

**COLORADO STATE FAIR AUTHORITY**

**FINANCIAL AND COMPLIANCE AUDIT**  
**Fiscal Years Ended June 30, 2008 and 2007**

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**COLORADO STATE FAIR AUTHORITY**  
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**June 30, 2008**

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**COLORADO STATE FAIR AUTHORITY  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEAR ENDED JUNE 30, 2008**

**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 2008 audit was conducted under contract with Wall, Smith, Bateman and Associates, Inc. The audit was conducted in accordance with audit standards generally accepted in the United States of America. Audit work was performed June through November, 2008.

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of the Colorado State Fair Authority for the year ended June 30, 2008, and to express an opinion on the financial statements. This included a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate progress in implementing prior audit recommendations.

**Audit Results and Summary of Major Audit Findings**

Wall, Smith, Bateman and Associates, Inc. expressed an unqualified opinion on the financial statements for the year ended June 30, 2008 and 2007. Our report, dated November 7, 2007, on the Colorado State Fair Authority's June 30, 2007 financial statements includes an explanatory paragraph that describes a going concern uncertainty. The going concern uncertainty that existed as of June 30, 2007 did not exist as of June 30, 2008 since the Authority incurred a gain before state capital contributions of \$1,219,797 and a change in net assets of \$1,923,815 during the year then ended. However, the Authority did incur an operating loss of \$2,353,317 and the primary reason for the increase in net assets is due to House Bill 06-1384 providing unclaimed property fund interest income of \$3,284,333.

We issued a report on the Colorado State Fair Authority's internal control over financial reporting and compliance with 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**

An independent auditor is required to communicate to the Audit Committee certain matters related to the conduct of the audit and to ensure that the 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 two audit adjustments were required and 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 recommendations for these findings and associated Authority responses are summarized in the recommendation locator, which follows the summary.

There is one current year finding and recommendation:

- The Authority's enterprise fund has sustained operating losses for a number of years that have required continued State subsidization. House Bill 06-1384 will provide funding to pay off the debt to the State Treasury and the loan for the Events Center. Once the Authority has certified to the State Treasurer that all loans owed by the Authority to the State Treasurer and any outstanding debt incurred by the Authority to build the events center have been paid in full, House Bill 08-1399 will take effect which will provide approximately \$800,000 of operating funds per year. It is probable that the Authority will continue to operate at a loss and the funds committed by the State will not be sufficient to sustain the Authority. We recommend that the Authority continue to refine its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses.

### **Recommendation and Authority Response**

A summary of the recommendation for the above comment is included in the Recommendation Locator included at the end of this summary. The Recommendation Locator also shows the Authority's response to the audit recommendation. 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**

There were five recommendations made in the prior year audit. Four recommendations were implemented and one recommendation was partially implemented. Detailed descriptions and the dispositions are contained in the disposition of prior year audit recommendations.

**RECOMMENDATION LOCATOR**

**All recommendations are addressed to the Colorado State Fair Authority Fiscal Year 2008**

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1	6	Continue to refine strategies and pricing policies and also search for efficiencies in operations to minimize future losses.	Agree	Ongoing

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**June 30, 2008 and 2007**

**BACKGROUND**

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 2008, the Authority was appropriated 24 full-time staff plus contract employees to run its year-round operations. In the summer, the Authority adds about 800 temporary staff to run the annual State Fair.

**FISCAL YEAR 2008 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. 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, 2008 <u>Fair-time*</u>	Year ended June 30, 2008 <u>Off-season</u>	Year ended June 30, 2008 <u>Total</u>	Year ended June 30, 2007 <u>Total</u>
Operating revenues	\$ 6,681,996	\$ 1,119,007	\$ 7,801,003	\$ 6,899,173
Operating expenses (excluding depreciation)	<u>6,460,252</u>	<u>3,077,739</u>	<u>9,537,991</u>	<u>8,724,818</u>
Operating income (loss) before depreciation	<u>\$ 221,744</u>	<u>\$ (1,958,732)</u>	(1,736,988)	(1,825,645)
Depreciation			<u>(616,329)</u>	<u>(591,628)</u>
Operating loss			(2,353,317)	(2,417,273)
Nonoperating revenues (net)			<u>3,573,114</u>	<u>3,380,194</u>
Gain (loss) before state capital contributions			1,219,797	962,921
Capital contributions			704,018	1,055,417
Change in net assets			<u>\$ 1,923,815</u>	<u>\$ 2,018,338</u>

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**June 30, 2008 and 2007**

\*Fair held during August/September 2007. Included in the breakdown is approximately 75% of governance and administration and facilities management expenditures for July, August and September to Fair-time activity.

The 2008 State Fair (held August/September 2008) results will be included in the financial statements for the year ended June 30, 2009.

The Authority experienced a net operating cash outflow of \$1,870,543 and \$1,820,325, respectively, for the years ended June 30, 2008 and 2007.

The gain for the years ended June 30, 2008 and 2007 resulted in a positive change in net assets of \$1,219,797 and \$962,921 before capital contributions, respectively.

**COLORADO STATE FAIR AUTHORITY, COLORADO  
FINDINGS AND RECOMMENDATIONS**

**June 30, 2008**

**Five-Year Business Plan**

The Authority's enterprise fund has incurred operating losses for a number of years. Specifically, the Authority has incurred losses and subsidization from the State as follows:

<u>For Fiscal Year Ended</u>	<u>Operating Loss Including Depreciation and Amortization</u>	<u>Operating Loss Excluding Depreciation and Amortization</u>	<u>Total State Contributions</u>	<u>Local Contributions</u>
June 30, 2008	\$ (2,353,317)	\$ (1,736,988)	\$ 3,988,351	\$ 385,153
June 30, 2007	(2,417,273)	(1,825,645)	4,320,175	270,132
June 30, 2006	(1,748,741)	(1,167,995)	812,924	347,997
June 30, 2005	(1,351,088)	(737,361)	77,352	441,757
June 30, 2004	(1,255,087)	(639,851)	109,674	228,734
June 30, 2003	(1,175,019)	(574,770)	577,685	458,012

In October of 2006 the board approved a five-year business plan. First, the business plan continued the reduced number of days of Fair operation from a 16 day Fair to an 11 day Fair, which was started for the fiscal year ended June 30, 2005. The Authority hopes to improve the quality of the Fair with better attractions in fewer days. Second, the business plan is to increase revenue by hiring an entertainment and venue management company to assist in marketing the Events Center. Third, the plan cites HB 06-1384 which will provide sufficient funds to payoff a loan with the State Treasury in the amount estimated at \$2.1 million, payoff a loan on construction of the Events Center for \$1.4 million and provide \$550,000 per year for operating expenses. HB 08-1399 will take effect once the Authority certifies to the State Treasurer that all loans owed to the State Treasury and the Events Center debt has been paid off. HB 08-1399 provides the Authority with 25% of the interest on the Unclaimed Property Tourism Promotion Trust Fund. HB 08-1399 will replace the \$550,000 of annual operating funds provided by HB 06-1384 with an amount estimated at \$800,000 per year for operating expenses.

For June 30, 2005 the auditors recommended that the Authority should update its five-year plan and refine its strategies and pricing policies in order to minimize the amount of required future subsidization by the State. Based on the updated five-year plan, the Authority will continue to rely on State subsidization for at least the next five years. Although the State has committed funding to the Authority, the Authority reports that it may continue to experience cash flow problems based on projections. Historically, since fiscal year 2003, the aforementioned \$800,000 per year would not be enough to cover the operating loss excluding depreciation and amortization.

**RECOMMENDATION NO. 1**

The Authority should continue to refine its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses. This should include projections of revenues and expenses for years that the State funding will be at an estimated \$800,000.

**COLORADO STATE FAIR AUTHORITY, COLORADO  
FINDINGS AND RECOMMENDATIONS**

**June 30, 2008**

**Colorado State Fair Authority Response:**

Agree. The Colorado State Fair Authority agrees that it is a prudent business practice to continually refine strategies and pricing policies and search for efficiencies to minimize future losses. The Colorado State Fair Authority staff, in cooperation with the Board of Commissioners, evaluates the five year plan periodically and makes changes as necessary. Implementation date: Ongoing

# Disposition of Prior Audit Recommendations

Listed below are the recommendations from the Fiscal Year 2007 Colorado State Fair Authority Financial and Compliance audit.

<b>Recommendation</b>	<b>Disposition</b>
1. 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 current year recommendation No. 1.
2. The Authority should perform timely monthly reconciliations of accounting records to ensure accuracy and completeness in financial reporting and minimize the risk of errors, irregularities, misallocations and omissions.	Implemented
3. The Authority should improve controls over cash receipts by requiring that the person opening the remittances to prepare a list documenting the payer, amount and check number for each remittance. After the deposit is made, an individual with neither record keeping or custody of assets responsibilities should compare the total deposit from the deposit slip to the total from the remittance listing to mitigate the risk that remittances are misappropriated or that errors go undetected.	Implemented
4. The Authority should ensure that all daily sales report reconciliations of Box Office revenue are completed and differences are resolved in order to reduce the risk of errors and fraud.	Implemented
5. The Authority should continue efforts to complete the comprehensive accounting policies and procedures manual.	Implemented

**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, 2008 and 2007, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2008, and 2007, 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 Authority as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008 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.

Management's Discussion and Analysis on pages 10 through 14 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Wall, Smith, Bateman and Associates, Inc.*

Wall, Smith, Bateman and Associates, Inc.  
Certified Public Accountants

December 4, 2008

**Colorado State Fair Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008 and 2007**

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, 2008 and should be read in conjunction with the Authority's financial statements, which begin on page 16. 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 16 through 19 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 20 through 32 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 \$10,775,595 at the close of the most recent fiscal year.

The following schedule provides a condensed statement of net assets as of June 30, 2008, 2007 and 2006.

**Schedule of Net Assets**

	June 30		
	2008	2007	2006
Current assets	\$ 1,810,945	\$ 740,572	\$ 582,019
Other assets	21,089	25,307	29,525
Capital assets	11,053,129	10,877,170	10,405,973
Total assets	12,885,163	11,643,049	11,017,517
Current liabilities	1,801,696	2,523,961	3,915,507
Noncurrent liabilities	307,872	267,308	268,567
Total liabilities	2,109,568	2,791,269	4,184,074
Net assets			
Invested in capital assets, net of related debt	10,076,982	9,714,139	9,071,645
Restricted	195,262	191,656	187,754
Unrestricted (deficit)	503,351	(1,054,015)	(2,425,956)
Total net assets	\$ 10,775,595	\$ 8,851,780	\$ 6,833,443

**Colorado State Fair Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008 and 2007**

**2008**

The largest portion of the Authority's net assets (93.5 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. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$195,262 (1.8 percent) of the Authority's net assets as of June 30, 2008 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is \$503,351, which will be partially used to payoff principal on the refunding revenue bonds.

At the end of the Fiscal Year 2008, the Authority reported positive balances in the investment in capital assets net of related debt, restricted net assets, and unrestricted net assets.

The Authority's net assets increased by \$1,923,815 during the current fiscal year.

As of June 30, 2008, the entire amount of principal outstanding on the Authority's refunding revenue bonds was classified as a current liability because the Authority was in violation of a debt covenant (note 3 to the accompanying statements).

**2007**

The largest portion of the Authority's net assets (110 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. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$191,656 (2.2 percent) of the Authority's net assets as of June 30, 2007 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets is a negative \$1,054,015, which indicates that over time the State Fair's expenses have exceeded its revenue.

At the end of the Fiscal Year 2007, the Authority reported positive balances in the investment in capital assets net of related debt and restricted net assets, but was left with a negative balance in unrestricted net assets.

The Authority's net assets increased by \$2,018,338 during the fiscal year and 2007.

As of June 30, 2007, the entire amount of principal outstanding on the Authority's refunding revenue bonds was classified as a current liability because the Authority was in violation of a debt covenant (note 3 to the accompanying statements).

**Colorado State Fair Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008 and 2007**

Schedule of Changes in Fund Net Assets

Year ended June 30

	<u>FY08</u>	<u>FY07</u>	<u>FY06</u>
Operating revenues			
Commercial space/concessions	\$ 1,273,236	\$ 1,231,714	\$ 1,226,772
Gate admissions	1,918,890	1,836,919	1,888,427
Box office sales	1,384,300	1,429,681	1,441,935
Private sponsorships	1,934,660	1,249,943	1,099,135
Exhibitor fees	578,923	449,058	484,134
Building rentals	577,317	506,713	516,018
Miscellaneous revenues	133,677	195,145	109,640
	<hr/>	<hr/>	<hr/>
Total operating revenues	7,801,003	6,899,173	6,766,061
	<hr/>	<hr/>	<hr/>
Operating expenses			
Personal service and benefits	2,162,379	1,971,955	1,715,215
Entertainment and attractions	1,435,327	1,460,682	1,737,581
Advertising and promotions	2,008,415	1,384,959	1,293,836
Prizes and awards	827,793	733,089	677,824
Depreciation	616,329	591,628	580,746
Other	3,104,077	3,174,133	2,509,600
	<hr/>	<hr/>	<hr/>
Total operating expenses	10,154,320	9,316,446	8,514,802
	<hr/>	<hr/>	<hr/>
Operating loss	(2,353,317)	(2,417,273)	(1,748,741)
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Nonoperating revenues (expenses)			
Local government grants	385,153	270,132	347,997
Unclaimed property fund interest income	3,284,333	3,264,758	263,412
Private donations	974	12,203	13,091
Investment income (loss)	5,816	3,287	4,504
Interest expense	(103,162)	(170,186)	(175,831)
	<hr/>	<hr/>	<hr/>
Net nonoperating revenue	3,573,114	3,380,194	453,173
	<hr/>	<hr/>	<hr/>
Increase in net assets before State capital contributions	1,219,797	962,921	(1,295,568)
State capital contributions	704,018	1,055,417	549,512
	<hr/>	<hr/>	<hr/>
Change in net assets	<u>\$ 1,923,815</u>	<u>\$ 2,018,338</u>	<u>\$ (746,056)</u>

**Colorado State Fair Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008 and 2007**

**For the Year Ended June 30, 2008** net assets increased by \$1,923,815. Key elements of this increase are as follows:

- State capital contributions increased net assets by \$704,018. Additionally, the Fair received \$3,284,333 of interest earned on the Unclaimed Property fund. These two contributions helped accomplish the increase in net assets to \$1,923,815.
- Operating revenue increased by \$901,830 mainly due to increases in commercial space/concessions, gate admissions, exhibitor fees, private sponsorships and building rentals.
- Operating expenses increased by \$837,874 with the largest increases in the areas of personal services and benefits (\$190,424), contractual services (\$114,179), advertising and promotions (\$623,456), prizes and awards (\$94,704) and utilities (\$112,389). There was notable decrease in repairs and maintenance of \$218,905 and supplies \$81,551.

**For the Year Ended June 30, 2007** net assets increased by \$2,018,338. Key elements of this increase are as follows:

- State capital contributions increased net assets by \$1,055,417. Additionally, the Fair received \$3,264,758 of interest earned on the Unclaimed Property fund. These two contributions helped accomplish the increase in net assets to \$2,018,338
- Operating revenue increased by \$133,112 mainly due to increases in commercial space/concessions, private sponsorships and miscellaneous revenue.
- Operating expenses increased by \$801,664 with the largest increases in the areas of personal services and benefits (\$256,740), contractual services (\$246,951), repairs and maintenance (\$112,346) and utilities (\$82,454). There was a notable decrease in entertainment and attractions (\$276,899).

**Colorado State Fair Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Year Ended June 30, 2008 and 2007**

**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 \$9,365,516. The budgetary amount includes the Colorado State Fair Program Line Item and budget allocations for the Fair's portion of Risk Management and Worker's Compensation insurances in the Long Bill. Total revenues including local government grants and interest were \$11,477,279 and total expenses on a budgetary basis were \$8,931,832, or \$2,545,447 below revenues.

Total operating expenses (GAAP basis)	\$10,154,320
Plus interest expense	103,162
Less depreciation	(616,329)
Less nonbudgeted item (compensated absences)	(24,693)
Plus capital outlay	792,288
Less in-kind match	<u>(1,476,916)</u>
Total expenses (budgetary basis)	<u><u>\$ 8,931,832</u></u>

**FUTURE 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 will provide the Authority with \$550,000 per year for operations once the debts are paid off. In fiscal year 2008 the Authority reduced its debt to the Treasury by \$302,325. 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 are paid in full. The Authority has a positive cash balance with the Treasury at this point and is projecting that it will pay off the bonds in fiscal year 2009.

**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 2008 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, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Unrestricted assets</b>		
Cash and cash equivalents	\$ 1,384,487	\$ 263,633
Accounts receivable, net of allowance for doubtful accounts	20,795	87,711
Due from local governments	-	5,400
Inventory	39,972	51,404
Prepaid expenses	170,429	140,768
<b>Total unrestricted assets</b>	<b>1,615,683</b>	<b>548,916</b>
<b>Restricted Assets</b>		
Bond fund	38,020	35,677
Reserve fund	157,242	155,979
<b>Total restricted assets</b>	<b>195,262</b>	<b>191,656</b>
<b>Total current assets</b>	<b>1,810,945</b>	<b>740,572</b>
<b>Noncurrent assets</b>		
Capital assets, net of accumulated depreciation	11,053,129	10,877,170
Unamortized financing costs	21,089	25,307
<b>Total noncurrent assets</b>	<b>11,074,218</b>	<b>10,902,477</b>
<b>TOTAL ASSETS</b>	<b>12,885,163</b>	<b>11,643,049</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to State Treasury	-	302,325
Current portion of bonds and capital lease obligations	976,147	1,149,494
Accounts payable	154,183	227,168
Accrued payroll payable	175,583	146,175
Accrued interest payable	6,048	6,680
Deferred revenue	656,568	829,243
Other current liabilities	8,750	9,051
<b>Total current liabilities</b>	<b>1,977,279</b>	<b>2,670,136</b>
<b>Noncurrent liabilities</b>		
Accrued compensated absences	132,289	107,596
Capital lease obligations payable	-	13,537
<b>Total noncurrent liabilities</b>	<b>132,289</b>	<b>121,133</b>
<b>TOTAL LIABILITIES</b>	<b>2,109,568</b>	<b>2,791,269</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	10,076,982	9,714,139
Restricted for:		
Debt service	195,262	191,656
Unrestricted (deficit)	503,351	(1,054,015)
<b>TOTAL NET ASSETS</b>	<b>\$ 10,775,595</b>	<b>\$ 8,851,780</b>

The accompanying notes are an integral part of these statements.

**COLORADO STATE FAIR AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the Years Ended June 30, 2008 and 2007**

	2008	2007
<b>OPERATING REVENUES</b>		
Commercial space/concessions	\$ 1,273,236	\$ 1,231,714
Gate admissions (pledged revenues of \$1,939,289 in 2008 and \$1,543,339 in 2007)	1,918,890	1,836,919
Box office sales	1,384,300	1,429,681
Private sponsorships	1,934,660	1,249,943
Exhibitor fees	578,923	449,058
Building rentals	577,317	506,713
Miscellaneous revenues	133,677	195,145
	<b>7,801,003</b>	<b>6,899,173</b>
<b>Total operating revenues</b>		
<b>OPERATING EXPENSES</b>		
Personal service and benefits	2,162,379	1,971,955
Entertainment and attractions	1,435,327	1,460,682
Advertising and promotions	2,008,415	1,384,959
Prizes and awards	827,793	733,089
Repairs and maintenance	277,019	495,924
Utilities	890,562	778,173
Supplies and materials	294,708	376,259
Contractual services	941,636	827,457
Other operating	384,685	406,559
Building, vehicle and equipment rental	259,131	249,639
Travel	56,336	40,122
Depreciation	616,329	591,628
	<b>10,154,320</b>	<b>9,316,446</b>
<b>Total operating expenses</b>		
<b>Operating loss</b>	<b>(2,353,317)</b>	<b>(2,417,273)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Private donations	974	12,203
Unclaimed property fund interest income	3,284,333	3,264,758
Local government grants	385,153	270,132
Investment income (loss)	5,816	3,287
Interest expense	(103,162)	(170,186)
	<b>3,573,114</b>	<b>3,380,194</b>
<b>Total nonoperating revenues (expenses)</b>		
Gain (loss) before state capital contributions	1,219,797	962,921
<b>Capital contributions</b>	<b>704,018</b>	<b>1,055,417</b>
<b>Change in net assets</b>	<b>1,923,815</b>	<b>2,018,338</b>
<b>Net assets, beginning of year</b>	<b>8,851,780</b>	<b>6,833,442</b>
<b>Net assets, end of year</b>	<b>\$ 10,775,595</b>	<b>\$ 8,851,780</b>

The accompanying notes are integral part of these statements.

**COLORADO STATE FAIR AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees for services	\$ 5,512,734	\$ 5,363,828
Cash received from rental of property	577,317	506,713
Cash received from other sources	133,677	195,145
Cash paid to employees	(2,108,278)	(1,949,300)
Cash paid to suppliers	(5,012,739)	(4,737,056)
Cash paid to others	(973,254)	(1,199,655)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(1,870,543)</b>	<b>(1,820,325)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
(Increase) decrease in restricted assets	(3,606)	(3,902)
Local government grants	704,018	1,055,417
Debt service principal payments	(186,884)	(171,297)
Interest payments	(103,794)	(171,388)
Sale of property and equipment	-	17,000
Purchase of property and equipment	(792,288)	(1,079,826)
<b>NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(382,554)</b>	<b>(353,996)</b>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Local government grants	385,153	270,132
State revenue	3,284,333	3,264,758
Payments to State Treasurer for loan	(302,325)	(1,212,477)
Private donations	974	12,203
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>3,368,135</b>	<b>2,334,616</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividend income	5,816	3,287
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>5,816</b>	<b>3,287</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,120,854</b>	<b>163,582</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>263,633</b>	<b>100,051</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 1,384,487</b>	<b>\$ 263,633</b>

The accompanying notes are integral part of these statements.

**COLORADO STATE FAIR AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**June 30, 2008 and 2007**

	<b>2008</b>	<b>2007</b>
<b>OPERATING LOSS</b>	\$ (2,353,317)	\$ (2,417,273)
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation	616,329	591,628
Amortization of bonds	4,218	4,218
(Increase) decrease in accounts receivable	66,916	(7,494)
(Increase) decrease in due from others	5,400	4,132
(Increase) decrease in inventory	11,432	(14,556)
(Increase) decrease in prepaid expenses	(29,661)	26,849
(Decrease) increase in accounts payable	(72,985)	(50,657)
(Decrease) increase in compensated absences	54,101	22,655
(Decrease) increase in other payables	(301)	(11,629)
(Decrease) increase in deferred revenue	(172,675)	31,802
<b>Total adjustments</b>	482,774	596,948
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	 \$ (1,870,543)	 \$ (1,820,325)
 <b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and equipment added through contributed capital	\$ 704,018	\$ 1,055,417
Inkind contributions	\$ 1,476,916	\$ 861,927

The accompanying notes are an integral part of these statements

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

**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, 2008 and 2007, and changes in its financial position and its cash flows, where applicable, for the years 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 duration of the Colorado State Fair was reduced to eleven days in contrast to the sixteen day duration which started for the fiscal year ended June 30, 2005.

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,

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

***Budgetary Process***

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

For Fiscal Year 2008, the Authority's original and final budget as approved by the General Assembly was \$9,009,242. The Authority allocated the final budget to cover operating expenses, excluding depreciation and change in leave accrual. For fiscal year 2007, the Authority's original and final operating budget as approved by the General Assembly was \$11,387,165. 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, 2008, the internal budget showed total budgeted operating revenues of \$10,568,531. Total actual operating revenues were \$7,801,003 total revenue including operating revenues, unclaimed property fund interest income, local government grants, private donations and interest were \$11,477,279. Total allocated budgeted operating expenses were \$8,675,532 while total actual operating expenses were \$8,931,832, on a budgetary basis.

For Fiscal Year Ended June 30, 2007, the internal budget showed total budgeted operating revenues of \$10,334,637. Total actual operating revenues were \$6,899,173 and total revenue including operating revenues, local government grants, private donations and interest were \$10,449,553. Total allocated budgeted operating expenses were \$8,276,844 while total actual operating expenses were \$9,079,425, on a budgetary basis.

	2008	2007
Total operating expenses (GAAP basis)	\$ 10,154,320	\$ 9,316,446
Plus interest expense	103,162	170,186
Less depreciation	(616,329)	(591,628)
Less nonbudgeted item (compensated absences)	(24,693)	(16,477)
Less in-kind match	(1,476,916)	(861,927)
Plus capital outlay	792,288	1,062,825
	<hr/>	<hr/>
Total expenses (budgetary basis)	<u>\$ 8,931,832</u>	<u>\$ 9,079,425</u>

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

***Accounts Receivable***

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

***Inventory***

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

***Capital Assets***

Capital assets include property, plant and equipment. Capital assets are defined by the Authority as equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year plus 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. The compensated absences liability accrual is recorded as a liability.

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

***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 CASH DEPOSITS**

***Cash***

Cash includes petty cash, change funds, imprest funds and cash on deposit with the State Treasurer. Moneys deposited with the Treasury are invested until the cash is needed. The State Treasurer pools these deposits and invests them in securities approved by Section 24-75-601.1, C.R.S. The Authority reports its share of the Treasurer's unrealized gains and losses based on its participation in the State Treasurer's pool only at fiscal year end. Effective July 1, 1997, with the Authority's initial adoption of Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, all of the Treasurer's investments are reported at fair value, which is determined based on quoted market prices. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment of income related to participation in the pool. Additional information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report.

***Deposits***

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

As of June 30, 2008, the Authority had \$1,086,772 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

As of June 30, 2008 the Authority's deposits are as follows:

	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 1,700
Deposits covered by depository insurance - Federal Insurance	173,998	296,015
Deposits collateralized under PDPA	<u>27,477</u>	<u>-</u>
Total Cash	<u>\$ 201,475</u>	<u>\$ 297,715</u>

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

As of June 30, 2007, the Authority's deposits are as follows:

	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 2,800
Deposits covered by depository insurance - Federal Insurance	100,000	260,833
Deposits collateralized under PDPA	65,138	-
	<u>165,138</u>	<u>263,633</u>
Total Cash	<u>\$ 165,138</u>	<u>\$ 263,633</u>

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under GASB 40, deposits collateralized under PDPA are not deemed subject to custodial credit risk.

The Authority has no investments as of June 30, 2008 other than those discussed in Note 3.

**NOTE 3 RESTRICTED ASSETS**

In connection with the refunding revenue bonds issued in 1992 (Note 5), the Authority was required to establish a bond fund. The bond fund is comprised of monthly deposits sufficient to provide for the next maturing installments of bond principal and interest and for bond payments made in June and December of each year. The balance in the sinking fund at June 30, 2008 and 2007 was \$38,020 and \$35,677, respectively, and is invested in cash and money market accounts. These amounts are covered by depository insurance. As of July 1, 2008 and 2007, the amount of funds in the bond fund was sufficient to meet the requirements of the bond resolution.

The Authority was also required to establish a reserve fund to be used in the event of deficiencies in the bond fund. The balance in the reserve fund must be equal to the lesser of (i) 10% of the outstanding principal amount of the refunding revenue bonds, (ii) the maximum annual debt service requirement, as defined in the bond resolution, or (iii) 125% of the average amount of all required principal and interest payments which come due in any fiscal year. The Authority has complied with the reserve fund requirements for the years ended June 30, 2008 and 2007.

The Authority is also required to generate sufficient revenue to cover general operating expenses plus 125% of the annual requirements of principal and interest on the outstanding bonds. Gross operating revenues, as defined by the bond document, includes operating revenue and other revenue except amounts appropriated by the General Assembly of the State and designated for capital purposes or other purposes not including payment of general operating expenses or the payment of principal, interest or premiums on the bonds. The Authority was not in compliance with this requirement for the years ended June 30, 2008 and 2007.

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

The Authority had the following investments, recorded at market value, in the restricted bond reserve fund at June 30:

	2008	2007
Phoenix Money Market Fund	\$ 157,242	\$ 155,979

The Authority's investment in the money market fund is insured by depository insurance and the fixed income securities are issued by the federal government, both of which are investments allowed under State Statute to be held by the Authority. The Authority recognized unrealized losses of \$-0- and \$-0- on the investment during the years ended June 30, 2008 and 2007, respectively.

**NOTE 4 CAPITAL ASSETS**

At June 30, 2008, capital assets consisted of the following:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Capital assets not being depreciated				
Land	\$ 594,458	\$ -	\$ -	\$ 594,458
Construction in progress	943,793	-	745,033	198,760
Total capital assets not being depreciated	1,538,251	-	745,033	793,218
Capital assets being depreciated				
Buildings	12,049,278	-	-	12,049,278
Land improvements	7,299,806	1,449,052	-	8,748,858
Furniture and equipment	2,101,012	88,269	30,084	2,159,197
Total capital assets being depreciated	21,450,096	1,537,321	30,084	22,957,333
Less accumulated depreciation for:				
Buildings	(7,785,702)	(312,403)	-	(8,098,105)
Land improvements	(2,329,527)	(253,700)	-	(2,583,227)
Furniture and equipment	(1,995,948)	(50,226)	(30,084)	(2,016,090)
Total accumulated depreciation	(12,111,177)	(616,329)	(30,084)	(12,697,422)
Total capital assets being depreciated, net	9,338,919	920,992	-	10,259,911
Capital assets, net	\$ 10,877,170	\$ 920,992	\$ 745,033	\$ 11,053,129

Land improvement additions during fiscal year 2008 consisted of improvements made in the electrical infrastructure of the carnival lot.

Depreciation expense for the years ended June 30, 2008 and 2007 was \$616,329 and \$591,628, respectively.

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

At June 30, 2007, capital assets consisted of the following:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Capital assets not being depreciated				
Land	\$ 594,458	\$ -	\$ -	\$ 594,458
Construction in progress	626,864	1,059,057	742,128	943,793
Total capital assets not being depreciated	<u>1,221,322</u>	<u>1,059,057</u>	<u>742,128</u>	<u>1,538,251</u>
Capital assets being depreciated				
Buildings	12,049,278	-	-	12,049,278
Land improvements	6,561,319	738,487	-	7,299,806
Furniture and equipment	2,094,187	16,825	10,000	2,101,012
Total capital assets being depreciated	<u>20,704,784</u>	<u>755,312</u>	<u>10,000</u>	<u>21,450,096</u>
Less accumulated depreciation for:				
Buildings	(7,473,301)	(312,401)	-	(7,785,702)
Land improvements	(2,101,880)	(227,647)	-	(2,329,527)
Furniture and equipment	(1,944,952)	(51,580)	(584)	(1,995,948)
Total accumulated depreciation	<u>(11,520,133)</u>	<u>(591,628)</u>	<u>(584)</u>	<u>(12,111,177)</u>
Total capital assets being depreciated, net	<u>9,184,651</u>	<u>163,684</u>	<u>9,416</u>	<u>9,338,919</u>
Capital assets, net	<u>\$ 10,405,973</u>	<u>\$ 1,222,741</u>	<u>\$ 751,544</u>	<u>\$ 10,877,170</u>

**NOTE 5 BOND AND CAPITAL LEASE OBLIGATIONS**

***Refunding Revenue Bonds***

The Refunding Revenue Bonds, Series 1992, in the original amount of \$2,520,000 mature annually in varying amounts from December 1, 1993 through December 1, 2012. Interest is payable semi-annually at varying rates from 3.6% to 7.4%. The bonds are secured by a first lien on the net revenue of the Authority. See Note 3 for bond reserve and sinking fund requirements.

Fiscal Year	Principal	Interest	Total
2009	\$ 170,000	\$ 66,230	\$ 236,230
2010	180,000	53,280	233,280
2011	195,000	39,405	234,405
2012	210,000	24,420	234,420
2013	225,000	8,325	233,325
Subtotals	980,000	191,660	1,171,660
Unamortized bond discount	(9,420)	-	(9,420)
Total	<u>\$ 970,580</u>	<u>\$ 191,660</u>	<u>\$ 1,162,240</u>

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

As discussed in Note 3, the Authority was in violation of one of its bond covenants as of June 30, 2008 and 2007. According to the bond resolution for the bonds, such violation is considered an event of default. Per the bond resolution, upon the happening and continuance of any Event of Default, then in every case the Owner or Owners of not less than 25% in principal amount of the bonds then outstanding may proceed against the Authority to protect and enforce their rights. Accordingly, the entire principal amount of the bonds outstanding as of June 30, 2008 and 2007 in the amount of \$980,000 and \$1,135,000, respectively, has been classified as current.

***Capital Leases***

The Authority has entered into several capital lease agreements as lessee for financing the acquisition of various maintenance equipment, concession buildings and various office equipment.

The assets under capital leases are as follows as of June 30:

	<u>2008</u>	<u>2007</u>
Assets:		
Buildings	\$ -	\$ 66,357
Furniture and equipment	55,814	119,944
Subtotal	<u>55,814</u>	<u>186,301</u>
Less: accumulated depreciation	<u>(51,071)</u>	<u>(123,583)</u>
Total	<u><u>\$ 4,743</u></u>	<u><u>\$ 62,718</u></u>

The future minimum lease obligations and the net present value of these lease payment as of June 30, 2008 were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2009	<u>\$ 5,634</u>
Total minimum lease payments	5,634
Less: amount representing interest	<u>(67)</u>
Present value of minimum lease payments	<u><u>\$ 5,567</u></u>

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008 and 2007**

***Changes in Long-Term Liabilities***

Long-term liability activity for the fiscal year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable:					
Refunding revenue bonds	\$1,135,000	\$ -	\$ (155,000)	\$980,000	\$980,000
Less deferred amounts on refunding	(9,420)	-	-	(9,420)	(9,420)
Total bonds payable	\$1,125,580	-	\$ (155,000)	\$970,580	\$970,580
Capital leases	37,451	-	(31,884)	5,567	5,567
 Total	 \$1,163,031	 \$ -	 \$ (186,884)	 \$976,147	 \$976,147

Long-term liability activity for the fiscal year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable:					
Refunding revenue bonds	\$1,280,000	\$ -	\$ (145,000)	\$1,135,000	\$1,135,000
Less deferred amounts on refunding	(9,420)	-	-	(9,420)	(9,420)
Total bonds payable	\$1,270,580	-	\$ (145,000)	\$1,125,580	\$1,125,580
Capital leases	63,748	-	(26,297)	37,451	23,914
 Total	 \$1,334,328	 \$ -	 \$ (171,297)	 \$1,163,031	 \$1,149,494

**NOTE 6 PENSION PLAN OBLIGATIONS**

**A. PERA Plan Description**

Many 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 the 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 Board of Trustees of PERA. 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 [www.copera.org](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's 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.

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

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 - any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – 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.

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

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

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

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 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 percent of the employer contributions for this population.)

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
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Members 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 will receive 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. From July 1, 2007 to December 31, 2007, the state contributed 11.15 percent of the employee's salary. From January 1, 2008, through June 30, 2008, the state contributed 12.05 percent. During all of Fiscal Year 2007-08, 1.02 percent of the employee's 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, 2005, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the general assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, 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 paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

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 the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2008, 2007 and 2006 were \$272,320, \$229,753 and \$195,416, respectively. These contributions were equal to the required contributions for each year.

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
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**NOTE 7 VOLUNTARY TAX-DEFERRED RETIREMENT PLANS**

PERA offers a voluntary 401k 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 a 403(b) or 401(a) plans.

**NOTE 8 POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

**Health Care Program**

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. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. 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.

The Health Care Trust Fund is maintained by the authority's contribution as explained in Footnote 7 above.

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured medical benefit plans, and another carrier for prescription benefit plans, and with several health maintenance organizations providing services within Colorado. As of December 31, 2007, there were 44,214 enrollees in the plan.

**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.

**NOTE 10 TABOR (TAXPAYERS BILL OF RIGHTS)**

For the fiscal year ended June 30, 2006, the Authority qualified for exclusion from the provisions of Article X, Section 20 (TABOR) of the State of Colorado's constitution, however for fiscal years ending June 30, 2008 and 2007 the Authority no longer qualified for exclusion as the Authority received more than 10% of its total revenue from the State. As a result, in fiscal years ended 2008 and 2007 the Authority was included in the State Tabor District.

**COLORADO STATE FAIR AUTHORITY, COLORADO**  
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**NOTE 11 DUE TO THE STATE TREASURY**

The Authority obtained an authorized loan from the State Treasury permitting the Authority to maintain a deficit cash position at various times in the Treasury up to \$827,235 from September 1, 2007 to August 31, 2008. The Authority obtained an authorized loan from the State Treasury permitting the Authority to maintain a deficit cash position at various times in the Treasury up to \$2,510,000 from September 1, 2006 to August 31, 2007. The Treasury charges interest to the Authority at the current earnings rate on pooled cash. As of June 30, 2008 and 2007 the rate was 4.31% and 4.73%, respectively. There was no balance due at June 30, 2008. The balance of \$302,325 as of June 30, 2007 consisted of \$206,718 deficit cash balance in the Treasury and \$95,607 balance in warrants payable. The agreement has no stated due date. The amount due to the State Treasury was decreased during the year by \$302,325 due to the appropriations provided by House Bill 06-1384.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

*Litigation* – The Authority is currently the defendant in several lawsuits arising principally in the normal course of operations. 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, 2008 and 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 4, 2008. 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**

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 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

**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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a matter reported in notes 3 and 5 to the financial statements.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wall, Smith, Bateman and Associates, Inc.*

WALL, SMITH, BATEMAN AND ASSOCIATES, INC.  
Certified Public Accountants

December 4, 2008

**COLORADO STATE FAIR AUTHORITY  
FINANCIAL AND COMPLIANCE AUDIT  
FISCAL YEAR ENDED JUNE 30, 2008**

Members of the Legislative Audit Committee:

We have audited the financial statements of the Colorado State Fair Authority (Authority) for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our contract dated March 28, 2008, our responsibility, as described by auditing standards generally accepted in the United States of America promulgated by the American Institute of Certified Public Accountants and *Government Auditing Standards* issued by the Comptroller General of the United States is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our contract, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

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 estimates affecting the financial statements is the depreciation of capital assets. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this report, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of any audit, an auditor will propose adjustments of financial statement amounts. Management evaluates the proposed adjustment and records the adjustment if it is necessary to prevent the financial statements from being materially misstated. The following journal entries totaling \$93,369 were proposed and posted. An entry for \$87,754 to capitalize equipment and an entry for \$5,615 to correct the beginning net assets. We also had one passed adjustment for \$4,000 that was not recorded. If this adjustment had been posted it would have had no effect on the statement of revenues, expenses and changes in net assets.

### **Disagreements with Management**

For purposes of this report, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

### **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 governmental unit'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.

### **Issues Discussed Prior to Retention of Independent Auditors**

There were no major issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

### **Difficulties Encountered in Performing the Audit**

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

*Wall, Smith, Bateman and Associates, Inc.*

WALL, SMITH, BATEMAN AND ASSOCIATES, INC.  
Certified Public Accountants

December 4, 2008

The electronic version of this report is available on the Web site of the Office  
of the State Auditor  
[www.state.co.us/auditor](http://www.state.co.us/auditor)

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Report Control Number 1946