

# McGladrey & Pullen

Certified Public Accountants

## State of Illinois Illinois Department of Agriculture Illinois State Fair

Compliance Examination  
For the Two Years Ended September 30, 2007

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

State of Illinois  
Illinois Department of Agriculture  
Illinois State Fair

Compliance Examination  
For the Two Years Ended September 30, 2007

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AGENCY OFFICIALS

Director	Mr. Charles A. Hartke
Assistant Director	Mr. Tom Jennings
Fiscal Officer	Ms. Laura Lanterman
General Counsel	Ms. Margaret Vandijk
Fair Manager	Ms. Amy Bliefnick

Agency offices are located at:

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State Fairgrounds  
Springfield, IL 62794-9281

P.O. Box 19427  
Springfield, IL 62794-9427



217/782-6661  
217/524-6858 (TTY)  
217/782-9115 (Fax)

May 15, 2008

McGladrey & Pullen, LLP  
Certified Public Accountants  
20 North Martingale Road, Suite 500  
Schaumburg, Illinois 60173

Ladies and Gentlemen:

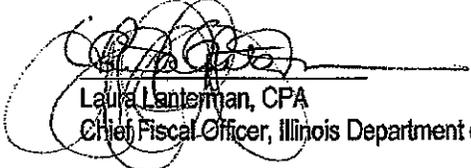
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Department of Agriculture, Illinois State Fair (ISF). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of ISF's compliance with the following assertions during the two-year period ended September 30, 2007. Based on this evaluation, we assert that during the years ended September 30, 2007 and September 30, 2006, the ISF has materially complied with the assertions below.

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

Yours very truly,



Amy Bliefnick  
Fair Manager, Illinois State Fair



Laura Lanterman, CPA  
Chief Fiscal Officer, Illinois Department of Agriculture

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**COMPLIANCE REPORT**

**Summary**

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

**Accountants' Reports**

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

**Summary of Findings**

<u>Number of</u>	<u>Compliance Report</u>	<u>Prior Compliance Report</u>
Findings	3	9
Repeated findings	2	3
Prior recommendations implemented or not repeated	7	7

Details of findings are presented in a separately tabbed report section.

**Schedule of Findings**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (STATE COMPLIANCE)		
07-1	9	Inadequate Control Over Gate and Parking Admissions
07-2	11	Improper Processing of Competitive Events Entries
07-3	12	Controls Over Space Rental Contracts Need Improvement

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COMPLIANCE REPORT

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
07-4	14	Inadequate Control Over Camping Revenues and Permits
07-5	14	Proof of Insurance Not Obtained
07-6	14	Contracts Not Signed Timely
07-7	14	Incomplete Processing of Non-Paid Credentials
07-8	15	Pari-Mutuel Wagering Reports Were Not Reviewed
07-9	15	No Supporting Documents for All-Access Pass
07-10	15	Inadequate Segregation of Duties over Non-Fair Space Rental

Exit Conference

The Illinois State Fair officials waived an exit conference in correspondence dated March 31, 2008.

Responses to the recommendations were provided by Ms. Laura Lanterman, Chief Fiscal Officer, in a letter dated April 14, 2008.

# McGladrey & Pullen

Certified Public Accountants

## Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information For State Compliance Purposes

Honorable William G. Holland  
Auditor General  
State of Illinois

### Compliance

As Special Assistant Auditors for the Auditor General, we have examined State of Illinois, Illinois Department of Agriculture, Illinois State Fair's (ISF) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended September 30, 2007. The management of ISF is responsible for compliance with these requirements. Our responsibility is to express an opinion on ISF's compliance based on our examination.

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

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

In our opinion, ISF complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended September 30, 2007. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 07-1, 07-2 and 07-3.

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

### **Internal Control**

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

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 07-1, 07-2, and 07-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of State findings to be material weaknesses.

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

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

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2007, 2006 and 2005 Supplementary Information for State Compliance Purposes, except for Miscellaneous Operating Statistics on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

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

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
May 15, 2008

## SCHEDULE OF FINDINGS

### Current Findings – State Compliance

#### 07-1 Finding - Inadequate Control Over Gate and Parking Admissions

The Illinois State Fair (ISF) did not have adequate control over gate and parking admissions at the fair.

ISF collected a total of \$963,539 from gate and parking admissions during the 2006 fair and \$857,891 during the 2007 fair. There are nine gates where cash is received for fair admissions and four of the nine also receive cash for parking. The controls at the gate include a segregation of duties between the person accepting tickets and the person collecting the gate receipts.

During the gate observations during the 2007 fair, the following exceptions were noted:

- Gate volunteers did not collect non-paid Fair passes;
- Visitors were observed entering a gate without purchasing a ticket or offering the proper credentials;
- Vehicles entering the fairgrounds showing employee badges or non-fair credentials were not checked for entrance tickets if their parking pass allowed entrance into a particular gate;
- One gate only had one volunteer; thus, cars entering the gate were not checked for parking passes when the volunteer was busy selling tickets.

During the gate observations of the 2006 fair, the following exceptions were noted:

- Family members of employees were allowed into the fairgrounds without paying admission;
- One gate had only one volunteer who was acting as the money collector and ticket taker;
- One gate was understaffed.

ISF officials stated that ISF does not handle the daily collection of gate and parking admissions but contracts with an outside vendor to oversee the process. The vendor contract did not provide specifics as to how the gates were to be manned and money accounted for.

The contractor's guide, "State Fair Parking and Admissions", lists the duties and responsibilities associated with parking and admissions. It states that people admitted to the fair, both in their vehicles and on foot, with some exceptions, are required to pay for admission, as well as for parking. Good internal controls would mandate that duties at the gate be segregated between the person accepting the ticket and the person collecting the admission fee.

Without stronger internal controls over gate receipts, there is an increased risk of loss or malfeasance of gate receipts. (Finding Code No. 07-1, 05-4)

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SCHEDULE OF FINDINGS (continued)

Current Findings – State Compliance (continued)

07-1 Finding – Inadequate Control Over Gate and Parking Admissions (continued)

Recommendation:

We recommend ISF work with its vendor to improve controls over gate and parking revenue by ensuring that all persons entering the fairgrounds have the proper credentials or pay the admissions/parking fees.

Agency Response:

The Agency agrees with the finding and will work with its vendor to improve controls over gate and parking revenue by ensuring that all persons entering the fairgrounds have the proper credentials or pay the admissions/parking fees.

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SCHEDULE OF FINDINGS (continued)

Current Findings – State Compliance (continued)

07-2 Finding – Improper Processing of Competitive Events Entries

The Illinois State Fair (ISF) did not properly process competitive event entries during the 2007 fair.

During the 2006 fair, we noted significant improvements in controls. No exceptions were noted during our sample testing. However, during the 2007 Fair, we noted the following exceptions pertaining to competitive events entry forms:

- 3 out of 36 forms (8%) were received after the deadline; two were 1 day past due and one was 11 days past due;
- 5 out of 36 forms (14%) did not have the date of receipt, thus, timely submission could not be determined.

ISF procedures require that exhibitors complete the entry form and pay the applicable fees prior to the closing date listed on the entry form.

ISF officials indicated that exceptions were due to oversight of temporary employees.

Entry forms processed beyond the deadline may lead to ineligible contestants being awarded as winners of a competitive event. (Finding Code No. 07-2, 05-5).

Recommendation:

We recommend ISF officials strengthen controls over competitive event entry forms to ensure all contestants have completed timely competitive events entry forms.

Agency Response:

The Agency agrees with the finding and will strengthen controls over competitive event entry forms to ensure contestants allowed to participate have completed timely entries.

SCHEDULE OF FINDINGS (continued)

Current Findings – State Compliance (continued)

**07-3 Finding – Controls Over Space Rental Contracts Need Improvement**

The Illinois State Fair (ISF) did not perform adequate procedures to ensure that all leases for space were properly enforced and that all space rental permits were properly displayed at the fair.

ISF collected a total of \$1,152,589 and \$1,070,488 for space rentals during the 2006 and 2007 fairs, respectively. We toured the fairgrounds and selected a sample of concessionaires/exhibitors for testing at the 2006 fair. Out of the concessionaires/exhibitors tested, we found:

- The space rental permit was not clearly displayed for 5 out of 50 (10%) concessionaire/exhibitors examined;
- The contract for 1 of 30 (3%) concessionaires/exhibitors was not dated.
- For 1 of 30 (3%), a State agency subleased a portion of its space one day to a drug company to give out promotional pens, magnets and other items to advertise its product. The space was leased under an exhibitor's contract that pays no revenue to the Illinois State Fair.

During the 2007 fair, we selected 30 concessionaires for testing and found the following exceptions:

- Two concessionaires (7%) used more space than what they had paid for. The total unpaid occupied space measured 20 feet, and amounted to \$1,400.

Per the Illinois State Fair Administrative Rules and Regulations, Title 8 Section 270.120: Each lessee shall display the concession or exhibit number in a conspicuous place near the front of the stand or place of business. Title 8 Section 270.75 states that State Fair exhibit or concession contracts or any portion thereof shall not be assigned; interest therein hypothecated or otherwise disposed of without the written consent of the Department. Good internal controls would require ISF to collect the full amount due for space rented.

ISF officials stated that the exceptions noted were due to oversight.

Inadequate controls over Space Rental Contracts could result in the loss of revenue to the Illinois State Fair. (Finding Code No. 07-3)

SCHEDULE OF FINDINGS (continued)

Current Findings – State Compliance (continued)

07-3 Finding – Controls Over Space Rental Contracts Need Improvement (continued)

Recommendation:

We recommend ISF more closely monitor space rental contracts to ensure that all concessionaires/exhibitors:

- Clearly display their space rental permits;
- Do not sublease space rented in violation of ISF policy;
- Date contracts at the time they are executed by the lessee, and;
- Adequately monitor space rental to ensure that all rent due is collected.

Agency Response:

The Agency agrees with the finding and will more closely monitor space rental contracts to ensure that all concessionaires/exhibitors comply with the terms of their contracts.

**SCHEDULE OF FINDINGS (continued)**

**Prior Year Findings Not Repeated**

**07-4 Finding - Inadequate Control Over Camping Revenues and Permits**

During the prior examination period, the Illinois State Fair (ISF) did not maintain adequate controls over camping revenue and permits at the fair to ensure all revenues for camping were received. (Finding Code No. 05-1, 03-3)

No exceptions were noted during testing related to the 2007 fair. Exceptions noted during the 2006 fair are reported in the Report of Immaterial Findings in Finding IM07-1.

**07-5 Finding - Proof of Insurance Not Obtained**

During the prior examination period, we noted the Illinois State Fair (ISF) did not obtain proof of insurance from vendors as required by the terms of the contracts. (Finding Code No. 05-2, 03-7)

No exceptions were noted during testing related to the 2007 fair. Exceptions noted during the 2006 fair are reported in the Report of Immaterial Findings in Finding IM07-2.

**07-6 Finding: Contracts Not Signed Timely**

During the prior examination period, we noted the Illinois State Fair (ISF) did not obtain properly signed and approved contracts prior to the vendors performing services. (Finding Code No. 05-3, 03-8)

No exceptions were noted during testing related to the 2007 fair. Exceptions noted during the 2006 Fair are reported in the Report of Immaterial Findings in Finding IM07-3.

**07-7 Finding: Incomplete Processing of Non-Paid Credentials**

During the previous examination period, we noted that the Illinois State Fair (ISF) did not require proper completion of non-paid credentials requests. Request forms were missing required signatures, requestor information, and reason for the request. (Finding Code No. 05-6)

No exceptions were noted during testing related to the 2007 fair. Exceptions noted during the 2006 fair are reported in the Report of Immaterial Findings in Finding IM07-4.

**SCHEDULE OF FINDINGS (continued)**

**Prior Year Findings Not Repeated (continued)**

**07-8 Finding - Pari-Mutuel Wagering Reports Were Not Reviewed**

During the prior examination period, the Illinois State Fair (ISF) did not review pari-mutuel wagering reports received from the vendor. (Finding Code No. 05-7).

During the current examination period, we noted that ISF requested the income and expense report from the vendor in a timely manner after the fair. The reports were reviewed for reasonableness and accuracy.

**07-9 Finding - No Supporting Documents for All-Access Pass**

During the prior examination period, we noted that the Illinois State Fair (ISF) distributed All-Access Passes to various individuals at the discretion of the Fair Manager. ISF did not keep supporting documentation to indicate who received these passes and no documentation detailing limitations, if any, on the use of these passes. (Finding Code No. 05-8).

During the 2006 and 2007 Fairs, we noted that the All-Access Pass had been eliminated.

**07-10 Finding - Inadequate Segregation of Duties over Non-Fair Space Rental**

During the prior examination period, the Illinois State Fair (ISF) did not adequately segregate duties over non-fair space rental. We noted that one person in the Non-Fair Space Rental Division was responsible for entering revenue accounting information into Fair Management System (FMS) for non-fair rentals, and processing and depositing cash receipts. (Finding Code No. 05-9).

During the 2006 and 2007 Fairs, we noted that ISF segregated the duties of accounting for non-fair revenue from the processing and depositing of cash receipts.

## SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

### Summary

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

- Fiscal Schedules and Analysis:
  - Comparative Schedule of Revenues and Expenditures
  - Notes to Comparative Schedule of Revenues and Expenditures
  - Analytical Review of Revenues and Expenditures
  - Reconciliation Schedule of State Fair Revenues to Deposits Remitted to the Comptroller
  - Detail Schedule of Revenues
  - Pari-Mutuel Wagering Receipts and Expenditures
  - Grandstand Shows Revenues and Expenditures
  - Competitive Events Revenues and Expenditures
  
- Analysis of Operations:
  - Division Functions and Planning Program
  - Number of Employees
  - Miscellaneous Operating Statistics (Not Examined)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Miscellaneous Operating Statistics on which they did not perform any procedures. However, the accountants do not express an opinion on the supplementary information.

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COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
 For the Years Ended September 30, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Tickets	\$ 2,220,095	\$ 2,138,702	\$ 2,342,697
Space Rental	1,070,488	1,152,589	1,106,249
Entry	299,964	313,352	304,104
Promotions	342,645	374,121	387,864
Total Revenues	<u>3,933,192</u>	<u>3,978,764</u>	<u>4,140,914</u>
Expenditures:			
Personal Services	557,556	512,389	514,361
Employee Retirement - State Paid	-	488	2,536
Extra Help	184,438	181,566	186,052
Contractual Payroll Employees	43,534	37,431	61,489
Contributions - Employee Retirement System	101,629	64,756	87,494
Contributions - Social Security	59,232	55,727	56,869
Group Insurance	115,035	119,258	103,720
Contractual Services	2,558,167	2,688,006	2,494,863
Travel	3,284	5,076	7,879
Commodities	110,804	52,305	42,944
Printing	26,052	22,196	61,965
Equipment	30,845	2,618	399
Telecommunications	59,072	145,377	55,714
Operation of Automotive Equipment	-	-	647
Promotions	15,088	26,924	31,659
Awards and Premiums:			
Harness Racing	177,207	183,652	183,652
Livestock Breeding	192,327	212,670	200,544
Other	450,236	498,015	416,192
Refunds	840	9,776	130,589
Allocated Costs	2,683,351	2,992,029	2,815,150
Total Expenditures	<u>7,368,697</u>	<u>7,810,259</u>	<u>7,454,718</u>
Deficiency of Revenues under Expenditures	<u>\$ (3,435,505)</u>	<u>\$ (3,831,495)</u>	<u>\$ (3,313,804)</u>

See notes to comparative schedule of revenues and expenditures.

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NOTES TO COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES:

The accompanying schedule of revenues and expenditures (Schedule) presents activity directly related to the operations of the Illinois State Fair (ISF) and the fairgrounds. It includes activity in the General Revenue Fund - 001, the Illinois State Fair Fund - 438, and the State Fair Promotion Fund - 835.

Revenues and expenditures are based on a fair year, October 1 to September 30, and contain activity from more than one State fiscal year. For example, revenues and expenditures for 2006 are for the fair held in August 2006, but consist of activity from the State fiscal years 2006 and 2007.

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

Expenditures consist of fair related expenditures from appropriated accounts from October 1 through September 30, plus accrued expenditures after September 30 of the current year related to the current year's fair less accrued expenditures at September 30 of the prior year related to the prior year's fair. The following is a breakdown of expenditures paid from appropriated accounts during the years ended September 30, 2007, 2006, and 2005:

	2007	2006	2005
State Fair Fund:			
Fair	\$ 4,116,453	\$ 4,231,040	\$ 4,024,320
Non-Fair	1,129,076	797,004	475,592
General Revenue Fund:	553,805	560,266	583,590
Promotion Fund:	15,088	26,924	31,658
Totals	<u>\$ 5,814,422</u>	<u>\$ 5,615,234</u>	<u>\$ 5,115,160</u>

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**NOTES TO COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (continued):

Allocable costs consist of both direct expenses, primarily from the General Revenue Fund buildings and grounds appropriations, not included in the expenditures above and indirect costs from administrative services and electronic data processing related to the Illinois State Fair. The allocated costs included in the schedule are based on a cost study performed by an independent contractor hired by the Department to ascertain an estimate of such costs. A summary of these allocated costs follows

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Buildings and Grounds Direct Costs	\$ 2,370,006	\$ 2,689,239	\$ 2,519,476
Other Bureau Direct Costs	60,809	55,025	47,909
Indirect Costs	<u>252,536</u>	<u>247,765</u>	<u>247,765</u>
Total	<u>\$ 2,683,351</u>	<u>\$ 2,992,029</u>	<u>\$ 2,815,150</u>

Revenue and expenditures for non-fair activities held at the State fairgrounds are excluded from the comparative schedule even though both fair and non-fair activities are appropriated and expended within the same fund - Fund 438, Illinois State Fair Fund.

Revenues and expenditures relating to pari-mutuel wagering are presented separately and are not included in the Schedule.

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

The fiscal schedules and analysis of other special revenue funds, including the Illinois Standardbred Breeders Fund - 708 and the Illinois Thoroughbred Breeders Fund - 709, relating to the Illinois State Fair are not included in this report. The fiscal schedules and analysis of these funds are included in the compliance examination of the Department of Agriculture.

3. ILLINOIS STATE FAIR FUND:

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

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NOTES TO COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES

4. NON-FAIR REVENUES AND EXPENDITURES:

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues	\$ 1,181,555	\$ 1,259,129	\$ 1,115,242
Expenditures	<u>1,129,076</u>	<u>797,004</u>	<u>475,592</u>
Excess of Revenues Over Expenditures	<u>\$ 52,479</u>	<u>\$ 462,125</u>	<u>\$ 639,650</u>

## ANALYTICAL REVIEW OF REVENUE AND EXPENDITURES

The scope of the analytical review explains any increase or decrease of revenue or expenditure items which vary by 20% or more that are also \$15,000 more or less than the prior year.

### Revenue

There were no significant changes in Revenue during the examination period.

### Expenditures

Contractual payroll costs decreased from 2005 to 2006 by \$24,058 due to horseracing personnel no longer paid from this account.

Change in retirement costs are in relation to the change in retirement rates as follows: 16.107% in 2005, 7.792% in 2006 and 11.525% in 2007.

Commodities increased from 2006 to 2007 by \$58,499 due to replenishment of supplies of ribbons and banners.

Printing decreased from 2005 to 2006 by \$39,769 due to ISF's in-house printing of premium books that were previously printed by contractors.

Equipment increased from 2006 to 2007 by \$28,227 due to the purchase of a sign making machine for the fair.

The significant changes noted in Telecommunications were due to timing issues because of reporting on a fair year basis which crosses two State fiscal years.

Refunds decreased from 2005 to 2006 by \$120,813 because there were no major grandstand concert cancellations.

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RECONCILIATION SCHEDULE OF STATE FAIR REVENUES  
 TO DEPOSITS REMITTED TO THE COMPTROLLER

Total 2007 Illinois State Fair Revenues	\$ 3,933,192
Add:	
Deposits in transit, beginning of period	75,396
Accounts receivable, beginning of period	85,847
	<u>161,243</u>
Deduct:	
Deposits in transit, end of period	34,058
Accounts receivable, end of period	164,279
	<u>198,337</u>
Cash Receipts per Comptroller	<u>\$ 3,896,098</u>
Total 2006 Illinois State Fair Revenues	\$ 3,978,764
Add:	
Deposits in transit, beginning of period	31,960
Accounts receivable, beginning of period	184,129
	<u>216,089</u>
Deduct:	
Deposits in transit, end of period	75,396
Accounts receivable, end of period	85,847
	<u>161,243</u>
Cash Receipts per Comptroller	<u>\$ 4,033,610</u>

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DETAIL SCHEDULE OF REVENUES  
 For the Years Ended September 30, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Ticket Revenues:			
Gate Admissions	\$ 857,891	\$ 963,539	\$ 958,353
Grandstand Shows	1,043,803	868,268	1,080,899
Mega Pass	231,011	224,970	226,635
Camping	87,390	81,925	76,810
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 2,220,095</u>	<u>\$ 2,138,702</u>	<u>\$ 2,342,697</u>
Space Rental Revenues:			
Fees and Commissions from Exhibits, Concessions, and Other Contractors	\$ 671,173	\$ 704,182	\$ 932,592
Carnival	283,837	307,351	47,692
Beer Concessions	115,478	141,056	125,965
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 1,070,488</u>	<u>\$ 1,152,589</u>	<u>\$ 1,106,249</u>
Entry Revenues:			
Regular Entry	\$ 95,371	\$ 102,669	\$ 103,765
Western Horse Shows	34,430	32,049	30,285
Society Horse Shows	73,771	72,387	72,194
Miscellaneous	96,392	106,247	97,860
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 299,964</u>	<u>\$ 313,352</u>	<u>\$ 304,104</u>
Promotion Revenues			
Sponsorships	\$ 320,021	\$ 350,475	\$ 355,247
Promotions	22,624	23,646	32,617
	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 342,645</u>	<u>\$ 374,121</u>	<u>\$ 387,864</u>

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PARI-MUTUEL WAGERING RECEIPTS AND EXPENDITURES  
 For the Years Ended September 30, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts (Net Commissions)	\$ 150,756	\$ 187,723	\$ 163,854
Expenditures	<u>(256,464)</u>	<u>(268,085)</u>	<u>(256,659)</u>
Deficiency of Receipts under Expenditures	<u>\$ (105,708)</u>	<u>\$ (80,362)</u>	<u>\$ (92,805)</u>

Note: ISF contracted with Maywood Park Trotting Association in 2007, 2006, and 2005 to conduct the pari-mutuel wagering operations at the Illinois State Fair. Maywood collected receipts and paid expenditures associated with pari-mutuel wagering in 2007, 2006, and 2005. ISF paid Maywood \$105,708, \$80,362 and \$92,805 for losses on the 2007, 2006, and 2005 contracts, respectively.

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

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GRANDSTAND SHOWS REVENUES AND EXPENDITURES  
 For the Years Ended September 30, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Ticket Sales	\$ 1,043,803	\$ 868,268	\$ 1,080,899
Expenditures:			
Entertainment	958,705	967,250	961,575
Ticket Contractor	-	11,947	15,410
Sound	24,499	24,499	39,298
Light	19,500	13,500	14,680
Booking Agent	19,500	19,500	19,500
Stagehands	138,667	147,158	114,000
Ushers	2,500	2,500	2,500
Catering	23,345	21,987	24,525
Equipment Rental	-	2,930	3,415
Grandstand Roof and Backdrop	18,750	18,750	-
Transportation	3,188	2,406	2,500
Total Expenditures	<u>1,208,654</u>	<u>1,232,427</u>	<u>1,197,403</u>
Deficiency of Revenues under Expenditures	<u>\$ (164,851)</u>	<u>\$ (364,159)</u>	<u>\$ (116,504)</u>

The above represents direct revenues and expenditures related to the grandstand shows.

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

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

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COMPETITIVE EVENTS REVENUES AND EXPENDITURES  
 For the Years Ended September 30, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues:			
Entry Fees	\$ 95,371	\$ 102,669	\$ 103,765
Expenditures:			
Extra Help	40,288	35,574	44,511
Contractual Services	268,040	307,870	265,423
Commodities	29,784	18,486	11,669
Printing	-	327	768
Awards and Premiums	551,010	554,843	544,649
Total Expenditures	<u>889,122</u>	<u>917,100</u>	<u>867,020</u>
Deficiency of Revenues under Expenditures	<u>\$ (793,751)</u>	<u>\$ (814,431)</u>	<u>\$ (763,255)</u>

The above represents direct revenues and expenditures related to competitive events held during the 2007, 2006, and 2005 Illinois State Fairs. Entry fees include fees directly related to the Fair and do not include entry fees for special events such as the Western and Society Horse Shows.

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

- Admission to the fairgrounds
- Concessions
- Parking
- Facility costs and overhead
- Fair personnel costs related to competitive events, maintenance, and overhead

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## DIVISION FUNCTIONS AND PLANNING PROGRAM

### GENERAL

The Illinois State Fair is an operating entity of the Department of Agriculture and is located at the State Fairgrounds, P.O. Box 19281, Springfield, Illinois 62794-9281. The Director of the Department of Agriculture is Charles Hartke. The Department is responsible for fulfilling the statutory obligation to hold the annual Illinois State Fair. The fair is held to promote agriculture and the agriculture industry, and to provide for exhibits and activities in the field of industry, education, arts and crafts, labor, entertainment, and other areas of interest to the people of the State. The Department of Agriculture is responsible for developing long- range operational and building use programs.

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

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

- Office of the State Fair Manager
- Space Rental
- Entertainment
- Special Events
- Support Services
- Competitive Events

A description of each functional area follows:

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

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

Entertainment - The Entertainment Manager initiates, plans, and directs activities associated with entertainment for the fair. The Entertainment Manager is responsible for the entertainment activities at the grandstand and other locations throughout the fairgrounds. Grandstand activities include the operation and administration of ticket sales in the grandstand ticket office.

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## DIVISION FUNCTIONS AND PLANNING PROGRAM

Special Events - The Special Events Manager coordinates activities during the fair at the Illinois Building, for the Senior Center, and on Lincoln Stage. The Special Events Manager also coordinates contests during the fair and the Illinois State Fair parade.

Support Services - The Support Services Manager is responsible for initiating, drafting, and editing all contracts for the Illinois State Fair including, but not limited to, contracts for personal services, rental agreements, and awards and premiums. Personnel in this functional area also plan, direct, and execute a comprehensive advertisement program for the fair. Other duties include the enforcement of Administrative Rules and Regulations, the development of policies and procedures for the issuance of non-paid credentials, and the coordination of gate admissions and parking during the fair.

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

## STRATEGIC PLANNING

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

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

- Increase the attendance at the fair.
- Increase the number of concessionaires.
- Monitor the appearance of the exhibits.
- Increase the number of private sponsorships.
- Update, renovate and maintain buildings and structures on the fairgrounds to enhance their appearance, ensure their public safety level and provide additional comfort to the fairgoers.
- Provide additional entertainment, exhibits, educational events and clinics.
- Increase the number of non-fair events, which will increase the revenue generated by non-fair events.
- Establish a close working relationship with the County Fairs and horse racing industry of Illinois.

The Department of Agriculture has developed a strategic plan that reflects the vision and goals of the agency. The Illinois State Fair is a part of the Department of Agriculture's strategic planning process. The strategic plan is reviewed on an ongoing basis.

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NUMBER OF EMPLOYEES  
 For the Years Ended September 30, 2007, 2006, and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Average Full-Time Employees:			
Department:			
Administration	5	5	5
Competitive Events	1	1	1
Fair Activities	3	3	3
	<u>9</u>	<u>9</u>	<u>9</u>
	<u>Sept -</u>		<u>July -</u>
	<u>May</u>	<u>June</u>	<u>August</u>
Temporary Employees:			
State Fair - Approximate			
Number of Employees (2007)	9	39	119
State Fair - Approximate			
Number of Employees (2006)	10	48	124
State Fair - Approximate			
Number of Employees (2005)	10	51	124
Bureau of Buildings and Grounds			
Approximate Number of Employees (2007)	24	60	245
Bureau of Buildings and Grounds			
Approximate Number of Employees (2006)	11	115	276
Bureau of Buildings and Grounds			
Approximate Number of Employees (2005)	6	92	259

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MISCELLANEOUS OPERATING STATISTICS (Not Examined)  
 For the Years Ended September 30, 2007, 2006, and 2005

	2007	2006	2005	% Increase (Decrease) 2007/2006	% Increase (Decrease) 2006/2005
Number of Contracts:					
Concessions	322	323	342	(0.31)	(5.56)
Exhibits	142	126	142	12.70	(11.27)
Contractual Services	24	95	119	(74.74)	(20.17)
Entertainment	30	31	31	(3.23)	-
Awards and Premiums	5	5	5	0.00	-
Sponsorships	40	52	40	(23.08)	30.00
Tickets Sold:					
Gate Admissions - Tickets	223,919	254,140	249,251	(11.89)	1.96
Grandstand and MPA Shows - Tickets	48,880	41,445	45,316	17.94	(8.54)
Miscellaneous Statistics:					
Estimated Attendance	613,110	702,997	672,615	(12.79)	4.52
Amount of Beer Sold - Kegs	337	485	491	(30.52)	(1.22)
Amount of Beer Sold - Cases	6,394	6,969	6,980	(8.25)	(0.16)
Number of Camping - Permits	858	918	817	(6.54)	12.36
Number of Parking - Permits	30,647	35,338	32,434	(13.27)	8.95

For 2007, 2006, and 2005 attendance was based on actual numbers for grandstand attendance, concessionaires, exhibitors and governmental employees. Further estimates were based on vehicles parked on the fairgrounds and perimeter; Illinois State Police and State Fire Marshal crowd estimations based on their respective observations and experience; past fairs' experiences for a particular day; and revenue generated.