COLORADO STATE FAIR AUTHORITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2014 and 2013

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

Legislative Audit Committee

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COLORADO STATE FAIR AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
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Authority, Purpose and Scope

The audit of the Colorado State Fair Authority was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all State agencies. The Fiscal Year 2014 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was conducted in accordance with audit 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. Audit work was performed during the time period of June through October, 2014.

The purposes and scope of the audit were to:

- § Perform a financial and compliance audit of the Colorado State Fair Authority for the years ended June 30, 2014 and 2013 and to express an opinion on the financial statements. This included a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

- § Evaluate the Authority's progress in implementing prior audit recommendations.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ended June 30, 2014 and 2013. Our report, dated October 28, 2014, on the Colorado State Fair Authority’s June 30, 2014 financial statements includes an emphasis-of-matter paragraph that describes a going concern uncertainty. The Authority incurred a loss before capital contributions of ($1,326,074) and change in net position of ($928,056) for the year ended June 30, 2014. Also, as of that date, the Authority’s current liabilities exceeded its current assets by $1,393,494 and it had a deficit unrestricted net position of ($1,438,410).

We issued a report on the Colorado State Fair Authority’s internal control over financial reporting and compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards.*

Required Auditor Communications to the Legislative Audit Committee

The auditor is required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audit and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audit that may assist the Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include, among other items, that no significant difficulties were encountered in dealing with management in performing the audit.

Summary of Findings and Recommendations

The following is a summary of the findings contained in the report. The audit recommendations for these findings and associated Authority responses are summarized in the recommendation locator, which follows the summary.

There are two current year findings and recommendations:

- § The Colorado State Fair Authority should continue to consider its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses.

- § The Colorado State Fair Authority should record all transactions processed subsequent to June 30, 2014 in non-Treasury bank accounts in a dual entry accounting system and reconcile to the respective bank statements to ensure accurate and reliable financial information to be input into the State of Colorado CORE accounting program.

A detailed description of the audit comments and recommendations are contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

The implementation status of the recommendation included in the Fiscal Year 2013 audit report is discussed in the Disposition of Prior Audit Recommendations.

RECOMMENDATION LOCATOR				
All recommendations are addressed to the Colorado State Fair Authority Fiscal Year 2014				
Rec. No.	**Page No.**	**Recommendation Summary**	**Agency Response**	**Implementation Date**
1	7	The Colorado State Fair Authority should continue to evaluate its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses.	Agree	Immediately and ongoing
2	9	The Colorado State Fair Authority should record all transactions processed subsequent to June 30, 2014 in non-Treasury bank accounts in a dual entry accounting system and perform reconciliations of that system to the respective bank statements to ensure accurate and reliable financial information to be input into the State of Colorado CORE accounting software, which is the general ledger of record.	Agree	Immediately

COLORADO STATE FAIR AUTHORITY
BACKGROUND
June 30, 2014 and 2013

The Colorado State Fair has been in existence for over 125 years. Over the years, the Colorado State Fair has undergone a number of organizational changes. In 1983, the General Assembly created the Colorado State Fair Authority (Authority) as a separate political subdivision of the State. House Bill 97-1342 abolished the existing Authority and its Board of Commissioners and created the new Colorado State Fair Authority as a division within the State Department of Agriculture effective June 30, 1997. The current Board of Commissioners consists of eleven members. Of the eleven members, one member must be a certified public accountant, one member must have current management-level banking experience and expertise in finance, and one member must have agriculture or 4-H club experience. The Commissioner of Agriculture or the Commissioner's designee also serves as a voting member of the board.

The Authority operates on the State Fairgrounds in Pueblo on approximately 80 acres of land. The grounds and facilities are owned by the State and include exhibition halls, four permanent restaurants, permanent stalls for horse shows, three 4-H buildings, an amphitheater, six pavilions, and a covered grandstand. The facilities also include an indoor arena (the Events Center) which was constructed at a cost of approximately $7.5 million. The Events Center began operating in 1995. Most of the Authority's revenue is generated during the annual State Fair from admissions, parking, food and beverage sales, concessions, commercial space rental, sponsorships, and carnival ticket sales. Additional revenue is generated from events that are held on a year-round basis at the Events Center and other facilities on the State Fairgrounds. For Fiscal Year 2014, the Authority was appropriated 26.9 full-time staff to run its year-round operations. In the summer, the Authority adds about 500 temporary staff to run the annual State Fair.

The Fiscal Year 2014 fair was held during August/September 2013 with an attendance of 476,966. Approximately 75% of governance, administration and facilities management expenditures for July, August and September are allocated to Fair-time activity. The results from the 2014 State Fair which was held during August and September 2014 will be included in the financial statements for the year ended June 30, 2015.

FISCAL YEAR 2014 FINANCIAL HIGHLIGHTS

The following presents a summarized statement of revenues, expenses and changes in fund net position of the Authority broken down between Fair-time and Off-season periods. There were two Fair-time events and 368 Off-season events. The breakdown between Fair-time and Off-season periods is provided by the Colorado State Fair Authority and has not been audited.

	Year ended June 30, 2014 Fair-time	Year ended June 30, 2014 Off-season	Year ended June 30, 2014 Total	Year ended June 30, 2013 Total
Operating revenues	$ 5,697,523	$ 741,480	$ 6,439,003	$ 6,717,295
Operating expenses (excluding depreciation)	5,966,386	3,031,165	8,997,551	8,786,855
Operating income (loss) before depreciation	$ (268,863)	$ (2,289,685)	(2,558,548)	(2,069,560)
Depreciation			(741,036)	(714,909)
Operating loss			(3,299,584)	(2,784,469)
Nonoperating revenues (net)			1,973,510	1,953,332
Gain (loss) before state capital contributions			(1,326,074)	(831,137)
Capital contributions			398,018	287,613
Change in net position			$ (928,056)	$ (543,524)

CONTINUED DECLINE IN FINANCIAL CONDITION

The Colorado State Fair Authority was created as a division within the Colorado Department of Agriculture under HB 97-1342. The Authority has continued to experience declining financial position in prior fiscal years despite the funding provided by HB 08-1399, which provides the Authority with 25% of the interest on the Unclaimed Property Tourism Promotion Trust Fund to offset operating losses. HB 08-1399 took effect in February 2009, and since that time the Authority has received interest from the Unclaimed Property Tourism Promotion Trust Fund as follows:

Fiscal Year Ended	Interest Received
2014	$ 1,067,034
2013	1,025,794
2012	941,994
2011	877,185
2010	854,908
2009	322,733

What was the purpose of the audit work?

The purpose of the audit work was to follow up on our June 30, 2013 finding and recommendation related to the continued significant operating losses and negative unrestricted net position of the Authority. At that time, we recommended the Authority reconsider its strategies and pricing policies, search for efficiencies in its operations to minimize future losses and work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain an appropriation in the State Long Bill to ensure continued operations.

What audit work was performed and how were results measured?

We analyzed the operating results of the Authority in Fiscal Year 2014 as well as a ten-year historical trend of those results as follows:

For Fiscal Year Ended June 30,	Operating Loss Including Depreciation and Amortization	Operating Loss Excluding Depreciation and Amortization	Total State Contributions	Local Contributions	Operating Loss After Cash Contributions	Increase (Decrease) in Net Position
2014	$ (3,299,584)	$ (2,558,548)	$ 1,587,347	$ 442,137	$ (1,270,100)	$ (928,056)
2013	(2,784,469)	(2,069,560)	1,532,074	474,590	(777,805)	(543,524)
2012	(2,392,982)	(1,856,744)	1,400,896	590,878	(401,208)	(72,797)
2011	(2,295,016)	(1,768,642)	884,332	440,000	(970,684)	(379,070)
2010	(2,135,781)	(1,716,290)	854,908	445,859	(835,014)	291,982
2009	(2,812,156)	(2,160,472)	3,609,952	599,693	1,397,489	1,337,025
2008	(2,353,317)	(1,736,988)	3,988,351	385,153	2,020,187	1,923,815
2007	(2,417,273)	(1,825,645)	4,320,175	270,132	2,173,034	2,018,338
2006	(1,748,741)	(1,167,995)	812,924	347,997	(587,820)	(746,056)
2005	(1,351,088)	(737,361)	77,352	441,757	(831,979)	(942,851)
2004	(1,255,087)	(639,851)	109,674	228,734	(916,679)	(299,599)

What problem did the audit work identify?

We determined that the Authority's financial position declined in Fiscal Year 2014 compared to Fiscal Year 2013. Specifically, operating revenues decreased $278,292 (4.1%) and operating expenses increased $236,823 (2.5%). The decline in operating revenues relates to a $155,060 decrease in gate admissions, a $64,629 decrease in exhibitor fees, and a $40,812 decrease in building rentals. The increase in operating expense is largely attributable to a $201,336 increase in personal service and benefit expenses.

Further, the Authority has continued to experience significant operating losses before state or local contributions every year for at least the last 10 years. As displayed in the table above, the Authority experienced an operating loss of $3.3 million for Fiscal Year 2014, which was $500,000 higher than the operating loss of $2.8 million for Fiscal Year 2013. The Authority's unrestricted net position decreased from a negative $686,287 as of June 30, 2013 to a negative $1,438,410 as of June 30, 2014. Although the Authority received in excess of $2 million in State and local contributions, the contributions were not adequate to offset the Authority's operating loss. This resulted in the Authority increasing the loan with the Colorado State Treasury from $118,854 at June 30, 2013 to $760,160 at June 30, 2014, therefore continuing to operate with a cash deficit. In addition, the current liabilities exceeded the current assets by approximately $1.4 million at June 30, 2014. The Fiscal Year 2015 State Long Bill included a $250,000 appropriation as a permanent addition to offset 4-H and FFA costs. In addition, the Agriculture Committee approved one-time funding of $300,000 for Fiscal Year 2015. However, the additional funding for Fiscal Year 2015 is insufficient to offset the unrestricted net position deficit.

A three year review of this finding and the related recommendation, response, and results are as follows:

Fiscal Year	Recommendation	Response	Results
2013	The Colorado State Fair should reconsider its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses. In addition, the Authority should work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain an appropriation in the State Long Bill to ensure continued operations.	Agree. Implementation Date: Immediately and ongoing. The Colorado State Fair implemented a new concert ticketing system as well as new cashless card system for the payment of concessions, and carnival games and rides. The new system increased revenue for concessions by $10,000 for the 2013 Colorado State Fair. The new ticketing system is operated by the Tickethorse Company in Denver. This system helped increase concert revenues by $50,000. Both systems provide greater control of revenues, and as the systems are refined for 2014, better reporting and more marketing opportunities. The Colorado State Fair Foundation, that was established 2012, raised over $136,000 in cash, and has had additional contributions of over $25,000 in in-kind contributions. In the summer of 2013 the girl's bathroom was totally remodeled at the Growing Minds Dorms. The boy's bathrooms will be remodeled in the summer of 2014. The Foundation board continues to work to raises funds to improve the 4-H and FFA facilities on the grounds. The Department of Agriculture is committed to the financial stability of the Colorado State Fair. The Department continues to provide the Fair with Ag Management funds to offset losses. The Department is committed to working with the Authority to improve the Fair's revenues and work towards the day when the Authority will no longer need Ag Management subsidies.	FY14: Concessions decreased by $27,000 The Foundation contributed $34,500 The Department of Ag contributed $520,000 Net Increase/decrease in net position ($928,000)

COLORADO STATE FAIR AUTHORITY
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2014

Fiscal Year	Recommendation	Response	Results
2012	The Colorado State Fair Authority should continue to refine its strategies and pricing policies further and explore new options for increased revenue.	Agree. Implementation Date: Immediately and ongoing. The Authority has continued to refine its pricing in all areas of its operation for Fiscal Year 2012. The Fair saw significant increases in rental revenue for Fiscal Year 2012. Rental revenue was up by over $250,000 for non-Fair events. The increase was due to great usage of Fair facilities during the non-Fair time frame. Fair management is working to increase on these gains in Fiscal Year 2013. The Colorado State Fair Foundation has been established and a foundation development person will be hired in March. The Fair is in the process of instituting a cashless payment system for concessions and on-grounds attractions for the 2013 Fair. Token machines would be placed around the grounds where customers can buy tokens. Customers would then use these tokens to pay for items. The benefit to the Fair would be that the Fair collects all revenues first. The Fair would then pay the vendor based on the number of tokens returned. Every Fair that has gone to this system has seen an increase in concession revenue. The Mid-Texas Fair in Amarillo saw a 56% increase in concession revenue. The Department of Agriculture is committed to the financial stability of the Colorado State Fair. The Department continues to provide the Fair with Ag Management funds to offset losses. The Department is committed to working with the Authority to improve the Fair's revenues and work for the day when the Authority will no longer need Ag Management subsidies.	FY13: Concessions decreased by $37,500 Gate admissions decreased by $103,000 Box office sales decreased by $196,000 Building rentals decreased by $116,000 The Foundation contributed $34,500 The Department of Ag contributed $506,000 Net Increase/decrease in net position ($544,000)

Fiscal Year	Recommendation	Response	Results
2011	The Authority should continue to refine its strategies and pricing policies and also search for efficiencies in its operations to minimize future operating losses and work with the Department of Agriculture to offset losses.	Agree. Implementation Date: Immediately and ongoing. The Authority has continued to refine its pricing in all areas of its operation in Fiscal Year 2011. The Board of Commissioners voted to increase gate admission cost by $2.00 each. In addition, the Commission voted to increase unlimited carnival passes by $5.00 each. The staff increased rental fees for non-fair facility use and the Authority is seeing increases in revenues for Fiscal Year 2012. The Commission organized its members to help increase Corporate Sponsorships for the Fiscal Year 2012 Fair. The Commission has also created a foundation which will seek donations to offset losses from 4-H and FFA programs. It is important to note that the Department of Agriculture is committed to the financial stability of the Colorado State Fair. In November of 2011, the Department provided $375,000 from Ag Management Funds to offset the Fair losses from previous years. The Department is committed to working with the Authority to improve the Fair's revenues and work for the day when the Authority will no longer need Ag Management subsidies.	FY12: Building rentals increased $237,000 Private grants and contributions increased $119,000 The Department of Ag contributed $454,000 Net Increase/decrease in net position ($73,000)

In summary, each year the Authority has agreed with the recommendation and made changes; however, in total, each year has resulted in a decrease in the net position.

Why did the problem occur?

The Colorado State Fair Authority's management has worked to develop strategies to improve efficiencies at the State Fair over the past ten years, including reducing the number of days the fair operates from 16 days to 11 days as of Fiscal Year 2005 (2004 Fair), hiring an entertainment and venue management company to market the Events Center beginning in Fiscal Year 2006, and obtaining sufficient funding to pay off the Authority's debt in Fiscal Year 2009. Every year, management also focused on areas to enhance revenues and control expenses to minimize operating losses. Despite the implementation of the above strategies, operating losses continue to increase substantially. In addition, the State and local contributions have not been adequate to offset the continued operating losses of the Authority. During Fiscal Year 2014 (2013 Fair), the Authority implemented a cashless payment system for concessions and on-grounds attractions in an effort to increase concession revenue. However, the system cost the Authority additional monies due to costs to set up the system and to hire staff to tend to the kiosk terminals, and concession revenue actually decreased during the process.

Why does this problem matter?

The Authority's working capital shortfalls are growing each year, which jeopardizes the continuing operations. The Authority may have to obtain additional financing to operate in Fiscal Year 2015. The unrestricted net position at June 30, 2014 is negative and unable to absorb future losses, therefore the accompanying financial statements have been prepared assuming doubt that the Authority will continue as a going concern.

(Classification of Finding: Other Matter)

Recommendation No. 1:

The Colorado State Fair Authority should reconsider its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses. In addition, the Authority should work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain additional appropriations in the State Long Bill to ensure continued operations.

Colorado State Fair Authority's Response:

Agree. Implementation Date: Immediately and ongoing.

The Colorado State Fair Authority continues to revisit yearly our strategies and pricing for both the Colorado State Fair event and year round rentals along with searching for efficiencies in our operations. The 2014 Colorado State Fair event produced an increase of revenues in the following areas: gate admissions of $64,000, carnival sales $30,000, and concert revenue of $130,000. For fiscal year 2015, the Colorado State Fair Authority was approved for a $250,000 General Fund Appropriation to offset 4-H and FFA Cost and the Department of Agriculture has committed $500,000 to offset losses. The Authority is currently seeking an additional $300,000 in General Fund appropriation to support operating cost. The Authority is committed to working with the Department of Agriculture and the Joint Budget Committee to continue ongoing appropriations in the State Long Bill.

COLORADO OPERATIONS AND RESOURCE ENGINE (CORE)

The Colorado State Fair Authority utilized the Colorado Financial Reporting System (COFRS) for general ledger accounting financial management throughout Fiscal Year 2014. This system was retired State-wide on June 30, 2014 and replaced with the Colorado Operations and Resource Engine (CORE) beginning July 1, 2014.

What was the purpose of the audit work?

The purpose of the audit work related to CORE was to perform audit procedures designed to obtain sufficient appropriate audit evidence that all events that occurred subsequent to June 30, 2014 but prior to the audit opinion that require adjustment of, or disclosure in, the financial statements have been identified in accordance with generally accepted auditing standards.

What audit work was performed and how were results measured?

We performed testing to determine whether transactions occurring between June 30, 2014 and the date of the auditors' report could be material to the Authority's financial statements as of June 30, 2014. We specifically requested a complete general ledger accounting of transactions occurring between July 1, 2014 and October 15, 2014. Additional audit work was required in the form of review of bank statement deposits, withdrawals, and transfers that had not been recorded in the CORE accounting system.

What problem did the audit work identify?

We determined that, as of the time of our testing in October 2014, none of the revenues collected by the Authority between July 1, 2014 and October 15, 2014 had been recorded in the CORE system by Fair staff. In addition, only part of the expenses incurred had been recorded in CORE between July 1, 2014 and October 15, 2014.

Through September 30, 2014 a portion of the FY 2015 expenditures ($2.7 million) had been entered into CORE; however, an additional $1.4 million was paid directly from the State Fair's non-Treasury bank account bypassing the warrants payable system of control of CORE, whereby accounts payable vouchers are initiated by the State Fair and subsequently paid by the Treasury.

In addition, the cash receipts collected during the 2014 Fair (Fiscal Year 2015) had not been entered into the CORE accounting system as of October 2014. The Authority has relied on an Excel spreadsheet system to accumulate information to account for all receipts during the fair in which nearly 90% of the annual activity occurs. However, reconciliations from the Excel spreadsheets to the non-Treasury bank accounts were not performed timely.

The Authority's negative cash position in the State Treasury is considered a loan and has increased from negative $760,160 at June 30, 2014 to negative $1,818,424 at October 15, 2014. The negative amount may be larger as the State records additional payroll expense into CORE.

Why did the problem occur?

Due to partial reassignment of duties in the accounting department of the Authority by the Colorado Department of Agriculture, accompanied by CORE system conversion difficulties, the transactions of the 2014 State Fair (Fiscal Year 2015 activity) have not been fully recorded in a general ledger.

Why does this problem matter?

The Authority was unable to monitor the actual results of the 2014 state fair in a timely manner, as the transactions recorded in Excel spreadsheets contained duplicate entry and calculation errors and were not reconciled to the bank statements. While safeguards were put into place to prevent the unauthorized use of funds, the potential for error and misappropriation was far greater than using the State Treasury processes to pay vendors. Because none of the revenues have been entered into CORE, the Authority's operating cash account balance deficit has increased substantially and the Authority is paying interest on the effective loan balance.

(Classification of Finding: Significant Deficiency)

Recommendation No. 2:

The Colorado State Fair Authority should record all transactions that have occurred in each non-Treasury bank account subsequent to June 30, 2014 in a dual entry accounting system (such as QuickBooks) and perform reconciliation of that system to the respective bank statements to ensure accurate and reliable financial information is available for input in the CORE accounting system, as it is the general ledger of record.

Colorado State Fair Authority's Response:

Agree. Implementation Date: Immediately

The Colorado State Fair Authority is currently recording all transactions that have occurred in the each non-Treasury bank account since June 30, 2014 in QuickBooks. All accounts with respective bank statements have been reconciled.

Disposition of Prior Audit Recommendations

Listed below is the recommendation from the Fiscal Year 2013 Colorado State Fair Authority Financial and Compliance audit.

Recommendation	Disposition
1. The Colorado State Fair should reconsider its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses. In addition, the Authority should work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain an appropriation in the State Long Bill to ensure continued operations.	Implementation is on-going. See Recommendation No. 1

INDEPENDENT AUDITORS' REPORT

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Colorado State Fair Authority (the Authority), a division of the Department of Agriculture (the Department) of the State of Colorado, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 2 to the financial statements, as of June 30, 2014 the Authority's current liabilities exceeded its current assets by $1,393,494 and it had a deficit unrestricted net position of $1,438,410. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding this matter also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding Relationship to State of Colorado

As discussed in Note 1, the financial statements of the Colorado State Fair Authority are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2014, the changes in its financial position, or, where applicable, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14–19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.
Certified Public Accountants

October 28, 2014

COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014 and 2013

This discussion and analysis of the Colorado State Fair Authority's financial performance is a required component of financial reporting under governmental accounting standards and was prepared by Colorado State Fair Authority Management. It provides an overview of financial activities for the year ended June 30, 2014, and should be read in conjunction with the Authority's financial statements, which begin on page 18. These financial statements reflect only activities of the Colorado State Fair Authority, a division of the Department of Agriculture of the State of Colorado.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

Fund financial statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of the Authority is its proprietary fund.

Proprietary fund The Authority maintains one proprietary fund, an enterprise fund. The Authority uses its enterprise fund to account for its Fair activities and Non-Fair activities conducted on the Fairgrounds.

The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 24 through 37 of this report.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority's enterprise fund, assets exceeded liabilities by $10,481,155 at the close of the most recent fiscal year.

The following schedule provides a condensed statement of net position as of June 30, 2014, 2013 and 2012.

Schedule of Net Position

	June 30, 2014	June 30, 2013	June 30, 2012
Current assets	$ 315,285	$ 312,612	$ 652,554
Other assets	-	-	82,278
Capital assets	13,217,112	13,456,648	13,769,439
Total assets	13,532,397	13,769,260	14,504,271
Current liabilities	1,708,779	926,539	1,072,818
Noncurrent liabilities	1,342,463	1,433,510	1,478,718
Total liabilities	3,051,242	2,360,049	2,551,536
Net position			
Net Invested in capital assets	11,919,565	12,095,498	12,351,020
Restricted	-	-	-
Unrestricted (deficit)	(1,438,410)	(686,287)	(398,285)
Total net position	$ 10,481,155	$ 11,409,211	$ 11,952,735

2014

The largest portion of the Authority's net position (113.7 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to operate the State Fair and Non-Fair activities held on the premises; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position is a deficit of $1,438,410.

At the end of the Fiscal Year 2014, the Authority reported a positive balance in the net investment in capital assets.Capital assets increased $496,501 of which $426,538 was funded by the State for the upgrade of the electrical infrastructure (phase two) and $69,963 was funded by the Colorado State Fair Foundation for the renovation of the restrooms in the women's 4-H dormitory.

The Authority's net position decreased by $928,056 during the current fiscal year.

2013

The largest portion of the Authority's net position (106.0 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to operate the State Fair and Non-Fair activities held on the premises; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position is a deficit of $686,287.

At the end of the Fiscal Year 2013, the Authority reported a positive balance in the net investment in capital assets.Capital assets increased by $402,117. The State funded $57,742 for the upgrade of the electrical infrastructure (this completed phase one). The State Historical Society funded $21,216 for the completion of a roofing project and $78,012 was funded by the State Fair Authority for equipment and the completion of the energy audit improvements.

The Authority's net position decreased by $543,524 during the fiscal year.

Schedule of Changes in Fund Net Position
Year ended June 30

	FY14	FY13	FY12
Operating revenues			
Commercial space/concessions	$ 1,214,276	$ 1,241,080	$ 1,278,589
Gate admissions	1,563,196	1,718,256	1,821,602
Box office sales	691,079	660,614	856,897
Private sponsorships	1,538,202	1,602,831	1,682,555
Exhibitor fees	666,104	707,788	613,137
Building rentals	644,977	685,789	802,803
Miscellaneous revenues	121,169	100,937	170,981
Total operating revenues	6,439,003	6,717,295	7,226,564
Operating expenses			
Personnel service and benefits	2,638,450	2,437,117	2,460,624
Entertainment and attractions	599,915	684,501	899,139
Advertising and promotions	1,598,130	1,664,844	1,754,927
Prizes and awards	853,552	882,270	861,856
Utilities	1,057,819	1,041,620	1,053,613
Contractual services	827,641	777,903	755,270
Depreciation	741,036	714,909	536,238
Other	1,422,044	1,298,600	1,297,879
Total operating expenses	9,738,587	9,501,764	9,619,546
Operating loss	(3,299,584)	(2,784,469)	(2,392,982)
Nonoperating revenues (expenses)			
Department of Agriculture contribution	520,313	506,280	454,032
Local government grants	442,137	474,590	590,878
Unclaimed property fund interest income	1,067,034	1,025,794	946,864
Private grants and contributions	-	-	51,896
Investment income (loss)	776	356	428
Interest expense	(56,750)	(53,688)	(70,092)
Net nonoperating revenue	1,973,510	1,953,332	1,974,006
Decrease in net position before capital contributions	(1,326,074)	(831,137)	(418,976)
Capital contributions	398,018	287,613	346,179
Change in net position	$ (928,056)	$ (543,524)	$ (72,797)

For the Year Ended June 30, 2014, net position decreased by $928,056. Key elements of this decrease are as follows:

- § Operating revenue decreased by $278,292 mainly due to a decrease in gate admissions, private sponsorships, exhibitor fees, and rentals.
- § Operating expenses increased by $236,823 with the largest increase in personal services and benefits.
- § State capital contributions increased by $110,405.

For the Year Ended June 30, 2013, net position decreased by $543,524. Key elements of this decrease are as follows:

- § Operating revenue decreased by $509,269 mainly due to a decrease in gate admissions, box office sales, rentals and miscellaneous revenue.
- § Operating expenses decreased by $117,782 with the largest decreases in entertainment and advertising.
- § State capital contributions decreased by $58,566.

Further Analysis

The summary of findings and recommendations discusses an operating loss of approximately $3.3 million. However, this figure does not include revenues in excess of $1.9 million earned from local and state sources. The Fair is committed to seeking other revenues to offset decreases in operating revenue. In addition, the Department of Agriculture is committed to providing grant funding to support operating costs of the fair.

The Colorado State Fair is statutorily mandated per 35-65-105(1) C.R.S. (2012). Statute is silent on how this event, or the fairgrounds in general, are to be funded, with the exception of 38-13-116.7(3)(a)(I) C.R.S. (2012), which directs the Treasurer to deposit 25% of the interest from the Unclaimed Property Fund to the State Fair Authority Cash Fund. The State Fair event has demonstrated to be a profitable event for many years. Year-round operations and maintenance of the fairgrounds is the real challenge since the annual fair event does not bring in enough revenue to support year-round operations. In order for the annual fair to support year-round operations, the Fair would need to drastically increase admissions, concession, and event revenue by raising prices, which would make the annual fair basically unaffordable for many fairgoers. Alternatively, the Fair could decrease expenses for attractions and events, which would adversely affect attendance since a sizeable percentage of fairgoers, attend the fair for the attractions and events offered. Understanding this, the Fair has been working diligently to strike a balance between increasing revenue and reducing expenses while producing a high quality fair.

SUBSEQUENT EVENTS

For the Period July 1, 2014 to September 30, 2014

The fiscal year 2015 fair was held August 22nd through September 1st, 2014. The following is a comparison of the attendance for the past three fairs.

	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013
Colorado State Fair Attendance	498,720	476,966	474,915
Paid events offered during the Colorado State Fair	16	16	17
Colorado State Fair Events*	2	2	2
Events that were NOT Colorado State Fair Events	n/a	368	439

The above amount is n/a due to the fact that these events will not occur until the last three quarters of fiscal year 2015.

*The two events were the Colorado State Fair and the Holiday Bazaar.

BUDGETARY HIGHLIGHTS

The Authority's budget is determined by a variety of methods. The majority of the budget is set by the annual appropriations bill (called the Long Bill—enacted by the General Assembly and signed by the Governor), which determines budgets for every agency within the State. The Long Bill and centrally appropriated funds are approved shortly before the start of each fiscal year. Agencies may also request a supplemental appropriation during the fiscal year to cover unexpected expenses as well as year-end transfers of spending authority, if needed. The final method of funding is special legislation.

The approved original and final budget for the Authority's activities was cash spending authority appropriation of $8,422,222. The budgetary amount includes the Colorado State Fair Program Line Item in the Long Bill. Total revenues including local government grants and interest were $8,469,263 and total expenses on a budgetary basis were $8,466,745.

Total operating expenses (GAAP basis)	$ 9,738,587
Plus interest expense	56,750
Less depreciation	(741,036)
Plus non-budgeted item (compensated absences)	1,052
Less in-kind match	(1,090,107)
Plus capital outlay	501,499
Total expenses (budgetary basis)	$ 8,466,745

ECONOMIC OUTLOOK

On June 5, 2006, House Bill 1384 was passed by the State Legislature which provided valuable financial assistance to the Authority. The financial assistance was provided to the Authority for the purpose of funding to pay off the debt to the State Treasury in the amount estimated at $2.1 million and to pay a loan on the construction of the Events Center in the amount of $1.4 million. It also provided the Authority with $550,000 per year for operations once the debts are paid off. In Fiscal Year 2007 the Authority reduced its debt to the Treasury by $1,212,477. On April 29, 2008, House Bill 1399 was passed granting 25% of the interest from the Unclaimed Property Tourism Promotion Trust Fund to the Authority and 65% to the Department of Agriculture to take effect once the refunding revenue bonds were paid in full. In Fiscal Year 2009 the Authority had a positive cash balance with the Treasury and had paid off the bonds. The Authority has received 25% of the unclaimed property interest since February 2009. The Authority has also been assessed indirect expenses beginning in Fiscal Year 2009. The assessment for Fiscal Year 2014 was $107,602 and 2015 is expected to be approximately $113,269. The $138,618 was assessed by the Office of Information Technology and the Department of Agriculture. The Office of Information Technology assessed the Authority for $31,016. This was based on usage of their services by the Authority. The Department of Agriculture assessed the Authority for $107,602 which is a representation of the support that the Commissioner's Office provides to the Authority for central services. This assessment is based on one and half percent of expenses.

During Fiscal Year 2014, management of the Colorado State Fair, working in cooperation with Department of Agriculture administration, recognized the need to aggressively pursue cost saving strategies in connection with the economic downturn. Management continues to identify and adopt cost savings strategies for the Non-Fair season as well as the Colorado State Fair event. The focus of the strategy is to provide a high quality product appealing to a diverse audience at the lowest possible cost. Management is working to increase group sales and carnival sales by reaching out to more businesses and schools as well as offering new carnival promotions. Colorado State Fair management plans to sustain the current budget. The Fair is committed to seeking other revenues to offset decreases in operating revenue. The Colorado State Fair was approved for a $250,000 general fund appropriation to offset 4-H and FFA costs in Fiscal Year 2015. The Authority is currently seeking an additional $300,000 in general fund appropriation to support operating costs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This management's discussion and analysis (MD&A) is designed to provide Colorado citizens, Colorado government officials, our sponsors, customers and other interested parties with a general overview of the Authority's financial activity for Fiscal Year 2014 and to demonstrate the Authority's accountability for its use of State resources. If you have questions about the MD&A or need additional information, contact the Department of Agriculture Administrative Services, 305 Interlocken Parkway, Broomfield, Colorado 80021.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Unrestricted assets		
Cash and cash equivalents	$ 174,753	$ 103,479
Accounts receivable, net of allowance for doubtful accounts	25,359	43,292
Due from local governments	13,422	-
Inventory	17,620	22,136
Prepaid expenses	84,131	143,705
Total unrestricted assets	315,285	312,612
Total current assets	315,285	312,612
Noncurrent assets		
Capital assets, net of accumulated depreciation	13,217,112	13,456,648
Total noncurrent assets	13,217,112	13,456,648
TOTAL ASSETS	13,532,397	13,769,260
LIABILITIES		
Current liabilities		
Due to State Treasury	760,160	118,854
Accounts payable	196,488	111,034
Accrued payroll	128,659	125,811
Unearned revenue	528,073	500,262
Other current liabilities	3,300	6,975
Current portion of accrued compensated absences	20,630	-
Current portion of capital lease obligations	71,469	63,603
Total current liabilities	1,708,779	926,539
Noncurrent liabilities		
Accrued compensated absences	116,385	135,963
Capital lease obligations payable	1,226,078	1,297,547
Total noncurrent liabilities	1,342,463	1,433,510
TOTAL LIABILITIES	3,051,242	2,360,049
NET POSITION		
Net investment in capital assets	11,919,565	12,095,498
Unrestricted (deficit)	(1,438,410)	(686,287)
TOTAL NET POSITION	$ 10,481,155	$ 11,409,211

The accompanying notes are an integral part of this financial statement.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Commercial space/concessions	$ 1,214,276	$ 1,241,080
Gate admissions	1,563,196	1,718,256
Box office sales	691,079	660,614
Private sponsorships	1,538,202	1,602,831
Exhibitor fees	666,104	707,788
Building rentals	644,977	685,789
Miscellaneous revenues	121,169	100,937
Total operating revenues	6,439,003	6,717,295
OPERATING EXPENSES		
Personal service and benefits	2,638,450	2,437,117
Entertainment and attractions	599,915	684,501
Advertising and promotions	1,598,130	1,664,844
Prizes and awards	853,552	882,270
Repairs and maintenance	256,088	170,604
Utilities	1,057,819	1,041,620
Supplies and materials	236,433	259,001
Contractual services	827,641	777,903
Other purchased services	160,393	182,774
Other operating	526,501	433,632
Building, vehicle and equipment rental	211,117	196,251
Travel	31,512	56,338
Depreciation	741,036	714,909
Total operating expenses	9,738,587	9,501,764
Operating loss	(3,299,584)	(2,784,469)
NONOPERATING REVENUES (EXPENSES)		
Unclaimed property fund interest income	1,067,034	1,025,794
Department of Agriculture contribution	520,313	506,280
Local government grants	442,137	474,590
Investment income	776	356
Interest expense	(56,750)	(53,688)
Total nonoperating revenues (expenses)	1,973,510	1,953,332
Gain (loss) before state capital contributions	(1,326,074)	(831,137)
State capital contributions	398,018	287,613
Change in net position	(928,056)	(543,524)
Net position, beginning of year	11,409,211	11,952,735
Net position, end of year	$ 10,481,155	$ 11,409,211

The accompanying notes are an integral part of this financial statement.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees for services	$ 4,628,494	$ 4,667,374
Cash received from rental of property	644,977	685,789
Cash received from other sources	121,169	100,937
Cash paid to employees	(2,634,550)	(2,512,771)
Cash paid to suppliers	(4,234,386)	(4,282,886)
Cash paid to others	(888,739)	(940,675)
NET CASH USED IN OPERATING ACTIVITIES	(2,363,035)	(2,282,232)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local government grants	394,209	511,309
State revenue	1,067,034	1,025,794
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,461,243	1,537,103
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(Increase) decrease in restricted assets	-	82,278
Principal payments	(63,603)	(57,269)
Interest payments	(56,750)	(53,688)
Proceeeds from issuance of loan from State Treasury	641,306	118,854
Contributions received from the Department of Agriculture	520,313	506,280
Purchase of property and equipment	(68,976)	(141,698)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITES	972,290	454,757
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	776	356
NET CASH PROVIDED BY INVESTING ACTIVITIES	776	356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	71,274	(290,016)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	103,479	393,495
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 174,753	$ 103,479

The accompanying notes are an integral part of this financial statement.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013

	2014	2013
OPERATING LOSS	$ (3,299,584)	$ (2,784,469)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	741,036	714,909
(Increase) decrease in accounts receivable	17,933	1,580
(Increase) decrease in inventory	4,516	(2,740)
(Increase) decrease in prepaid expenses	59,574	(38,562)
Increase (decrease) in accounts payable	85,454	10,947
Increase (decrease) in compensated absences	1,052	(3,648)
Increase (decrease) in accrued payroll	2,848	(72,006)
Increase (decrease) in other payables	(3,675)	825
Increase (decrease) in unearned revenue	27,811	(109,068)
Total adjustments	936,549	502,237
NET CASH USED IN OPERATING ACTIVITIES	$ (2,363,035)	$ (2,282,232)
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment added through contributed capital	$ 432,524	$ 340,542
Inkind contributions	$ 1,090,107	$ 1,155,707

The accompanying notes are an integral part of this financial statement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Colorado State Fair Authority (Authority) is a division of the Department of Agriculture of the State of Colorado (Department). It operates under the jurisdiction of the Colorado State Fair Authority Board of Commissioners (Board) whose members are appointed by the Governor of the State. The financial statements of the Authority are intended to present the financial position, and changes in financial position and cash flows, of only that portion of the business-type activities of the Department that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the Department as of June 30, 2014 and 2013, and changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority operates on the state fairgrounds in Pueblo, Colorado. The grounds and facilities include exhibition halls, four permanent restaurants, permanent stalls for horse shows, three 4-H buildings, an amphitheater, six pavilions, a covered grandstand, and an indoor arena. Most of the Authority's revenue is generated during the annual Colorado State Fair and Exposition (State Fair) from admissions, parking, food and beverage concessions, commercial space rental, sponsorships and carnival ticket sales. Additional revenue is generated from events that are held on a year-round basis in the indoor arena and other facilities on the state fairgrounds.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the more significant policies.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are from operating the Colorado State Fair and Exposition and hosting other off-season events. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Budgetary Process

The financial operations of the Authority are controlled by an annual appropriation made by the Colorado General Assembly and signed into law by the Governor as part of the annual Long Appropriations Act or other special bill.

For Fiscal Year 2014, the Authority's original and final budget as approved by the General Assembly was $8,422,222. The Authority allocated the final budget to cover operating expenses, excluding depreciation and change in leave accrual. For Fiscal Year 2013, the Authority's original and final operating budget as approved by the General Assembly was $8,396,790. The Authority allocated the final budget to cover operating expenses, excluding depreciation and change in leave accrual.

The Authority also adopts an internal budget for its enterprise fund for management purposes. For Fiscal Year Ended June 30, 2014, the internal budget showed total budgeted revenues of $7,607,000. Total actual operating revenues were $6,056,715 and total revenue including operating revenues, unclaimed property fund interest income, Department of Agriculture contributions, local government grants, and interest were $8,086,975. Total allocated budgeted expenses were $7,766,718 while total actual operating expenses were $8,084,457 on a budgetary basis.

For Fiscal Year Ended June 30, 2013, the internal budget showed total budgeted operating revenues of $6,233,051. Total actual operating revenues were $6,717,295 and total revenue including operating revenues, unclaimed property fund interest income, local government grants, private donations and interest were $8,724,315. Total allocated budgeted operating expenses were $7,932,012 while total actual operating expenses were $8,083,306 on a budgetary basis.

	2014	2013
Total operating expenses (GAAP basis)	$ 9,356,299	$ 9,501,764
Plus interest expense	56,750	53,688
Less depreciation	(741,036)	(714,909)
Change in nonbudgeted item (compensated absences)	1,052	(3,648)
Less in-kind match	(1,090,107)	(1,155,707)
Plus capital outlay	501,499	402,118
Total expenses (budgetary basis)	$ 8,084,457	$ 8,083,306

Accounts Receivable

Accounts receivable is comprised principally of amounts due for use of the Authority's facilities from organizations and individuals and is stated net of any allowance for amounts estimated to be uncollectible.

Inventory

Inventory, consisting of facilities maintenance supplies, concession supplies and souvenirs, is stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the Authority as equipment with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year as well as computer equipment, buildings and land improvements with an initial cost of more than $50,000. Such assets are recorded at historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized when projects are materially complete. Streets, sidewalks, and water and drainage systems located on the fairgrounds are recorded as land improvements.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Estimated Lives
Buildings (transferred from state)	20 Years
Buildings (constructed)	40 Years
Land improvements (streets, sidewalks, and water drainage systems)	50 Years
Land improvements (other)	16-20 Years
Furniture and equipment	3-10 Years

Unearned Revenue

Unearned revenue represents cash received by the Authority in advance of the related revenue being earned by the Authority. Unearned revenue is comprised principally of cash received for events and activities at the Fair that are held after the Authority's fiscal year end.

Accrued Compensated Absences Liability

Effective July 1, 1988, all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to their respective accrued balance on July 1, 1988, plus 360 additional hours. Annual leave is earned on an annual basis, with the amount varying between 10 and 21 days per year depending on the level of, and number of years of continuous service provided by the employee. Annual leave rights are vested after one year of continuous service and the accumulation of annual leave is limited to 42 days at the end of the fiscal year. These compensated absences are recorded as a liability.

In-kind Revenues and Expenses

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind revenues and expenses as of June 30, 2014 and 2013, of $1,090,107 and $1,155,707, respectively, are included in the operating revenues and expenses of the Authority and are made up of advertising and other costs to operate the annual state fair in August and September.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Authority considers unrestricted, highly liquid temporary investments maturing within three months of the acquisition to be cash equivalents.

Net Position

The Authority has classified its net position according to the following criteria:

- *Net investment in capital assets* - consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.

- *Restricted* - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- *Unrestricted* - consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain amounts in 2013 were reclassified to conform to the 2014 financial statement presentation.

NOTE 2 GOING CONCERN

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Authority as a going concern. However, the Authority has a loss before capital contributions of ($1,326,074) and change in net position of ($928,056) for the year ended June 30, 2014.

In view of the matters disclosed in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying statement of net position is dependent upon continued operations of the Authority, which in turn is dependent upon the Authority's ability to meet its financial requirements on a continuing basis, to continue to receive subsidization from the State of Colorado and to succeed in future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Authority be unable to continue in existence.

NOTE 3 CASH DEPOSITS

Cash

The Authority deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2014, the Authority had cash on deposit with the State Treasurer of ($673,465), which is included in the $7,455 million fair value of deposits in the State Treasurer's Pool (Pool).

For financial reporting purposes all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices at fiscal year end. On the basis of the Authority's participation in the Pool, the Authority reports as an increase or decrease in cash for its share of the Treasurer's unrealized gains and losses on the Pool's underlying investments. The State Treasurer does not invest any of the Pool's resources in any external investment pool, and there is no assignment of income related to participation in the Pool. The unrealized gains/losses included in income reflect only the change in fair value for the fiscal year.

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2014, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2014, approximately 87 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for $40,663,458 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2014, the weighted average maturity of investments in the Treasurer's Pool is 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.9 percent of the Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.2 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2013-14.

Additional information on investments of the State Treasurer's Pool may be obtained in the State's Comprehensive Annual Financial Report for the year ended June 30, 2014.

Deposits

The Authority is authorized to deposit funds in bank accounts outside the custody of the Treasury. Colorado statutes require protection of public moneys in banks beyond that provided by the federal insurance corporations. The Public Deposit Protection Act (PDPA) in Section 11-10.5-107(5), C.R.S., requires all eligible depositories holding public deposits to pledge designated eligible collateral having market values at least 102 percent of the deposits exceeding those amounts insured by the federal insurance.

As of June 30, 2014 the Authority had a deficit balance of $673,465 in the deposit with the State Treasurer. As of June 30, 2014 the Authority's deposits are as follows:

	Bank Balance	Carrying Balance
Cash on hand	$ -	$ 5,400
Deposits covered by depository insurance - Federal Insurance	154,579	169,353
Total Cash	$ 154,579	$ 174,753

As of June 30, 2013, the Authority had a deficit balance of $30,969 on deposit with the State Treasurer. As of June 30, 2013, the Authority's deposits are as follows:

	Bank Balance	Carrying Balance
Cash on hand	$ -	$ 1,700
Deposits covered by depository insurance - Federal Insurance	78,300	101,779
Total Cash	$ 78,300	$ 103,479

NOTE 4 DUE TO THE STATE TREASURY

The Authority obtained an authorized loan from the State Treasury in fiscal years 2014 and 2013 permitting the Authority to maintain a deficit cash position at various times in the Treasury up to $1,725,177 in fiscal year 2014 and $1,400,000 in fiscal year 2013. The Treasury charges interest to the Authority at the current earnings rate on pooled cash. As of June 30, 2014 and 2013 the rate was approximately 1.0% and 1.0%, respectively. The balance of $760,160 as of June 30, 2014 consists of $673,465 deficit cash balance in the Treasury and $86,695 balance in warrants payable. The balance of $118,854 as of June 30, 2013 consists of $30,639 deficit cash balance in the Treasury and $88,215 balance in warrants payable.

NOTE 5 CAPITAL ASSETS

At June 30, 2014, capital assets consisted of the following:

	Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
Capital assets not being depreciated				
Land	$ 594,458	$ -	$ -	$ 594,458
Construction in Progress	245,148	28,519	229,871	43,796
Total capital assets being depreciated	839,606	28,519	229,871	638,254
Capital assets being depreciated				
Buildings	12,840,361	69,963	-	12,910,324
Land Improvements	11,492,385	627,888	-	12,120,273
Furniture and Equipment	3,814,029	5,000	-	3,819,029
Total capital assets being depreciated	28,146,775	702,851	-	28,849,626
Less accumulated depreciation				
Buildings	(9,143,246)	(198,049)	-	(9,341,295)
Land Improvements	(4,066,099)	(356,051)	-	(4,422,150)
Furniture and Equipment	(2,320,388)	(186,935)	-	(2,507,323)
Total accumulated depreciation	(15,529,733)	(741,035)	-	(16,270,768)
Total capital assets being depreciated, net	12,617,042	(38,184)	-	12,578,858
Captial assets, net	$ 13,456,648	$ (9,665)	$ 229,871	$ 13,217,112

At June 30, 2013, capital assets consisted of the following:

	Balance 6/30/2012	Additions	Deductions	Balance 6/30/2013
Capital assets not being depreciated				
Land	$ 594,458	$ -	$ -	$ 594,458
Construction in Progress	-	245,148	-	245,148
Total capital assets being depreciated	594,458	245,148	-	839,606
Capital assets being depreciated				
Buildings	12,819,146	21,215	-	12,840,361
Land Improvements	11,434,642	57,743	-	11,492,385
Furniture and Equipment	3,736,017	78,012	-	3,814,029
Total capital assets being depreciated	27,989,805	156,970	-	28,146,775
Less accumulated depreciation				
Buildings	(8,939,784)	(203,462)	-	(9,143,246)
Land Improvements	(3,733,501)	(332,598)	-	(4,066,099)
Furniture and Equipment	(2,141,539)	(178,849)	-	(2,320,388)
Total accumulated depreciation	(14,814,824)	(714,909)	-	(15,529,733)
Total capital assets being depreciated, net	13,174,981	(557,939)	-	12,617,042
Captial assets, net	$ 13,769,439	$ (312,791)	$ -	$ 13,456,648

Depreciation expense for the years ended June 30, 2014 and 2013 were $741,036 and $714,909, respectively.

NOTE 6 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability balances for the year ended June 30, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Capital Lease Payable	$ 1,361,150	$ -	$ 63,603	$ 1,297,547	$ 71,469
Compensated Absences	135,963	1,052	-	137,015	20,630
Total Business-type Activities	$ 1,497,113	$ 1,052	$ 63,603	$ 1,434,562	$ 92,099

Long-term liability balances for the year ended June 30, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Capital Lease Payable	$ 1,418,419	$ -	$ 57,269	$ 1,361,150	$ 63,603
Compensated Absences	139,611	-	3,648	135,963	-
Total Business-type Activities	$ 1,558,030	$ -	$ 60,917	$ 1,497,113	$ 63,603

Capital Leases Payable

The Authority is obligated under a master lease contract signed on January 11, 2011, in the amount of $1,753,794 at an interest rate of 3.69% for equipment used for energy conservation measures at the Colorado State Fair Grounds and for two other Colorado Department of Agriculture facilities (The Insectary in Palisade and two inspection and consumer service buildings located in northwest Denver). Of the $1,753,794 lease proceeds it is estimated that 81% of the proceeds have been spent on energy conservation equipment at the Colorado State Fair Grounds. The remaining funds were used at the other two Colorado Department of Agriculture facilities As of June 30, 2013, the remaining lease proceeds had been drawn and spent at the Colorado State Fair Grounds. As part of the master lease contract the Contractor guarantees that the equipment installed for energy conservation measures will result in savings to the State in the form of reduced energy and water usage and other costs that will be enough to cover the yearly debt obligations. The equipment is included in capital assets at a cost of $1,476,717 with accumulated depreciation of $291,930 and $141,698 as of June 30, 2014 and 2013 respectively. The below debt service requirements for the capital lease payable reflects the Authority's portion of the debt (81%) only.

The annual debt service for the Capital Leases Payable is as follows:

	Principal	Interest	Totals
2015	$ 71,469	$ 46,918	$ 118,387
2016	78,363	44,179	122,542
2017	85,022	41,196	126,218
2018	92,042	37,963	130,005
2019	99,439	34,465	133,904
2020-2024	622,658	109,584	732,242
2025-2026	248,554	8,637	257,191
	$ 1,297,547	$ 322,942	$ 1,620,489

NOTE 7 PENSION PLAN OBLIGATIONS

Plan Description

Most of the Authority's employees participate in a defined benefit pension plan. The plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the PERA Board of Trustees. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

Non-higher education employees hired by the State after January 1, 2006 are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the State Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Defined benefit plan members vest after five years of service and are eligible for full retirement based on their original hire date as follows:

§ Hired before July 1, 2005 - age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.

§ Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.

§ Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.

§ Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.

§ Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

§ Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.

§ Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.

- Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July after one year of retirement based on the member's original hire date as follows:

- Hired on or after January 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007 – the lesser of 2 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)
- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investments occurs.

Members who are disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their eligible children under the age of 18 (23 if a full time student) or their spouse may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

Funding Policy

The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly. Salary subject to PERA contribution is gross earnings less any reduction in pay to offset employer contributions to the state sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code.

Most employees contribute 8.0 percent of their salary, as defined in C.R.S. 24-51-101(42), to an individual account in the plan. Effective July 1, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5 percent reduction in employer contributions effective for Fiscal Years 2010-11 and 2011-12 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent of the employee's salary. From January 1, 2014, through June 30, 2014, the state contributed 17.45 percent. During all of Fiscal Year 2013-14, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2013, the division of PERA in which the State participates has a funded ratio of 57.5 percent and a 60 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017 to a maximum of 5 percent.

In the 2006 and 2010 legislative sessions, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At a 103 percent funding ratio, both AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point. For the Judicial Division, if the funding ratio reaches 90 percent and subsequently declines, the AED and SAED will be increased by one-half percentage point.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required, that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

The Authority's contributions to PERA and/or the state defined contribution plan for the fiscal years ending June 30, 2014, 2013, and 2012 were $331,261, $268,913, and $220,111, respectively. These contributions met the contribution requirement for each year.

NOTE 8 OTHER RETIREMENT PLANS

Defined Contribution Plan

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent of their salary. The temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12 expired on July 1, 2012. At December 31, 2013, the plan had 4,719 participants.

Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2010-11 and 2011-12. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2013, for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

NOTE 9 VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS AND LIFE INSURANCE

Health Care Plan

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed above in Note 7. Beginning July 1, 2004, state agencies are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The Authority contributed $11,765, $10,673, and $10,591 as required by statute in Fiscal Years 2013-14, 2012-13, and 2011-12, respectively. In each year the amount contributed was 100 percent of the required contribution.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2013, there were 53,041 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent, and a 30-year amortization period.

NOTE 11 RISK MANAGEMENT

The State currently self-insures its agencies, including the Authority, officials, and employees for the risk of losses to which they are exposed (general liability, motor vehicle liability, worker's compensation, and medical claims). Additional information regarding the State's risk management programs is included in the State's comprehensive annual financial report. There have been no significant reductions in insurance coverage from coverage in the prior year and the amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.

NOTE 12 TABOR (TAXPAYERS BILL OF RIGHTS)

The Authority received more than 10% of its total revenue from the State during the fiscal years ending June 30, 2014 and 2013. As a result, in fiscal years ended 2014 and 2013 the Authority was included in the State TABOR District.

NOTE 13 RELATED PARTY

The Colorado State Fair Foundation, a 501(c)(3), was created to support, benefit, and raise funds or monies for capital and equipment expenditures for the Colorado State Fair. Additionally, the Foundation may also provide financial support to Colorado State Fair programs and initiatives that further the purposes of the Colorado State Fair upon reasonable request. As of June 30, 2014, six board members of the Colorado State Fair Authority as well as the General Manager of the Authority are also board members of the Colorado State Fair Foundation. During Fiscal Year 2014 and 2013, $34,506 and $0, respectively, was given to the Authority.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Claims and Litigation

In the normal course of its operations, the Authority is involved in various litigation matters. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements; accordingly, no provision for losses has been recorded.

Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' 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*

Members of the Legislative Audit Committee:

We have audited, in accordance with the 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 business-type activities of Colorado State Fair Authority (the Authority), a division of the Department of Agriculture of the State of Colorado, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Auditors' Findings and Recommendations that we consider to be significant deficiencies. (Recommendation No. 2.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Auditors' Findings and Recommendations. (Recommendation No. 1.)

Certified Public Accountants
700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Colorado State Fair Authority's Response to the Findings

The Authority's response to the findings identified in our audit are described in the accompanying Auditors' Findings and Recommendations section. The Authority'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.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 28, 2014

Wall,
Smith,
Bateman Inc.

October 28, 2014

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities of Colorado State Fair Authority (the Authority), a division of the Department of Agriculture of the State of Colorado, for the years ended June 30, 2014 and 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Authority's financial statements was:

> Management's estimate of the depreciation of capital assets is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule titled "Audit Adjusting Journal Entries" is a summary of the material misstatements detected as a result of the audit procedures that were corrected by management.

Certified Public Accountants
700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the State of Colorado Legislative Audit Committee, the Board of Authority, and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Wall, Smith, Bateman Inc.
Alamosa, Colorado

Colorado State Fair Authority
Audit Adjusting Journal Entries
June 30, 2014

Reference	Type	Date	Account Number	Description	Debit	Credit
AJE1	Adjusting	6/30/2014	50022-4111	Prize/Awards	$ 382,288	
			40031-5213	SFA Exhibits		$ 382,288
	To properly reflect FY2014 Junior Livestock Sale activity.					
			Total		$ 382,288	$ 382,288