Net invested in capital assets	23,667	24,887	(1,220)	-4.90%
Unrestricted	5,823	5,347	476	8.90%
Total net position	29,490	30,234	(744)	-2.46%
Total liabilities, deferred inflows and net position	$ 33,177	$ 33,342	$ (165)	

Due to the implementation of GASB 75 in the current year, figures may not be comparable to the prior years for some areas of the financial statements. The condensed balance sheet shows the categories of items that are owned and owed by the Association. Total assets decreased by $623 thousand from 2017 to 2018 mainly due to the depreciation of capital assets. Total deferred outflows of resources increased by $458 thousand from 2017 to 2018 due to changes in assumptions such as inflation, discount, and investment rates of return. Total liabilities increased $576 thousand from 2017 to 2018 mainly due to the increase in the net pension liability.

Condensed Statements of Revenues, Expenses and Changes in Net Position
(In Thousands of Dollars)

	2018	2017	Dollar Change	Total Percent Change
Operating Revenues				
Fair proceeds and other revenue	$ 6,625	$ 6,204	$ 421	6.79%
Arena revenue	305	318	(13)	-4.09%
Other revenue	15	16	(1)	-6.25%
	6,945	6,538	407	6.23%
Nonoperating Revenues				
Local grants	801	849	(48)	-5.65%
Interest and investment income	13	6	7	116.67%
	814	855	(41)	-4.80%
Total Revenues	7,759	7,393	366	4.95%
Operating Expenses				
General expenses	4,739	4,640	99	2.13%
Depreciation expense	1,655	1,652	3	0.18%
Salaries, wages and vacation pay	1,947	1,828	119	6.51%
Premiums, trophies and awards	280	263	17	6.46%
	8,621	8,383	238	2.84%
Non Operating Expenses				
Interest expense	57	61	(4)	-6.56%
Bond fees	17	17	-	0.00%
Amortization	(12)	(12)	-	0.00%
	62	66	(4)	-6.06%
Total Expenses	8,683	8,449	234	2.77%
Transfers -				
State Appropriations	258	292	(34)	-11.64%
Change in Net Position	(666)	(764)	98	
Net Position, Beginning of Year, as restated	30,156	30,998	(842)	
Net Position, End of Year	$ 29,490	$ 30,234	$ (744)	-2.46%

The condensed statements of revenues, expenses and changes in net position shows both the revenue streams and expenditures associated with operating the Association. As can be seen from the table above, the beginning net position was adjusted to $30,156 thousand due to the implementation of GASB 75. Total revenues were up $366 thousand from 2017 to 2018 while total expenses were up only $234 thousand from 2017 to 2018 due to the 2018 fair attendance being more favorable. The total net position decreased $666 thousand from 2017 to 2018.

Capital Assets

The Association had invested more than $52 million in infrastructure including land, buildings, improvements and equipment. Approximately 96 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 exceeded $872 thousand, excluding payroll costs for Association employees engaged in repair and upkeep procedures.

Current year additions to the capital asset category totaled approximately $320 thousand. See footnote 6 for additional details.

Long-Term Bond Debt

The Association had $1,565,000 in long term debt down from $1,685,000 in fiscal year 2017. See footnote 7 for additional details.

Net Pension Liability

As of October 1, 2014, the Association adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. As a result of implementing this standard, the Association reported a net pension liability of $1,670,191 at year end in 2018 and $1,044,379 in 2017. See additional information in Note 9.

Net Other Post-Employment Benefits Liability

As of October 1, 2017, the Association adopted GASB Statement No. 74 and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of these standards requires governments to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred ouflows and inflows of resources. As a result of implementing this standard, the Association reported a net OPEB liability of $77,560 at year end in 2018. See additional information in Note 10.

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, oil industry, Minot Air Force Base, Canadian exchange rates, weather, and competing entertainment providers such as casinos can all have significant impact on turnout for the annual State Fair.

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.

	Primary Government Business-Type	Component Unit State Fair
Current Assets		
Cash and cash equivalents	$ 5,754,186	$ 204,300
Investments	1,000,000	
Accounts receivable, net of allowance for uncollectible accounts of $3,000	139,725	-
Prepaid items	52,480	-
Total current assets	6,946,391	204,300
Noncurrent Assets		
Capital assets not being depreciated		
Land	620,678	1,115,389
Capital assets being depreciated		
Infrastructure	7,673,094	-
Buildings	41,725,437	-
Equipment	2,067,997	-
Less accumulated depreciation	(26,723,123)	-
Total noncurrent assets	25,364,083	1,115,389
Other Assets		
Restricted cash	-	11,016
Note receivable	-	1,110,000
Total other assets	-	1,121,016
Deferred Outflows of Resources	867,026	-
Total assets and deferred outflows of resources	$ 33,177,500	$ 2,440,705
Current Liabilities		
Trade accounts payable	$ 45,022	$ 13,000
Current portion of accrued employee leave	70,000	-
Current portion of bonds payable	120,000	-
Current portion of note payable	-	4,407
Total current liabilities	235,022	17,407
Noncurrent Liabilities		
Accrued employee leave, net of current portion	34,532	-
Bonds payable, net of unamortized premium of $131,794	1,576,794	-
Note payable	-	74,340
Net pension liability	1,670,191	-
Net other post-employment benefits liability	77,560	-
Total noncurrent liabilities	3,359,077	74,340
Deferred Inflow of Resources	93,445	-
Net Position		
Net investment in capital assets	23,667,289	-
Permanently Restricted Endowment	-	2,155,492
Unrestricted	5,822,667	193,466
Total net position	29,489,956	2,348,958
Total liabilities, deferred inflows of resources and net position	$ 33,177,500	$ 2,440,705

Functions/Programs	Expenses	Program Revenues: Charges For	Program Revenues: Operating	Program Revenues: Capital Grants	Net (Expense) Revenue and Change in Net Position: Primary Business-Type	Net (Expense) Revenue and Change in Net Position: Component State Fair
Primary Government						
Business-Type Activities						
State Fair Association	$ 8,695,095	$ 6,944,615	$ 801,525	$ -	$ (948,955)	$ -
Component Unit						
State Fair Foundation	45,367	44,538	32,482	6,000	-	37,653
Total Government	$ 8,740,462	$ 6,989,153	$ 834,007	$ 6,000	(948,955)	37,653
State appropriations					257,832	-
Investment earnings					12,954	27,964
Amortization of bond premium					12,260	-
Total general revenues					283,046	27,964
Change in net position					(665,909)	65,617
Net position, October 1, as restated (See Note 13)					30,155,865	2,283,341
Net position, September 30					$ 29,489,956	$ 2,348,958

See Notes to Financial Statements

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	$ 5,754,186
Investments	1,000,000
Accounts receivable, net of allowance for uncollectible accounts of $3,000	139,725
Prepaid items	52,480
Total current assets	6,946,391
Noncurrent Assets	
Capital assets not being depreciated	
Land	620,678
Capital assets being depreciated	
Infrastructure	7,673,094
Buildings	41,725,437
Equipment	2,067,997
Less accumulated depreciation	(26,723,123)
Total noncurrent assets	25,364,083
Total assets	32,310,474
Deferred Outflows of Resources	867,026
	$ 33,177,500

Liabilities, Deferred Inflow of Resources and Net Position	
Current Liabilities	
Trade accounts payable	$ 45,022
Current portion of accrued employee leave	70,000
Current portion of bonds payable	120,000
Total current liabilities	235,022
Noncurrent Liabilities	
Accrued employee leave, net of current portion	34,532
Bonds payable, net of unamortized premium of $131,794	1,576,794
Net pension liability	1,670,191
Net other post-employment benefits liability	77,560
Total noncurrent liabilities	3,359,077
Total liabilities	3,594,099
Deferred Inflow of Resources	93,445
Net Position	
Net investment in capital assets	23,667,289
Unrestricted	5,822,667
Total net position	29,489,956
	$ 33,177,500

Operating Revenues	
Fair proceeds and other revenue	$ 6,624,183
Arena revenue	305,184
Other revenue	15,248
Total operating revenues	6,944,615
Operating Expenses	
General expenses	4,739,600
Depreciation expense	1,654,700
Salaries, wages and vacation pay	1,947,148
Premiums, trophies and awards	279,947
Total operating expenses	8,621,395
Operating Loss	(1,676,780)
Nonoperating Revenues (Expenses)	
Local grants	801,525
Interest and investment income	12,954
Amortization of bond premium	12,260
Interest expense	(57,200)
Bond fees	(16,500)
Total nonoperating revenues	753,039
Loss Before Transfers	(923,741)
Transfers - State Appropriations	257,832
Change in Net Position	(665,909)
Net Position, Beginning of Year, as restated (See Note 13)	30,155,865
Net Position, End of Year	$ 29,489,956

Operating Activities	
Cash received from customers	$ 6,866,357
Cash payments for goods and services	(5,020,463)
Cash payments to employees	(1,768,229)
Net Cash from Operating Activities	77,665
Non-Capital Financing Activities	
Local grants received	801,525
State appropriations received	257,832
Net Cash from Non-Capital Financing Activities	1,059,357
Capital and Related Financing Activities	
Payments for capital acquisitions	(303,065)
Bond fees	(16,500)
Principal payments on bonds	(120,000)
Interest paid	(57,200)
Net Cash used for Capital and Related Financing Activities	(496,765)
Investing Activities	
Receipts of interest and dividends	12,954
Net Cash from Investing Activities	12,954
Net Change in Cash and Cash Equivalents	653,211
Cash and Cash Equivalents, Beginning of Year	5,100,975
Cash and Cash Equivalents, End of Year	$ 5,754,186

Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating loss	$ (1,676,780)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation	1,654,700
Adjustment to pension expense	171,162
Changes in operating assets and liabilities	
Customer receivables	(78,258)
Prepaid expenses	1,782
Trade accounts payable	(2,698)
Accrued leave	7,757
Net Cash from Operating Activities	$ 77,665

Supplemental Disclosure of Noncash Capital Financing Activities	
Value received for trade of capital assets	$ 16,806

	2017-2019 Appropriation	7/1/2017-9/30/2017 Expenditures	10/1/2017-9/30/2018 Expenditures	Unexpended Appropriations at 9/30/2018
Asphalt	$ -	$ -	-	$ -
Premiums	515,665	257,833	257,832	-
	$ 515,665	$ 257,833	$ 257,832	$ -

The following schedule shows the appropriated and non-appropriated portion of premiums, operating expenses, interest expense and bond costs for the year-ended September 30, 2018. Non-appropriated expenditures are made in accordance with NDCC 4-02.1-15.

	FY 2018 Appropriated	FY 2018 Non-appropriated	Fiscal Years 2017-2018 Total
Premiums	$ 257,832	$ 22,115	$ 279,947
Operating expenses	-	8,341,448	8,341,448
Bond issuance costs	-	16,500	16,500
Interest expenses	-	57,200	57,200
Asphalt	-	-	-
	$ 257,832	$ 8,437,263	$ 8,695,095

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

The North Dakota State Fair Association (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.

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 Governmental Accounting Standards Board has set forth criteria to be considered in evaluating the nature and significance of the relationship such that exclusion would cause the financial statements to be misleading or incomplete. This criteria includes (1) being a legally separate, tax-exempt organization, (2) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, (3) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (4) the economic resources received or held by an individual organization that the primary government is entitled to, or has the ability to otherwise access, are significant to the primary government.

Based upon the criteria of the Governmental Accounting Standards Board, the North Dakota State Fair Foundation is a component unit of the Association that should be presented discretely. It is considered part of the Association’s reporting entity because of the significance of its relationship with the Association. The North Dakota State Fair Foundation’s mission is to develop lifelong relationships with donors to secure philanthropic gifts that will enhance and support the work of the North Dakota State Fair.

Component Unit

In conformity with GAAP, the financial statements of the component unit have been included in the financial reporting entity as a discretely presented component unit.

Discretely Presented Component Unit-The component unit column in the government-wide financial statements includes the financial data of the Association’s one component unit, North Dakota State Fair Foundation. This unit is reported in a separate column to emphasize that it is legally separate from the Association.

North Dakota State Fair Foundation (Foundation), a nonprofit organization, was established to develop lifelong relationships with donors to secure philanthropic gifts that will enhance and support the work of the North Dakota State Fair Association. The Foundation's major sources of revenue include endowments and cash contributions. The Foundation prepares its financial statements in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

Revenue is recognized on the accrual basis for financial reporting.

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

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.

Investments

Investments consist entirely of certificates of deposit and are reported at amortized cost.

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 collectability of individual accounts. Accounts receivable are due within 30 days.

Prepaid Items

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

Operating Revenues

For purposes of differentiating operating revenues from non-operating revenues, the Association considers support received from the City of Minot (hotel tax) 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 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.

Unrestricted Net Assets – Foundation

This includes unrestricted resources, which represents the portion of expendable funds that are available for the support of the Foundation's operations.

Permanently Restricted Net Assets – Foundation

Permanently restricted net assets represent net assets resulting from contributions, whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organizations.

Notes Receivable – Foundation

See Note 4 to the financial statements for details pertaining to notes receivable. The Foundation provides an allowance for doubtful collections, which is based upon a review of outstanding receivables. As of September 30, 2018, there was no portion of notes receivable determined to be uncollectible, and therefore, no allowance was necessary.

Restricted Cash – Foundation

This consists of cash collected as part of permanently restricted endowments that has not been invested in land or notes receivable.

Income Taxes - Foundation

North Dakota State Fair Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In Addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the Section 509(a) of the code.

The Foundation's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support with the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

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.

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.

Subsequent Events

The North Dakota State Fair Association has evaluated subsequent events through November 1, 2018 the date which the financial statements were available to be issued.

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. See Note 9 and Note 10 for additional information.

Pensions and Other Post-Employment Benefits

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows/inflows of resources, pension expense, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by the NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the year ended September 30, 2018 is $405,621.

Note 3 - Cash and Investments

Custodial and Concentration of 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.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State Fair Association will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The State Fair Association does not have a formal policy that limits custodial credit risk for deposits. Deposits held with Bremer Bank are covered by depository insurance. The State Fair Association's remaining deposits are uncollateralized and held on deposit at the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

Investments

The Association has an investment in a certificate of deposit totaling $1,000,000 as of September 30, 2018 bearing interest at 1.0% maturing December 16, 2021.

Foundation

At September 30, 2018, the North Dakota State Fair Foundation, a discretely presented component unit of the State Fair Association, had carrying amount of deposits of $215,316 all of which was covered by Federal Depository Insurance.

Details pertaining to unrestricted cash for the year ended September 30, 2018 are as follows:

Bank	Type	
Dacotah Bank	Checking-Operations	$ 203,544
Dacotah Bank	Checking-Gaming	756
		$ 204,300

Details pertaining to restricted cash for the year ended September 30, 2018 are as follows:

Bank	Type	
Dacotah Bank	Checking-Endowment	$ 11,016

Note 4 - Notes Receivable – Foundation

The North Dakota State Fair Foundation's endowed notes require interest only payments with full principal due on maturity. The Foundation's endowed notes receivable consists of the following:

Payee	Note Balance	Rate	Due	Collateral
Golf Minot, Inc.	$ 500,000	2.50%	July 1, 2025	Unsecured
Golf Minot, Inc.	125,000	2.50%	August 10, 2025	Unsecured
Golf Minot, Inc.	50,000	2.50%	November 1, 2025	Unsecured
Golf Minot, Inc.	100,000	2.50%	December 31, 2025	Unsecured
Golf Minot, Inc.	100,000	2.50%	June 16, 2026	Unsecured
Golf Minot, Inc.	50,000	2.50%	October 1, 2026	Unsecured
Golf Minot, Inc.	160,000	2.50%	October 16, 2026	Unsecured
Golf Minot, Inc.	25,000	2.50%	January 31, 2027	Unsecured
	$ 1,110,000			

Note 5 - Endowments - Foundation

The Foundation's endowment consists of a fund established as a permanent endowment for such purposes as the Foundation determines prudent. Its endowment includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to be appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundations investment policies.

The Board of Directors has authorized the spending of all prior accumulated interest and dividend earnings from donor-restricted endowment funds as allowed. All earnings from donor-restricted funds are classified as temporarily restricted until they are spent.

Permanently restricted endowment net asset composition by type of fund as of September 30, 2018 is as follows:

Beginning Endowment Net Assets	$ 2,149,492
Endowment Contributions	6,000
Ending Endowment Net Assets	$ 2,155,492

Note 6 - Capital Assets

The components and changes in components of capital assets of the Association at September 30, 2018 are as follows:

	Balance 09/30/17	Additions/ Depreciation Expense	Deletions	Balance 09/30/18
Capital Assets Not Being Depreciated				
Land	$ 620,678	$ -	$ -	$ 620,678
Capital Assets Being Depreciated				
Infrastructure	7,642,094	31,000	-	7,673,094
Buildings	41,558,956	166,481	-	41,725,437
Equipment	1,965,214	122,390	(19,607)	2,067,997
	51,786,942	319,871	(19,607)	52,087,206
Less accumulated depreciation				
Infrastructure	(3,371,862)	(309,893)	-	(3,681,755)
Buildings	(19,997,387)	(1,260,121)	-	(21,257,508)
Equipment	(1,701,975)	(84,686)	2,801	(1,783,860)
	(25,071,224)	(1,654,700)	2,801	(26,723,123)
Net	$ 26,715,718	$ (1,334,829)	$ (16,806)	$ 25,364,083

Foundation

The components and changes in components of capital assets of the Foundation at September 30, 2018 is as follows:

	Balance 09/30/17	Additions/ Depreciation Expense	Deletions	Balance 09/30/18
Capital Assets Not Being Depreciated				
Land	$ 1,115,389	$ -	$ -	$ 1,115,389

Note 7 - 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, 2018:

	Balance 09/30/17	Additions	Retirements	Balance 09/30/18	Current Portion
Bonds Payable	$ 1,685,000	$ -	$ (120,000)	$ 1,565,000	$ 120,000
Accrued Employee Leave	96,775	75,545	(67,788)	104,532	70,000
	$ 1,781,775	$ 75,545	$ (187,788)	$ 1,669,532	$ 190,000

Capital Financing Program Bonds Series 2015A

Interest on the 2015A Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on June 1, 2029 are not subject to optional redemption prior to maturity except under extraordinary circumstances. The bonds are presented on the balance sheet net of unamortized premium of $131,794 for the year ended September 30, 2018. The bonds are secured by the Association's net revenues and by the lodging tax proceeds received from the City of Minot.

Minimum principal and interest payments required on 2015A Series Bonds are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	$ 120,000	$ 54,800	$ 174,800
2020	125,000	51,200	176,200
2021	130,000	47,450	177,450
2022	130,000	43,550	173,550
2023	135,000	39,650	174,650
2024-2028	755,000	125,600	880,600
2029-2030	170,000	6,800	176,800
	$ 1,565,000	$ 369,050	$ 1,934,050

Foundation

The Foundation has a note payable due in monthly installments of $641, bearing interest at 4.22%, maturing March 15, 2022, secured by land.

	Balance 09/30/17	Additions	Retirements	Balance 09/30/18	Current Portion
Note payable for land	$ 82,970	$ -	$ (4,223)	$ 78,747	$ 4,407

Minimum principal and interest payments required are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	$ 4,407	$ 3,283	$ 7,690
2020	4,591	3,099	7,690
2021	4,800	2,891	7,691
2022	64,949	1,356	66,305
	$ 78,747	$ 10,629	$ 89,376

Note 8 - 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 year ended September 30, 2018 was $257,832.

Note 9 - Pensions

The North Dakota State Fair Association participates in the North Dakota Public Employees Retirement System (NDPERS) administered by the State of North Dakota. NDPERS is an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Comprehensive Annual Financial Report. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

Defined Benefit Pension Plan

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, disability and death benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor, one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the member's accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's 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 member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 3% and employer contribution rates are 11.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018 the Association reported a liability of $1,670,191 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. North Dakota State Fair Association's proportion of the net pension liability was based on the North Dakota State Fair Association's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the Association's proportion was 0.103911% which was a decrease of 0.003249% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2018, the Association recognized pension expense of $245,478. At September 30, 2018, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Difference between expected and actual experience	$ 9,928
Changes in assumption	684,891
Net difference between projected and actual earnings on pension plan investments	22,463
Changes in proportion and difference between Association contributions and proportionate share of contributions	16,612
Association contributions subsequent to the measurement date	113,636
	$ 847,530

Deferred Inflows of Resources	
Difference between expected and actual experience	$ 8,137
Changes in assumption	37,670
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion and difference between Association contributions and proportionate share of contributions	42,759
	$ 88,566

$113,636 reported as deferred outflows of resources related to pensions resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2018	$ 138,267
2019	169,089
2020	145,874
2021	125,401
2022	66,697
Thereafter	-
Totals	$ 645,328

Actuarial assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 – 49	6.00%
	50+	5.00%
	*Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.0%	6.05%
International Equity	21.0%	6.70%
Private Equity	5.0%	10.20%
Domestic Fixed Income	17.0%	1.43%
International Fixed Income	5.0%	-0.45%
Global Real Assets	20.0%	5.16%
Cash Equivalents	1.0%	0.00%
Total	100%	

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to all projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.64%.

Sensitivity of the Association's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the North Dakota State Fair Association's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% Increase (7.44%)
Association's proportionate share of the net pension liability	$ 2,267,335	$ 1,670,191	$ 1,173,392

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 10 - Other Post-Employment Benefits

Summary of Significant Accounting Policies

Other Post-Employment Benefits (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the Association reported a liability of $77,560 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Association's proportion of the net OPEB liability was based on the Association's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the Association's proportion was 0.098052%.

For the year ended September 30, 2018, the Association recognized OPEB expense of $9,340. At September 30, 2018, the Association reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources	
Difference between expected and actual experience	$ -
Changes in assumption	7,512
Net difference between projected and actual earnings on OPEB plan investments	-
Changes in proportion and difference between Association contributions and proportionate share of contributions	-
Association contributions subsequent to the measurement date	11,984
	$ 19,496
Deferred Inflows of Resources	
Difference between expected and actual experience	$ 1,892
Changes in assumption	-
Net difference between projected and actual earnings on OPEB plan investments	2,933
Changes in proportion and difference between Association contributions and proportionate share of contributions	54
	$ 4,879

$11,984 reported as deferred outflows of resources related to OPEB resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		
2018	$	138
2019		138
2020		138
2021		138
2022		871
Thereafter		1,210
Totals	$	2,633

Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37.0%	5.80%
Small Cap Domestic Equities	9.0%	7.05%
International Equities	14.0%	6.20%
Core-Plus Fixed Income	40.0%	1.56%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Association's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Association's proportionate share of the net OPEB liability	$ 97,096	$ 77,560	$ 60,815

Note 11 - 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:

	Term and Expiration Date	Annual Rental
Minot Soccer Association	5 years through September 2022	$ 25,200
All Seasons Arena Ice Contract	1 year through January 2019	67,815
Norsk Hostfest Contract	3 years through October 2019	179,000
Minot Curling Club Contract	5 years through April 2022	7,200
North Dakota Firefighter's Association	5 years through March 2020	25,600
Minot Y's Men's PRCA	3 years through October 2020	18,867
Circus Contract	5 years through April 2021	8,350
Northwest Dakota Cellular of North Dakota	5 years through August 2019	20,000

The leases are accounted for as operating leases. All contracts are cancelable in the event the facilities specified within the contracts are destroyed.

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

Years Ended September 30,	Amount
2019	$ 352,032
2020	264,405
2021	59,995
2022	32,400
	$ 708,832

Foundation

The North Dakota State Fair Foundation leases land to Golf Minot, Inc. for an annual lease payment of $25,000. The term of the lease is 49 years, expiring October 31, 2063.

Note 12 - 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:

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 (NDIRF), 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 NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF 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 13 - Restatement of Net Position

As of October 1, 2017, the Association adopted GASB Statement No. 74 and 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of these standards requires governments to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. As a result of implementing this standard, the Association reported a net OPEB liability of $77,560 at year end in 2018. See additional information in Note 10.

Net Position - September 30, 2017, as previously reported	$ 30,233,719
Restatement due to implementation of GASB 75, effect on net position	(77,854)
Net position - September 30, 2017, as restated	$ 30,155,865

In accordance with GASB Statement No. 75, the 2017 financial statements were not restated as the appropriate actuarial valuations for the prior periods were not available.

Note 14 - 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, 2018 was $137,945.

Required Supplementary Information
September 30, 2018

North Dakota State Fair Association

Schedules of Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.103911%	0.107160%	0.103567%	0.110140%
Employer's proportionate share of the net pension liability	$1,670,191	$1,044,379	$704,238	$699,082
Employer's covered payroll	$1,060,771	$1,079,917	$922,657	$927,789
Employer's proportionate share of the net pension liability as a	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension	61.98%	70.46%	77.15%	77.70%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2015.

*Amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018	2017	2016	2015
Statutorily required contribution	$76,919	$78,184	$70,083	$66,059
Contributions in relation to the statutorily required contribution	($76,622)	($76,995)	($75,526)	($129,425)
Contribution deficiency (excess)	$297	$1,189	($5,443)	($63,366)
Employer's covered payroll	$1,060,771	$1,079,917	$922,657	$1,101,162
Contributions as a percentage of covered payroll	7.22%	7.13%	7.60%	11.75%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2015.

Changes of Benefit Terms

(NDPERS will provide if applicable.)

Changes in Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

Schedules of Required Supplementary Information

Schedule of Employer's Share of OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018
Employer's proportion of the OPEB liability	0.098052%
Employer's proportionate share of the net OPEB liability	$77,560
Employer's covered-employee payroll	$1,060,771
Employer's proportionate share of the net OPEB liability as a	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2017.

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2018
Statutorily required contribution	$12,331
Contributions in relation to the statutorily required contribution	($12,268)
Contribution deficiency (excess)	$63
Employer's covered-employee payroll	$1,060,771
Contributions as a percentage of covered-employee payroll	1.16%

*GASB Statement no. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available. Complete data for this schedule is not available prior to 2017.

Changes of Benefit Terms

(NDPERS will provide if applicable.)

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

CPAs & BUSINESS ADVISORS

Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the North Dakota State Fair Association and its discretely presented component unit as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise North Dakota State Fair Association's basic financial statements, and have issued our report thereon dated November 1, 2018. The report on the North Dakota State Fair Association was qualified due to departures from generally accepted accounting principles in recording the net pension liability.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota State Fair Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Fair Association's internal control.

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

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2018-A and 2018-B.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe that a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether North Dakota State Fair Association's financial statements are free from 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*.

Response to the Finding
North Dakota State Fair Association's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. North Dakota State Fair Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Bismarck, North Dakota
November 1, 2018

Financial Statement Findings

2018-A Financial Statement Presentation
Material Weakness

Condition: The North Dakota State Fair Association has not determined the net pension liability, and OPEB liability, as of a measurement date no earlier than the end of the employer's prior fiscal year.

Criteria: GASB No. 68 paragraph 48 (Accounting and Financial Reporting for Pensions) and GASB No. 75 paragraph 59 (Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions), requires that the net pension liability and OPEB liability, respectively, be determined as of a measurement date no earlier than the end of the employer's prior fiscal year.

Cause: NDPERS has hired an actuary to complete its actuarial valuation of the NDPERS cost sharing plan using a July 1 measurement date. An actuarial valuation as of July 1, 2018 has not been completed yet and therefore, the Association is unable to record the net pension liability and OPEB liability using the appropriate measurement date.

Effect: This item results in a departure from accounting principles generally accepted in the United States of America.

Recommendation: We understand that the measurement date used is not a result of misunderstanding or incompetence on the part of the North Dakota State Fair Association's management, but we recommend management evaluate the changes in the net pension and OPEB liabilities in future years to determine if the net pension and OPEB liabilities based on the previous years' measurement date are materially correct. In future periods, the North Dakota State Fair Association will have more information related to the changes in net pension liability and OPEB liability estimation, which will allow for a more accurate valuation of the net pension liability and OPEB liability as of October 1 for the prior fiscal year.

Management's Response: We utilized the most current NDPERS actuary numbers that were available to us during the audit timeframe. In order to utilize the July 1, 2018 numbers, we would have to leave our September 30, 2018 financial statements open for many months until those values are determined. Since the annual meeting for the North Dakota State Fair Association is held in November, we need to finalize our financial statements in October in order to report them in November. Thus, it was determined it's in the best interest of all parties to base our GASB No. 68 and No. 75 implementation on the only figures we had available at the time.

**2018-B Valuation of Notes Receivable
Material Weakness**

Condition: The North Dakota State Fair Foundation (Foundation), a discretely presented component unit of the North Dakota State Fair Association does not have any internal controls over the valuation of their notes receivable. During the year-ended September 30, 2018 the Foundation had $1,110,000 of notes receivable to Golf Minot, Inc. The Foundation had no allowance set up for these notes receivable and the notes were unsecured.

Criteria: A good system of internal control contemplates an adequate system for the reviewing of valuations of significant estimate, including the valuation of notes receivable.

Cause: The Foundation receives a valuation, but its internal control structure is not designed to provide a review of the valuation of notes receivable.

Effect: The lack of the valuation over notes receivable increases the risk of a material misstatement in the financial statements, which would not be detected and corrected on a timely basis.

Recommendation: We recommend that the procedures and policies over the valuation of significant estimates be reviewed to include processes over the valuation of the notes receivable.

Management's Response: Management agrees with the finding and will continue to monitor the Foundation's policy over significant estimates.