

COLORADO STATE FAIR AUTHORITY

FINANCIAL AND COMPLIANCE AUDIT

Fiscal Years Ended June 30, 2011 and 2010



Wall,
Smith,
Bateman Inc.

Certified Public Accountants

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COLORADO STATE FAIR AUTHORITY
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June 30, 2012 and 2011

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**COLORADO STATE FAIR AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2012 and 2011**

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 audit was also conducted pursuant to C.R.S. Sections 35-65-105; 35-65-401; 35-65-405; and 35-65-406. The Fiscal Year 2012 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 June through October, 2012.

The purposes and scope of the audit were to:

- λ Perform a financial and compliance audit of the Colorado State Fair Authority for the years ended June 30, 2012 and 2011 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*.

- λ Evaluate progress in implementing prior audit recommendations.

Audit Results

Wall, Smith, Bateman Inc. expressed an unqualified opinion on the financial statements for the years ended June 30, 2012 and 2011. Our report, dated November 28, 2012, on the Colorado State Fair Authority's June 30, 2012 financial statements includes an explanatory paragraph that describes a going concern uncertainty. The Authority incurred a loss before capital contributions of (\$418,976) and change in net assets of (\$72,797) for the year ended June 30, 2012. Also, as of that date, the Authority's current liabilities exceeded its current assets, less restricted assets, by \$420,264 and it had a deficit unrestricted net assets of (\$398,285).

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 our audit.

Summary of Findings and Recommendations

The following is a summary of the findings contained in the report. The audit recommendation for this finding and associated Authority response is summarized in the recommendation locator, which follows the summary.

There is 1 current year finding and recommendation :

- λ The Authority reported an operating loss of approximately \$2.4 million for Fiscal Year 2012 and the nonoperating revenues from local and state subsidies are not adequate for the Authority to break even. The Authority decreased the unrestricted net assets by \$100,099 during Fiscal Year 2012 leaving the Authority with a negative \$398,285 of unrestricted net assets. We recommend that the Authority continue to refine its strategies and efficiencies and work with the Department of Agriculture and the State to secure adequate subsidies to offset operating losses.

A detailed description of the audit comment and recommendation is contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

The implementation of the recommendations included in the Fiscal Year 2011 audit report is discussed in Disposition of Prior Audit Recommendations .

RECOMMENDATION LOCATOR

All recommendations are addressed to the Colorado State Fair Authority Fiscal Year 2012

Rec. No.	Page No.	Recommendation Summary	Agency Response	Implementation Date
1	5	The Authority should continue to refine its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses and work with the Department of Agriculture and State of Colorado to obtain adequate subsidies for operations .	Agree	Immediately and ongoing

COLORADO STATE FAIR AUTHORITY
BACKGROUND
June 30, 2012 and 2011

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 2012, 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 2012 fair was held during August/September 2011 with an attendance of 515,995. Approximately 75% of governance, administration and facilities management expenditures for July, August and September are allocated to Fair-time activity. The results from the 2012 State Fair which was held during August and September 2012 will be included in the financial statements for the year ended June 30, 2013.

FISCAL YEAR 2012 FINANCIAL HIGHLIGHTS

The following presents a summarized statement of revenues, expenses and changes in fund net assets of the Authority broken down between Fair-time and Off-season periods. There were two Fair-time events and 356 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, 2012 <u>Fair-time</u>	Year ended June 30, 2012 <u>Off-season</u>	Year ended June 30, 2012 <u>Total</u>	Year ended June 30, 2011 <u>Total</u>
Operating revenues	\$ 6,209,536	\$ 1,017,028	\$ 7,226,564	\$ 6,772,176
Operating expenses (excluding depreciation)	<u>5,928,309</u>	<u>3,154,999</u>	<u>9,083,308</u>	<u>8,540,818</u>
Operating income (loss) before depreciation	<u>\$ 281,227</u>	<u>\$ (2,137,971)</u>	(1,856,744)	(1,768,642)
Depreciation			<u>(536,238)</u>	<u>(526,374)</u>
Operating loss			(2,392,982)	(2,295,016)
Nonoperating revenues (net)			<u>1,974,006</u>	<u>1,436,488</u>
Gain (loss) before state capital contributions			(418,976)	(858,528)
Capital contributions			346,179	479,458
Change in net assets			<u>\$ (72,797)</u>	<u>\$ (379,070)</u>

**COLORADO STATE FAIR AUTHORITY
FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012**

Five-Year Business Plan

In October of 2006 the board approved a five-year business plan for the Fair. First, the business plan allowed for the Fair to continue operating with an 11-day Fair which was started during fiscal year ended June 30, 2005 (i.e., the August 2004 Fair); prior to this the Fair was 16 days long. The Authority hoped to improve the quality of the Fair with better attractions in fewer days. The second aspect of the business plan called for an increase in revenue by hiring an entertainment and venue management company to assist in marketing the Events Center. Third, the business plan called for loans from the State Treasury and for the construction of the Events Center to be paid off. HB 06-1384 provided sufficient funds for the payoff of the Authority's debt in fiscal year 2009 as well as \$550,000 per year for operating expenses. HB 08-1399 took effect on February 27, 2009 when the Authority certified to the State Treasury that the above mentioned loans had been paid off. HB 08-1399 provides the Authority with 25% of the interest on the Unclaimed Property Tourism Promotion Trust Fund. This income replaces the \$550,000 provided with HB 06-1384 and is expected to provide approximately \$800,000 per year to the Authority for operating expenses.

What was the purpose of the audit work?

The purpose of the audit work was to follow up on our June 30, 2011 finding and recommendation . At that time, we recommended that the Authority should continue to refine its strategies and pricing policies and search for efficiencies in its operations to minimize future operating losses and work with the Department of Agriculture to find other means to offset losses.

What audit work was performed and how were results measured?

We inquired of the Authority as to what new strategies were implemented during Fiscal Year 2012. The Authority informed us of the following revised or new strategies in an attempt to increase revenue. These strategies included an increase in gate admission by \$2 a ticket. We did determine that ticket prices increased for Fiscal Year 2012 Fair by \$2 for every ticket. We also determined that Fair attendance decreased from the prior fiscal year. The Authority booked two large acts, Martina McBride and Selena Gomez, in attempt to attract more fair-goers. Revenue for box office sales did increase by \$55,000 and we determined that Selena Gomez was a sell out. In the off-season the Authority attempted to increase rental income. As a result we determined that rental income increased by \$273,000 and that the number off season events increased from the prior fiscal year.

**COLORADO STATE FAIR AUTHORITY
FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012**

In addition we compared the Authority’s financial results of the Fiscal Year Ended June 30, 2012 compared to the previous eight years as follows:

For Fiscal Year Ended	Operating Loss Including Depreciation and Amortization	Operating Loss Excluding Depreciation and Amortization	Total State Contributions	Local Contributions	Operating Loss After Cash Contributions
June 30, 2012	\$ (2,392,982)	\$ (1,856,744)	\$ 1,400,896	\$ 590,878	\$ (401,208)
June 30, 2011	(2,295,016)	(1,768,642)	875,978	440,000	(979,038)
June 30, 2010	(2,135,781)	(1,716,290)	854,908	445,859	(835,014)
June 30, 2009	(2,812,156)	(2,160,472)	3,609,952	599,693	1,397,489
June 30, 2008	(2,353,317)	(1,736,988)	3,988,351	385,153	2,020,187
June 30, 2007	(2,417,273)	(1,825,645)	4,320,175	270,132	2,173,034
June 30, 2006	(1,748,741)	(1,167,995)	812,924	347,997	(587,820)
June 30, 2005	(1,351,088)	(737,361)	77,352	441,757	(831,979)

What problem did the audit work identify?

Since the year ended June 30, 2005 the Authority has continued to experience a significant operating loss every year and the results of fiscal year ended June 30, 2012 worsened from fiscal year 2011; the operating loss continues to be substantial. Further, the Authority’s unrestricted net assets decreased from a negative \$298,186 as of June 30, 2011 to a negative \$398,285 as of June 30, 2012. Although the Authority received nearly \$2 million in State and local contributions, the contributions were not adequate to offset the Authority’s operating loss. It is also likely that the Authority may receive less State and local contributions in the future.

Why does this problem matter?

If the results of operations and the cash contributions in Fiscal Year 2012 are comparable to Fiscal Year 2013 the Authority may have to obtain additional financing to operate. The unrestricted net assets at June 30, 2012 are negative and not sufficient to absorb any future losses and have resulted in the accompanying financial statements being prepared assuming doubt that the Authority will continue as going concern.

Why did the problem occur?

Although, the Colorado State Fair Authority’s management has worked to develop strategies to improve efficiencies at the State Fair as noted above; more progress needs to be accomplished to minimize the operating losses. The Authority needs to continue to refine current strategies and explore new strategies to increase the profitability of the Fair.

(Classification of Finding: Other Matter)

**COLORADO STATE FAIR AUTHORITY
FINDINGS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2012**

Recommendation No. 1:

The Colorado State Fair Authority should continue to refine its strategies and pricing policies further and explore new options for increased revenue.

Colorado State Fair Authority's Response:

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.

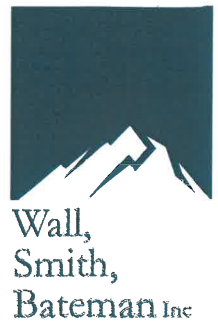
The Fair is in the process of instituting a cashless payment system for concessions and on-grounds attractions for the 2013 Fair. Token machines would be placed around the grounds where customers can buy tokens. Customers would then use these tokens to pay for items. The benefit to the Fair would be 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.

Disposition of Prior Audit Recommendations

Listed below are the recommendations from the Fiscal Year 2011 Colorado State Fair Authority Financial and Compliance audit.

Recommendation	Disposition
1. The Authority should pay special attention to classification of non-routine transactions in the future. Also, the Authority should consider using the resources of the Department of Agriculture for a technical review of the financial statements.	Implemented.
2. The Authority has not adopted policies and procedures to ensure expenses are correctly recorded as expensed, deferred or capitalized in accordance with generally accepted accounting principles.	Implemented .
3. The Authority should continue to refine its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses.	Partially Implemented. See Recommendation No. 1



INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities of the Colorado State Fair Authority (the Authority), a division of the State Department of Agriculture (the Department) of the State of Colorado, as of June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the 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, 2012, and 2011, and the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Authority will continue as a going concern. As discussed in Note 2 to the financial statements, as of June 30, 2012 the Authority's current liabilities exceeded its current assets, less restricted assets, by \$420,264 and it had a deficit unrestricted net assets of (\$398,285). These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Certified Public Accountants

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages 11 through 16 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 the 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.



Wall, Smith, Bateman Inc.
Alamosa, CO

November 28, 2012

**COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012 and 2011**

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, 2012, 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 State 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 18 through 21 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 22 through 36 of this report.

FINANCIAL ANALYSIS

Net assets 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 \$11,952,735 at the close of the most recent fiscal year.

The following schedule provides a condensed statement of net assets as of June 30, 2012, 2011 and 2010.

	Schedule of Net Assets		
	June 30,		
	2012	2011	2010
Current assets	\$ 652,554	\$ 1,128,343	\$ 1,334,472
Other assets	82,278	1,119,994	-
Capital assets	13,769,439	13,029,414	12,133,679
Total assets	14,504,271	15,277,751	13,468,151
Current liabilities	1,072,818	1,381,356	939,175
Noncurrent liabilities	1,478,718	1,870,863	124,374
Total liabilities	2,551,536	3,252,219	1,063,549
Net assets			
Invested in capital assets, net of related debt	12,351,020	12,323,718	12,133,679
Restricted	-	-	-
Unrestricted (deficit)	(398,285)	(298,186)	270,923
Total net assets	\$ 11,952,735	\$ 12,025,532	\$ 12,404,602

**COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012 and 2011**

2012

The largest portion of the Authority's net assets (103.3 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 assets is a deficit of \$398,285.

At the end of the Fiscal Year 2012, the Authority reported a positive balance in the investment in capital assets net of related debt.

The Authority's net assets decreased by \$72,797 during the current fiscal year.

2011

The largest portion of the Authority's net assets (102.5 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 assets is a deficit of \$298,186.

At the end of the Fiscal Year 2011, the Authority reported a positive balance in the investment in capital assets net of related debt.

The Authority's net assets decreased by \$379,070 during the current fiscal year.

**COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012 and 2011**

**Schedule of Changes in Fund Net Assets
Year ended June 30**

	<u>FY12</u>	<u>FY11</u>	<u>FY10</u>
Operating revenues			
Commercial space/concessions	\$ 1,278,589	\$ 1,305,290	\$ 1,260,409
Gate admissions	1,821,602	1,857,230	1,829,400
Box office sales	856,897	801,907	845,303
Private sponsorships	1,682,555	1,563,265	1,833,812
Exhibitor fees	613,137	520,694	521,924
Building rentals	802,803	565,601	530,965
Miscellaneous revenues	170,981	158,189	123,001
Total operating revenues	<u>7,226,564</u>	<u>6,772,176</u>	<u>6,944,814</u>
Operating expenses			
Personnel service and benefits	2,460,624	2,298,942	2,303,819
Entertainment and attractions	899,139	777,404	731,484
Advertising and promotions	1,754,927	1,672,141	1,871,640
Prizes and awards	861,856	784,697	756,601
Depreciation	536,238	526,374	419,491
Other	3,106,762	3,007,634	2,997,560
Total operating expenses	<u>9,619,546</u>	<u>9,067,192</u>	<u>9,080,595</u>
Operating loss	<u>(2,392,982)</u>	<u>(2,295,016)</u>	<u>(2,135,781)</u>
Nonoperating revenues (expenses)			
Department of Agriculture contribution	454,032	-	-
Local government grants	590,878	440,000	445,859
Unclaimed property fund interest income	946,864	875,978	854,908
Private grants and contributions	51,896	115,687	-
Investment income (loss)	428	8,354	17,206
Interest expense	(70,092)	(3,531)	-
Net nonoperating revenue	<u>1,974,006</u>	<u>1,436,488</u>	<u>1,317,973</u>
Increase in net assets before capital contributions	(418,976)	(858,528)	(817,808)
Capital contributions	<u>346,179</u>	<u>479,458</u>	<u>1,109,790</u>
Change in net assets	<u>\$ (72,797)</u>	<u>\$ (379,070)</u>	<u>\$ 291,982</u>

**COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012 and 2011**

For the Year Ended June 30, 2012, net assets decreased by \$72,797. Key elements of this decrease are as follows:

- Operating revenue increased by \$454,388 mainly due to an increase in rental income.
- Operating expenses increased by \$552,354 with the largest increases in entertainment, advertising, prizes and awards, and personal services.
- State capital contributions decreased by \$133,279.

For the Year Ended June 30, 2011, net assets decreased by \$379,070. Key elements of this decrease are as follows:

- State capital contributions decreased by \$630,332.
- Operating revenue decreased by \$172,638 mainly due to a decrease in private sponsorships.
- Operating expenses decreased by \$13,403.

Further Analysis

The Statement of Revenues, Expenses and Changes in Net Assets as June 30, 2012 shows an operating loss of approximately \$2.4 million. However, this figure does not include revenues in excess of \$1.9 million received from local and state sources. In actuality, the Fair reduced its net loss by \$306,273 from 2011 to 2012. Increases in rental income significantly decreased the net loss experienced in prior years, and this trend is expected to continue. In addition, the Department of Agriculture has provided grant funding of \$250,000. Additional funds have not yet been determined. It is the intent of the Department to provide grant funding so long as funding remains available, to support the operations 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 itself is a profitable event, as demonstrated on page 4 of the financial and compliance audit for fiscal year ended June 30, 2012 and 2011. 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. The Fair was successful in this endeavor for FY 2012 and continues to evaluate operations to increase the net profitability of the Fair.

**COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012 and 2011**

For the Period July 1, 2012 to September 30, 2012

The fiscal year 2013 fair was held August 24th through September 3rd, 2012. The following presents a summarized statement of revenue, expenses, and changes in net assets for the period July 1, 2012 through September 30, 2012 for Fiscal Year 2013.

	<u>September 30, 2012</u> <u>Fair-time</u>	<u>September 30, 2012</u> <u>Off Season</u>	<u>September 30, 2012</u> <u>Total</u>
Operating revenues	\$ 6,013,541	\$ 287,821	\$ 6,301,362
Operating expenses (excluding depreciation)	<u>5,398,803</u>	<u>872,492</u>	<u>6,271,295</u>
Operating income (loss) before depreciation	<u>\$ 614,738</u>	<u>\$ (584,671)</u>	\$ 30,067
Depreciation			<u>(138,075)</u>
Operating loss			(108,008)
Non-operating revenues (net)			<u>280,238</u>
Change in net assets			<u>\$ 172,230</u>

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>	<u>Fiscal Year 2011</u>
Colorado State Fair Attendance	474,915	515,995	517,140
Paid events offered during the Colorado State Fair	17	16	16
Colorado State Fair Events *	2	2	2
Events that were NOT Colorado State Fair Events	n/a	356	331
The above amount is n/a due to the fact that these events will not occur until the last three quarters of fiscal year 2013.			

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

**COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012 and 2011**

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 \$8,322,215. The budgetary amount includes the Colorado State Fair Program Line Item in the Long Bill. Total revenues including local government grants and interest were \$9,270,662 and total expenses on a budgetary basis were \$9,170,015.

Total operating expenses (GAAP basis)	\$	9,619,546
Plus interest expense		70,092
Less depreciation		(536,238)
Plus non-budgeted item (compensated absences)		2,327
Plus capital outlay		(1,261,459)
Less in-kind match		1,275,747
		1,275,747
 Total expenses (budgetary basis)	 \$	 9,170,015
		9,170,015

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 payoff 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. The Authority has a positive cash balance with the Treasury at this point and has paid off the bonds in Fiscal Year 2009. 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 2012 was \$109,367 and for Fiscal Year 2013 is expected to be approximately \$117,000. The \$109,367 was assessed by the Office of Information Technology and the Department of Agriculture. The Office of Information Technology assessed the Authority for \$26,694. This was based on usage of their services by the Authority. The Department of Agriculture assessed the Authority for \$82,673 which is a representation of the support that the Commissioner's Office provides to the Authority for central services. This assessment was based on a calculation involving FTE's.

During Fiscal Year 2012, 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.

**COLORADO STATE FAIR AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2012 and 2011**

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.

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 2012 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, 700 Kipling Street, Suite 4000, Lakewood, Colorado 80215-8000.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current Assets		
Unrestricted assets		
Cash and cash equivalents	\$ 393,495	\$ 870,729
Accounts receivable, net of allowance for doubtful accounts	44,872	22,028
Due from local governments	89,648	45,517
Inventory	19,396	24,059
Prepaid expenses	105,143	166,010
Total unrestricted assets	652,554	1,128,343
Restricted assets		
Cash and cash equivalents	72,427	1,029,125
Prepaid expenses	9,851	90,869
Total restricted assets	82,278	1,119,994
Total current assets	734,832	2,248,337
Noncurrent assets		
Capital assets, net of accumulated depreciation	13,769,439	13,029,414
Total noncurrent assets	13,769,439	13,029,414
TOTAL ASSETS	14,504,271	15,277,751
LIABILITIES		
Current liabilities		
Accounts payable	100,087	273,544
Accrued payroll	197,817	174,522
Retainage payable	80,122	84,021
Deferred revenue	609,330	819,054
Other current liabilities	6,150	10,000
Current portion of accrued compensated absences	22,045	9,231
Current portion of bonds capital lease obligations	57,267	10,984
Total current liabilities	1,072,818	1,381,356
Noncurrent liabilities		
Accrued compensated absences	117,566	128,053
Capital lease obligations payable	1,361,152	1,742,810
Total noncurrent liabilities	1,478,718	1,870,863
TOTAL LIABILITIES	2,551,536	3,252,219
NET ASSETS		
Invested in capital assets, net of related debt	12,351,020	12,323,718
Unrestricted (deficit)	(398,285)	(298,186)
TOTAL NET ASSETS	\$ 11,952,735	\$ 12,025,532

The accompanying notes are an integral part of these statements.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
June 30, 2011 and 2012

	2012	2011
OPERATING REVENUES		
Commercial space/concessions	\$ 1,278,589	\$ 1,305,290
Gate admissions	1,821,602	1,857,230
Box office sales	856,897	801,907
Private sponsorships	1,682,555	1,563,265
Exhibitor fees	613,137	520,694
Building rentals	802,803	565,601
Miscellaneous revenues	170,981	158,189
Total operating revenues	7,226,564	6,772,176
 OPERATING EXPENSES		
Personal service and benefits	2,460,624	2,298,942
Entertainment and attractions	899,139	777,404
Advertising and promotions	1,754,927	1,672,141
Prizes and awards	861,856	784,697
Repairs and maintenance	236,958	209,814
Utilities	1,053,613	1,034,834
Supplies and materials	318,971	299,744
Contractual services	785,212	946,873
Other operating	473,652	295,042
Building, vehicle and equipment rental	187,830	176,454
Travel	50,526	44,873
Depreciation	536,238	526,374
Total operating expenses	9,619,546	9,067,192
Operating loss	(2,392,982)	(2,295,016)
 NONOPERATING REVENUES (EXPENSES)		
Unclaimed property fund interest income	946,864	875,978
Department of Agriculture contribution	454,032	-
Local government grants	590,878	440,000
Private grants and contributions	51,896	115,687
Investment income	428	8,354
Interest expense	(70,092)	(3,531)
Total nonoperating revenues (expenses)	1,974,006	1,436,488
Gain (loss) before state capital contributions	(418,976)	(858,528)
State capital contributions	346,179	479,458
Change in net assets	(72,797)	(379,070)
Net assets, beginning of year	12,025,532	12,404,602
Net assets, end of year	\$ 11,952,735	\$ 12,025,532

The accompanying notes are an integral part of these statements.

COLORADO STATE FAIR AUTHORITY
STATEMENT OF CASH FLOWS
June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees for services	\$ 6,020,212	\$ 6,372,850
Cash received from rental of property	802,803	565,601
Cash received from other sources	170,981	158,189
Cash paid to employees	(2,435,002)	(2,288,988)
Cash paid to suppliers	(5,818,229)	(5,454,177)
Cash paid to others	(916,232)	(826,730)
	(2,175,467)	(1,473,255)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local government grants	546,747	394,483
State revenue	946,864	875,978
	1,493,611	1,270,461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital lease proceeds	-	1,753,794
(Increase) decrease in restricted assets	711,281	(1,119,994)
Capital contributions	398,075	595,145
Principal payments	(8,940)	-
Interest payments	(70,092)	(3,531)
Dept of Agriculture	454,032	-
Purchase of property and equipment	(1,280,162)	(1,338,087)
	204,194	(112,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	428	8,354
	428	8,354
NET CASH PROVIDED BY INVESTING ACTIVITIES		
	428	8,354
NET DECREASE IN CASH AND CASH EQUIVALENTS	(477,234)	(307,113)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	870,729	1,177,842
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 393,495	\$ 870,729

The accompanying notes are an integral part of these statements.

COLORADO STATE FAIR AUTHORITY
STATEMENT OF CASH FLOWS
June 30, 2012 and 2011

	2012	2011
OPERATING LOSS	\$ (2,392,982)	\$ (2,295,016)
Adjustments to reconcile net income to cash used in operating activities:		
Depreciation	536,238	526,374
(Increase) decrease in accounts receivable	(22,844)	(3,852)
(Increase) decrease in inventory	4,663	5,365
(Increase) decrease in prepaid expenses	60,867	(56,980)
Increase (decrease) in accounts payable	(173,457)	9,744
Increase (decrease) in compensated absences	2,327	12,909
Increase (decrease) in accrued payroll	23,295	(2,955)
Increase (decrease) in other payables	(3,850)	2,840
Increase (decrease) in deferred revenue	(209,724)	328,316
Total adjustments	217,515	821,761
 NET CASH USED IN OPERATING ACTIVITIES	 \$ (2,175,467)	 \$ (1,473,255)
 NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment added through contributed capital	\$ 346,179	\$ 479,458
Inkind contributions	\$ 1,261,459	\$ 1,207,041

The accompanying notes are an integral part of these statements.

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Colorado State Fair Authority (Authority) is a division of the State 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, 2012 and 2011, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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.

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 2012, the Authority's original and final budget as approved by the General Assembly was \$8,322,215. The Authority allocated the final budget to cover operating expenses, excluding depreciation and change in leave accrual. For Fiscal Year 2011, the Authority's original and final operating budget as approved by the General Assembly was \$8,375,904. 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, 2012, the internal budget showed total budgeted operating revenues of \$5,906,662. Total actual operating revenues were \$7,226,564 and total revenue including operating revenues, unclaimed property fund interest income, Department of Agriculture contributions, local government grants, private donations and interest were \$9,270,662. Total allocated budgeted operating expenses were \$7,357,445 while total actual operating expenses were \$9,170,015 on a budgetary basis.

For Fiscal Year Ended June 30, 2011, the internal budget showed total budgeted operating revenues of \$5,465,000. Total actual operating revenues were \$6,772,176 and total revenue including operating revenues, unclaimed property fund interest income, local government grants, private donations and interest were \$8,212,195. Total allocated budgeted operating expenses were \$7,484,492 while total actual operating expenses were \$8,773,753 on a budgetary basis.

	2012	2011
Total operating expenses (GAAP basis)	\$ 9,619,546	\$ 9,067,192
Plus interest expense	70,092	3,531
Less depreciation	(536,238)	(526,374)
Plus nonbudgeted item (compensated absences)	2,327	12,909
Less in-kind match	(1,261,459)	(1,207,041)
Plus capital outlay	1,275,747	1,423,536
 Total expenses (budgetary basis)	 \$ 9,170,015	 \$ 8,773,753

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.

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 and 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:

<u>Assets</u>	<u>Estimated Lives</u>
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

Deferred Revenue

Deferred revenue represents cash received by the Authority in advance of the related revenue being earned by the Authority. Deferred 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

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

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 of \$1,261,459 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.

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 (\$418,976) and change in net assets of (\$72,797) for the year ended June 30, 2012.

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 assets 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, 2012, the Authority had cash on deposit with the State Treasurer of \$377,576, which represented approximately 0.00578 percent of the total \$6,541.7 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

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

the counterparty's trust department or agent but not in the state's name. As of June 30, 2012, 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, 2012, approximately 89 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$12,085,710 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, 2012, the weighted average maturity of investments in the Treasurer's Pool is 0.0900 years for Commercial Paper (2.1 percent of the Pool), 0.803 years for U.S. Government Securities (75.2 percent of the Pool), 2.37 years for Asset Backed Securities (6.6 percent of the Pool), and 3.252 years for Corporate Bonds (16.1 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2011-12.

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, 2012.

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.

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

As of June 30, 2012 the Authority's deposits are as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Cash on hand	\$ -	\$ 3,300
Deposits covered by depository insurance - Federal Insurance	<u>62,596</u>	<u>149,491</u>
Total Cash	<u><u>\$ 62,596</u></u>	<u><u>\$ 152,791</u></u>

As of June 30, 2011, the Authority had \$829,738 on deposit with the State Treasurer. As of June 30, 2011, the Authority's deposits are as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Cash on hand	\$ -	\$ 300
Deposits covered by depository insurance - Federal Insurance	<u>126,484</u>	<u>200,309</u>
Total Cash	<u><u>\$ 126,484</u></u>	<u><u>\$ 200,609</u></u>

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 4 CAPITAL ASSETS

At June 30, 2012, capital assets consisted of the following:

	Balance 06/30/11	Additions	Deletions	Balance 06/30/12
Capital assets not being depreciated				
Land	\$ 594,458	\$ -	\$ -	\$ 594,458
Construction in progress	1,081,925	1,236,003	(2,317,928)	-
Total capital assets not being depreciated	<u>1,676,383</u>	<u>1,236,003</u>	<u>(2,317,928)</u>	<u>594,458</u>
Capital assets being depreciated				
Buildings	12,640,602	178,544	-	12,819,146
Land improvements	10,712,237	722,405	-	11,434,642
Furniture and equipment	2,279,294	1,456,723	-	3,736,017
Total capital assets being depreciated	<u>25,632,133</u>	<u>2,357,672</u>	<u>-</u>	<u>27,989,805</u>
Less accumulated depreciation for:				
Buildings	(8,743,686)	(196,098)	-	(8,939,784)
Land improvements	(3,432,423)	(301,078)	-	(3,733,501)
Furniture and equipment	(2,102,993)	(39,062)	516	(2,141,539)
Total accumulated depreciation	<u>(14,279,102)</u>	<u>(536,238)</u>	<u>516</u>	<u>(14,814,824)</u>
Total capital assets being depreciated, net	<u>11,353,031</u>	<u>1,821,434</u>	<u>516</u>	<u>13,174,981</u>
Capital assets, net	<u>\$ 13,029,414</u>	<u>\$ 3,057,437</u>	<u>\$ (2,317,412)</u>	<u>\$ 13,769,439</u>

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

At June 30, 2011, capital assets consisted of the following:

	Balance 06/30/10	Additions	Deletions	Balance 06/30/11
Capital assets not being depreciated				
Land	\$ 594,458	\$ -	\$ -	\$ 594,458
Construction in progress	-	1,081,530	395	1,081,925
Total capital assets not being depreciated	<u>594,458</u>	<u>1,081,530</u>	<u>395</u>	<u>1,676,383</u>
Capital assets being depreciated				
Buildings	12,474,618	166,379	(395)	12,640,602
Land improvements	10,609,005	103,232	-	10,712,237
Furniture and equipment	2,207,810	72,000	(516)	2,279,294
Total capital assets being depreciated	<u>25,291,433</u>	<u>341,611</u>	<u>(911)</u>	<u>25,632,133</u>
Less accumulated depreciation for:				
Buildings	(8,555,544)	(188,142)	-	(8,743,686)
Land improvements	(3,135,973)	(296,450)	-	(3,432,423)
Furniture and equipment	(2,060,695)	(41,782)	(516)	(2,102,993)
Total accumulated depreciation	<u>(13,752,212)</u>	<u>(526,374)</u>	<u>(516)</u>	<u>(14,279,102)</u>
Total capital assets being depreciated, net	<u>11,539,221</u>	<u>(184,763)</u>	<u>(1,427)</u>	<u>11,353,031</u>
Capital assets, net	<u>\$ 12,133,679</u>	<u>\$ 896,767</u>	<u>\$ (1,032)</u>	<u>\$ 13,029,414</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$536,238 and \$526,374, respectively.

NOTE 5 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability balances for the year ended June 30, 2012 were as follows:

	Beginning Balance	Additions	Reductions	Reclassification	Ending Balance	Due Within One Year
Business-type Activities:						
Capital Lease Payable	\$ 1,753,794	\$ -	\$ 8,939	\$ (326,436)	\$ 1,418,419	\$ 57,267
Compensated Absences	137,284	2,327	-	-	139,611	22,045
Total Business-type Activities	<u>\$ 1,891,078</u>	<u>\$ 2,327</u>	<u>\$ 8,939</u>	<u>\$ (326,436)</u>	<u>\$ 1,558,030</u>	<u>\$ 79,312</u>

COLORADO STATE FAIR AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012 and 2011

Long-term liability balances for the year ended June 30, 2011 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Capital Lease Payable	\$ -	\$ 1,753,794	\$ -	\$ 1,753,794	\$ 10,984
Compensated Absences	124,374	12,910	-	137,284	9,231
Total Business-type Activities	<u>\$ 124,374</u>	<u>\$ 1,766,704</u>	<u>\$ -</u>	<u>\$ 1,891,078</u>	<u>\$ 20,215</u>

Capital Leases Payable

The Authority is obligated under a master lease contract signed on January 11, 2011, in the amount of \$1,753,794 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 NW 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, 2011 \$705,696 of the lease proceeds was spent on equipment installed at the Colorado State Fair Grounds and \$18,973 was spent on equipment at the other two sites. During Fiscal Year 2011 \$90,869 was transferred to the Colorado State Fair Authority from the other two agencies and was recorded as restricted cash for debt service on the books of the Authority. As of June 30, 2011, \$724,669 of lease proceeds had been drawn down and spent, leaving \$1,029,125 remaining and held in an escrow account, recorded on the books of the Authority as "Funds held in escrow" and shown as restricted assets. During Fiscal Year 2012 the Authority changed the way they were accounting for this capital lease. Instead of recording 100% of the debt and escrow funds on the books for the Authority, with a corresponding restricted cash for debt service to reflect the amount of proceeds used by the other two Department of Agriculture facilities, they are now only recording the portion of the debt and the escrow funds that are attributable to the Authority (81%). A reclassification in the amount of \$326,436 was made to reduce the capital lease payable and funds held in escrow to reflect only the portion of debt and escrow funds belonging to the Authority at June 30, 2012. As of June 30, 2012, \$1,416,979 of the lease proceeds had been drawn down and spent at the Colorado State Fair Grounds, leaving \$72,427 remaining and held in an escrow account, recorded on the books of the Authority as "Funds held in escrow" and shown as restricted assets. 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 below debt service requirements for the capital lease payable only reflects the Authority's portion of the debt (81%).

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

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTALS</u>
2013	\$ 57,267	\$ 51,323	\$ 108,590
2014	63,301	49,133	112,434
2015	71,129	46,695	117,824
2016	77,990	43,969	121,959
2017	84,617	41,000	125,617
2018-2022	535,672	151,257	686,929
2023-2026	528,443	38,488	566,931
	<u>\$ 1,418,419</u>	<u>\$ 421,865</u>	<u>\$ 1,840,284</u>

NOTE 6 PENSION PLAN OBLIGATIONS

A. 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 PERA defined contribution plan are allowed an irrevocable election between the second and fifth year of membership 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 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.

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

- λ 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.
- λ 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.
- λ Hired on or after 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.
- λ 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.
- λ Hired on or after January 1, 2017 – any age with 35 years of service, age 58 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:

- λ 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.
- λ Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.
- λ Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- λ 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.

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

- λ Hired on or after January 1, 2007 – the lesser of 2 percent or the average of the monthly Consumer Price Index increases.
- λ 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.)
- λ The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio 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.

B. 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 CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011 Senate Bill 11-076 extended the requirements for members in the State and Judicial Divisions to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions will be reduced by 2.5 percent.

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent of the employee's salary. From January 1, 2012, through June 30, 2012, the State contributed 13.15 percent. During all of Fiscal Year 2011-12, 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, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56 year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly lower at 57.6 percent.

In the 2004 and 2012 legislative sessions, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay

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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 (except for the Judicial Division whose AED contribution was frozen at the 2010 level).

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 (except for the Judicial Division whose SAED contribution was frozen at the 2010 level). The SAED will be deducted from the amount otherwise available to increase State employees' salaries.

At 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 ration 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, 2012, 2011, and 2010 were \$220,111, \$205,133, and \$233,366, respectively. These contributions met the contribution requirement for each year.

NOTE 7 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 (10 percent for state troopers) of their salary. For Fiscal Years 2009-10 and 2010-11 the legislature temporarily increased the required contribution rate to 10.5 percent. At December 31, 2011, the plan had 4,029 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 2010, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010-11 and 2011-12) to a maximum of \$16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2010, for total contributions of \$22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

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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 8 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 4. 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 \$10,591, \$11,470, and \$13,508 as required by statute in Fiscal Years 2011-12, 2010-11, and 2009-10, 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, 2011, there were 50,217 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of \$1.43 billion, a funded ratio of 16.5 percent, and a 49-year amortization period.

NOTE 9 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.

COLORADO STATE FAIR AUTHORITY
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NOTE 10 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, 2012 and 2011. As a result, in fiscal years ended 2012 and 2011 the Authority was included in the State TABOR District.

NOTE 11 RELATED PARTY

During fiscal year 2011 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, 2012, 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 2012 \$0 was given to the Authority.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Claims and Litigation

In 1947 the Authority leased 1.72 acres of land to the Federal Government. The Federal Government erected structures on the land and used the space as a US Naval Reserve Center facility until July 1994. In 1998 the federal government performed remediation for asbestos and petroleum contamination on the property. In 2001 the Authority was made aware that there was still asbestos contamination on the site. In 2003 the Authority received a cost estimate for the abatement and demolition of four of the structures. The cost estimates included an industrial hygiene technician to observe abatement activities to ensure federal, state and local regulations were adhered to, and included costs for collection and analysis of final clearance air sampling as required by Colorado regulations where friable asbestos-containing material is abated. The cost estimates ranged from \$173,874 to \$376,034. In August 2012, the Department of Agriculture was awarded a "State Brownfields HB 1306 Program" grant in the amount of \$350,000 to assist the Department of Agriculture with the asbestos abatement of the old Naval Reserve buildings located at the Colorado State Fairgrounds. The Department of Agriculture has also committed an additional \$50,000 for the clean up effort. The amount of funds in grants and from the Department of Agriculture should be sufficient to cover the cost of clean up on the property; therefore, there is not environmental remediation liability recorded by the Authority.

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.

**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 the financial statements of the business-type activities of the Colorado State Fair Authority (the Authority), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 28, 2012. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's responses to the findings identified in our audit are described in the accompanying Findings and Recommendations section. We did not audit the Authority's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Colorado State Fair Authority Board of Commissioners, others within the entity, members of the Legislative Audit Committee, and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, upon release by the Legislative Audit Committee, its distribution is not limited.



Wall, Smith, Bateman Inc.
Certified Public Accountants

November 28, 2012

November 28, 2012

To the Members of the Legislative Audit Committee
Colorado State Fair Authority

We have audited the financial statements of the business-type activities of the Colorado State Fair Authority (the Authority) for the years ended June 30, 2012 and 2011. 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 contract number 2012-43 between our firm and the Office of the State Auditor and during our meeting regarding planning matters dated April 27, 2012. 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 fiscal year 2012 or 2011. 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 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.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, it is very difficult for Authority staff to accommodate the annual audit during the same time as the yearly Colorado State Fair.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Certified Public Accountants

Management has corrected all such misstatements. An audit adjustment was recorded to move an interfund receivable to the imprest operating cash account in the amount of \$106,170. Also, two audit adjustments were recorded to book the premium payment amounting to \$8,940 and the interest payment amounting to \$70,092 on the capital lease.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's 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 November 28, 2012.

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.

This information is intended solely for the use of the Legislative Audit Committee and management of the Colorado State Fair Authority and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record upon release by the Legislative Audit Committee.

Very truly yours,



Wall, Smith, Bateman Inc.
Certified Public Accountants

The electronic version of this report is available on the Web site of the Office
of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 2087-12