COLORADO STATE FAIR AUTHORITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2019 and 2018

Wall,
Smith,
Bateman Inc.
Certified Public Accountants

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COLORADO STATE FAIR AUTHORITY
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COLORADO STATE FAIR AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
REPORT SUMMARY
FISCAL YEARS ENDED JUNE 30, 2019 and 2018

Authority, Purpose and Scope

The audit of the Colorado State Fair Authority was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all State agencies. The Fiscal Year 2019 audit was conducted under contract with Wall, Smith, Bateman Inc. The audit was conducted in accordance with audit standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Audit work was performed during the time period of June through October, 2019.

The purposes and scope of the audit were to:

- Audit the basic financial statements of the Authority for the year ended June 30, 2019, including a review of the related internal control structure as required by generally accepted auditing standards and *Government Auditing Standards*.

- Review the Authority's compliance with state and federal laws and regulations, State Fiscal Rules, and bond covenants that could have a material effect on the Authority's financial statements.

- Perform audit work to evaluate the Authority's progress in implementing prior audit recommendations.

- Review exhibits required by the State Controller to be submitted to the State Controller in support of the statewide financial statements.

- Submit attestation memos to the Office of the State Auditor on the results of audit work performed to support the audit of the statewide financial statements and statewide Single Audit.

- Prepare report comments and/or a management letter, as appropriate.

Audit Results

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the Fiscal Years ended June 30, 2019 and 2018.

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.

Summary of Findings and Recommendations

There were no reported findings or recommendations resulting from the audit work completed for Fiscal Year 2019.

Summary of Progress in Implementing Prior Audit Findings

The audit report for the year ended June 30, 2017 included one finding and recommendation related to long-term financial stability. The implementation date for this finding is June 30, 2021. Based on the audit procedures performed, the Authority continued to implement their Strategic Business Plan and has continued to improve its cash flows. A more detailed description of the progress on the audit comments and recommendations are contained in the findings and recommendations section of the report.

COLORADO STATE FAIR AUTHORITY
BACKGROUND
June 30, 2019 and 2018

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, concert ticket sales, 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 2019, 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 2019 Fair was held during August/September 2018 with an attendance of 444,476. Approximately 84% of governance, administration and facilities management expenditures for July, August and September are allocated to Fair-time activity. The results from the 2019 State Fair which was held during August and September 2019 will be included in the financial statements for the year ended June 30, 2020.

FISCAL YEAR 2019 FINANCIAL HIGHLIGHTS

The following presents a summarized statement of revenues, expenses and changes in fund net position of the Authority broken down between Fair-time and Off-season periods. There were two Fair-time events and 419 year round events. The breakdown between Fair-time and year round periods is provided by the Colorado State Fair Authority and has not been audited.

	Year ended June 30, 2019 Fair-time	Year ended June 30, 2019 Off-season	Year ended June 30, 2019 Total	Year ended June 30, 2018 Total
Operating revenues	$ 6,283,391	$ 825,059	$ 7,108,450	$ 7,501,549
Operating expenses (excluding depreciation)	5,530,639	2,951,670	8,482,309	11,530,921
Operating income (loss) before depreciation	$ 752,752	$ (2,126,611)	(1,373,859)	(4,029,372)
Depreciation			(845,833)	(799,638)
Operating loss			(2,219,692)	(4,829,010)
Nonoperating revenues (net)			5,305,750	3,488,075
Gain (loss) before state capital contributions			3,086,058	(1,340,935)
Capital contributions			313,300	203,438
Change in net position			$ 3,399,358	$ (1,137,497)

COLORADO STATE FAIR AUTHORITY
AUDITORS' FINDINGS AND RECOMMENDATIONS
Fiscal year Ended June 30, 2019

Colorado State Fair Authority had no findings or recommendations in the current year.

Disposition of Prior Audit Recommendations

Listed below is the recommendation from the Fiscal Year 2017 Colorado State Fair Authority Financial and Compliance audit.

Recommendation

1. The Colorado State Fair Authority should continue the implementation of the Strategic Business Plan for long-term financial stability. This may also include continuing to work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain additional appropriations in the State Long Bill, seeking new sources and increased contributions to ensure continued operations.

Disposition

Partially implemented. The Authority has an implementation date of June 30, 2021 based on their Strategic Business Plan. The Authority has improved its cash flow by approximately $3 million since Fiscal Year 2017, see a historical trend of cash flows in the table below:

For the Fiscal Year Ended June 30,	Cash Flows from Operating Activities	Cash Flows from Noncapital Financing Activities (Cash contributions)	Cash Flows from Capital and Related Financing Activities and Investing	Net Increase (Decrease) in Cash and Cash Equivalents	Cash and Cash Equivalents, End of Year	Due to State Treasury
2019	$ (2,507,120)	$ 5,551,191	$ (988,341)	$ 1,858,012	$ 3,019,101	$ -
2018	(1,837,428)	3,547,873	(604,651) *	1,105,794	1,161,089	-
2017	(2,270,954)	3,313,681	(1,215,721)	(172,994)	55,295	(376,473)
2016	(2,611,888)	2,564,809	67,944	20,865	228,289	(1,391,299)
2015	(2,811,333)	2,379,090	464,914	32,671	207,424	(1,200,813)
2014	(2,363,035)	1,461,243	973,066	71,274	174,753	(760,160)

*Includes repayment of loan from State Treasury, $283,023

The Strategic Business Plan included four-year projections of the Authority. The results of Fiscal Year 2019 in relation to the projection is described below:

	FY 2019 Projection	FY 2019 Actual	Variance
Total Revenues*	$ 9,833,961	$ 11,227,951	$ 1,393,990
Total Expenses**	9,462,148	8,235,984	1,226,164
Net Income/Loss	$ 371,813	$ 2,991,967	$ 2,620,154
Due to State Treasury	$ (349,351)	$ -	$ 349,351
Depreciation	$ (984,547)	$ (845,833)	$ 138,714

*Excludes in-kind match
**Excluding depreciation, GASB 68 pension expense, GASB 75 OPEB expense, and in-kind match

INDEPENDENT AUDITORS' REPORT

Wall,
Smith,
Bateman Inc.

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Colorado State Fair Authority (the Authority), a division of the Department of Agriculture (the Department) of the State of Colorado, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Relationship to the State of Colorado

As discussed in Note 1, the financial statements of the Colorado State Fair Authority are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension and OPEB liability, and schedule of the Authority's pension and OPEB contributions on pages 8-13 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 28, 2019

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, 2019, and should be read in conjunction with the Authority's financial statements, which begin on page 14. These financial statements reflect only activities of the Colorado State Fair Authority, a division of the Department of Agriculture of the State of Colorado.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 14 through 17 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 18 through 40 of this report.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority's enterprise fund, assets exceeded liabilities by $5,249,609 at the close of the most recent fiscal year.

The following schedule provides a condensed statement of net position as of June 30, 2019, 2018 and 2017.

	Schedule of Net Position		
	June 30,		
	2019	**2018**	**2017**
Current Assets	$ 3,349,667	$ 1,333,651	$ 167,080
Capital Assets	12,485,278	13,047,843	13,474,255
Total Assets	15,834,945	14,381,494	13,641,335
Deferred Outflows of Resources	994,359	2,310,802	3,389,434
Current Liabilities	1,182,620	1,286,566	1,122,936
Noncurrent Liabilities	6,918,888	12,749,202	12,061,880
Total Liabilities	8,101,508	14,035,768	13,184,816
Deferred Inflows of Resources	3,478,187	806,277	594,095
Net Investment in Capital Assets	12,485,278	12,077,191	12,411,561
Unrestricted (Deficit) Net Position	(7,235,669)	(10,226,940)	(9,159,703)
Total Net Position	$ 5,249,609	$ 1,850,251	$ 3,251,858

2019

The largest portion of the Authority's net position of $5,249,609 is reflected in its net investment in capital assets (e.g., land, buildings, and equipment) of $12,485,278. The Authority uses these capital assets to operate the State Fair and Non-Fair activities held on the premises; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position is a deficit of $7,235,669. The majority of this deficit was a result of the restatement of the net position by ($6,206,542) in Fiscal Year 2014-2015 for the implementation of GASB 68 which requires cost-sharing employers participating in the PERA program to record their proportionate share of PERA's unfunded pension liability. For Fiscal Year 2016-2017 and Fiscal Year 2017-2018 the GASB 68 pension expense increased the deficit by $1,566,424 and $1,804,439 respectively. For Fiscal Year 2018-2019 GASB 68 pension expense decreased the deficit by $942,300. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contributions made by PERA or the General Assembly.

During Fiscal Year 2019 capital assets decreased $562,565, of which $845,833 was depreciation expense offset by additions in capital assets of $283,266. These capital asset additions were funded through State Controlled Maintenance of $38,104 for the design work for the continuation of the repair and replacement of the sanitary, drain and storm water infrastructure project and $20,607 to begin the design of the replacement of the Event Center roof. The completion of the Horse Show Barn A was funded by Proposition BB for $166,334, $24,197 to automate a gate was funded through the general fund appropriation for maintenance expenses, and $34,024 was funded by Department of Agriculture for fans in the Tent.

The Authority's net position increased by $3,399,358 during the current fiscal year.

2018

The largest portion of the Authority's net position of $1,850,251 is reflected in its net investment in capital assets (e.g., land, buildings, and equipment) of $12,077,191. The Authority uses these capital assets to operate the State Fair and Non-Fair activities held on the premises; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position is a deficit of $10,226,940. The majority of this deficit was a result of the restatement of the net position by ($6,206,542) in Fiscal Year 2014-2015 for the implementation of GASB 68 which requires cost-sharing employers participating in the PERA program to record their proportionate share of PERA's unfunded pension liability. For Fiscal Year 2016-2017 and Fiscal Year 2017-2018 the GASB 68 pension expense increased the deficit by $1,566,424 and $1,804,439 respectively. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contributions made by PERA or the General Assembly.

During Fiscal Year 2018 capital assets decreased $426,412, of which $799,638 was depreciation offset by the increase in assets of $373,267 of which $203,438 was funded by the State through Controlled Maintenance for the completion of construction for phase one of the repair and replacement of the sanitary, drain and storm water infrastructure project, $92,933 was funded by Proposition BB for the renovation of the Horse Show Barn A, $64,795 renovation of the Livestock north barn and $12,000 for the purchase of maintenance equipment which were funded through the general fund appropriation for maintenance expenses.

The Authority's net position decreased by $1,401,607 during the Fiscal Year 2018.

Statement of Revenues, Expenses, and Changes in Fund Net Position
Year ended June 30

	FY19	FY18	FY17
Total operating revenues	$ 7,108,450	$ 7,501,549	$ 7,300,475
Total operating expenses	9,328,142	12,330,559	11,897,585
Operating loss	(2,219,692)	(4,829,010)	(4,597,110)
Net non-operating revenue	5,305,750	3,488,075	3,267,865
Gain/(Loss) before capital contributions	3,086,058	(1,340,935)	(1,329,245)
Capital contributions	313,300	203,438	902,402
Change in net position	3,399,358	(1,137,497)	(426,843)
Net position, beginning of year, as Previously stated	1,850,251	3,251,858	3,678,701
Restatement GASB 75	-	(264,110)	-
Net position, beginning of year, Restated	1,850,251	2,987,748	3,678,701
Net Position, end of year	$ 5,249,609	$ 1,850,251	$ 3,251,858

For the Year Ended June 30, 2019, net position increased by $3,399,358. The increase is related to changes in inputs and assumptions for the PERA defined benefit and OPEB plans which resulted in a reduction of expenses amounting to $(939,924) in Fiscal Year 2019. The following table illustrates the Authority's Net Position and Change in Net Position without the effect of the GASB 68 and 75 liabilities and expense.

	Fiscal Year 2019	Fiscal Year 2018
Total Net Position (GAAP Basis)	$ 5,249,609	$ 1,850,251
Effect of GASB 68 – Pension	9,028,920	10,015,827
Effect of GASB 75 – OPEB	267,715	265,339
Net Investment in capital assets	12,485,278	12,077,191
Net Position excluding Pension and OPEB	2,060,966	54,226
Total Net Position	$ 14,546,244	$ 12,131,417

	Fiscal Year 2019	Fiscal Year 2018
Change in Net Position (GAAP Basis)	$ 3,399,358	$ (1,137,497)
GASB 68 – Pension	(942,300)	1,804,439
GASB 75 – OPEB	2,376	1,230
Change in Net Position excluding Pension and OPEB	$ 2,459,434	$ 668,172

The change in Fiscal Year 2019 net position excluding pension and OPEB expenses increased by $2,459,434. Key elements of this increase are as follows:

- Operating revenue decreased by $393,099. The decrease was in box office sales of $330,101 and rental income by $96,420.
- Operating expenses, excluding the GASB 68 pension and GASB 75 OPEB entries for Fiscal Year 2019 decreased by $256,824 with the largest decrease of approximately $242,466 in entertainment and attractions.
- Non-operating revenue increased by $1,817,675 of which $1,465,280 was an increase in funding from Unclaimed Property Interest and $115,000 was an increase in contributions from the Colorado State Fair Foundation.
- State Controlled Maintenance decreased by $144,727.

For the Year Ended June 30, 2018, net position decreased by $1,401,607. The decrease is related to PERA pension and OPEB expenses of $1,805,669 in Fiscal Year 2018.

The change in net position excluding pension and OPEB expenses decreased by $471,409. Key elements of this decrease are as follows:

- Operating revenue increased by $201,074. The increase was from ticket sales through the box office.
- Operating expenses, excluding the GASB 68 pension entry for Fiscal Year 2018 increased by $194,959 with the largest increase of approximately $139,000 in entertainment and attractions.
- Non-operating revenue increased by $220,210 of which $100,000 was an increase in funding from the City of Pueblo and $134,192 was an increase in interest income from the Colorado Payback.
- State Controlled maintenance decreased by $698,964.

Further Analysis

The Colorado State Fair is statutorily mandated per Section 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 Section 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. 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 most fairgoers. Alternatively, the Fair could decrease expenses for attractions and events, which would adversely affect attendance since a sizeable percentage of fairgoers, attend the fair for the attractions and events offered. Understanding this, the Fair has been working diligently to strike a balance between increasing revenue and reducing expenses while producing a high quality fair.

SUBSEQUENT EVENTS

For the Period July 1, 2019 to September 30, 2019

The fiscal year 2020 fair was held August 23rd through September 2nd 2019. The following is a comparison of the statistics for the past three fairs.

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Colorado State Fair Attendance	466,380	444,476	480,204
Paid events offered during the Colorado State Fair	13	13	15
Colorado State Fair Events*	2	2	2
Non-fair Events**	51	419	437

*The two events are the Colorado State Fair and the Holiday Bazaar.
**Fiscal Year 2020 is not complete; this reflects a total of events as of September 30, 2019.

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.

For Fiscal Year 2019, the approved expense budget for the Authority's activities was $9,975,705 of which $1,000,000 was General Fund and $8,975,705 was cash funded. The budgetary amount includes the Colorado State Fair Program line item in the Long Bill. Total actual operating revenues were $7,108,450 and total revenue including Department of Agriculture, local government grants, unclaimed property fund interest income, and general fund appropriations was $12,405,052 and total expenses on a budgetary basis were $8,235,984.

Total operating expenses (GAAP basis)	$ 9,328,142
Plus interest expense	17,689
(Less) depreciation	(845,833)
(Less) in-kind match	(1,203,938)
Plus GASB 68/71 pension expense	942,300
(Less) GASB 75 OPEB expense	(2,376)
Total expenses (budgetary basis)	$ 8,235,984

ECONOMIC OUTLOOK

On June 5, 2006, House Bill 1384 was passed by the State Legislature which provided valuable financial assistance to the Authority. The financial assistance was provided to the Authority for the purpose of funding to pay off the debt to the State Treasury in the amount estimated at $2.1 million and to pay a loan on the construction of the Events Center in the amount of $1.4 million. It also provided the Authority with $550,000 per year for operations once the debts are paid off. In Fiscal Year 2007 the Authority reduced its debt to the Treasury by $1,212,477. On April 29, 2008, House Bill 1399 was passed granting 25% of the interest from the Unclaimed Property Tourism Promotion Trust Fund to the Authority and 65% to the Department of Agriculture to take effect once the refunding revenue bonds were paid in full. In Fiscal Year 2009 the Authority had a positive cash balance with the Treasury and had paid off the bonds. The Authority has received 25% of the unclaimed property interest since February 2009. The Authority has also been assessed indirect expenses beginning in Fiscal Year 2009. The assessment for Fiscal Year 2019 was $107,973 from Department of Agriculture. The Department of Agriculture assessment to the Authority is a representation of the support that the Commissioner's Office provides to the Authority for central services, it is based on one and half percent of expenses. The assessment for Fiscal Year 2020 is expected to be the same.

During Fiscal Year 2015, 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 year round events as well as the Colorado State Fair event. The focus of the strategy is to provide a high quality product appealing to a diverse audience at the lowest possible cost. Management is working to increase group sales and carnival sales by reaching out to more businesses and schools as well as offering new carnival promotions. Colorado State Fair management plans to sustain the current budget. The Fair is committed to seeking other revenues to offset decreases in operating revenue. The Colorado State Fair was approved for a $250,000 general fund appropriation to offset 4-H and FFA costs in Fiscal Year 2015. In Fiscal Year 2016 the Colorado State Fair was approved for a $300,000 general fund appropriation of which $250,000 is to offset 4-H and FFA costs and $50,000 was to have a Management Feasibility Study conducted. The Colorado State Fair was also approved for $300,000 from the PROP BB, marijuana tax revenue collected by the State, funds for 4-H and FFA programs for Fiscal Year 2016. For Fiscal Year 2017, the Colorado State Fair was approved for $1,000,000 in general fund appropriations: $250,000 to offset 4-H and FFA expenses, $450,000 for operating expenses and $300,000 for maintenance expenses. In addition, $300,000 from the Marijuana Tax Cash Fund was appropriated for 4-H and FFA. In Fiscal Year 2017 the Colorado State Fair prepared and submitted a Strategic Business Plan to the Governor's office and planned to have a facilities audit performed during Fiscal Year 2018. The strategic plan aims to improve fiscal stability, improve facilities, improve team satisfaction, and to perform an organizational rebranding campaign. The Colorado State Fair began the process of a Visioning plan and Master plan with the Office of the State Architect in Fiscal Year 2018. The Visioning and Master plan process is ongoing and is to ultimately result in a facilities audit which is expected to be completed in 2020. The Authority is currently undergoing a performance audit which is expected to be released in November 2019.

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 2019 and to demonstrate the Authority's accountability for its use of State resources. If you have questions about the MD&A or need additional information, contact the Department of Agriculture Administrative Services, 305 Interlocken Parkway, Broomfield, Colorado 80021.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Unrestricted assets		
Cash and cash equivalents (Note 2)	$ 3,019,101	$ 1,161,089
Accounts receivable, net of allowance for doubtful accounts	252,621	110,370
Prepaid expenses	77,945	62,192
Total unrestricted assets	3,349,667	1,333,651
Total current assets	3,349,667	1,333,651
Noncurrent assets		
Capital assets, net of accumulated depreciation (Note 3)	12,485,278	13,047,843
Total noncurrent assets	12,485,278	13,047,843
TOTAL ASSETS	15,834,945	14,381,494
DEFERRED OUTFLOWS OF RESOURCES		
Pensions (Note 5)	982,620	2,302,640
OPEB (Note 7)	11,739	8,162
Total deferred outflows of resources	994,359	2,310,802
LIABILITIES		
Current liabilities		
Warrants Payable	107,328	377,712
Accrued expenses	399,495	243,965
Unearned revenue	664,309	545,736
Other current liabilities	6,925	7,025
Current portion of accrued compensated absences (Note 4)	4,563	12,689
Current portion of capital lease obligations (Note 4)	-	99,439
Total current liabilities	1,182,620	1,286,566
Noncurrent liabilities		
Accrued compensated absences (Note 4)	106,081	92,298
Capital lease obligations payable (Note 4)	-	871,213
Pension liability (Note 5)	6,543,270	11,525,250
OPEB liability (Note 7)	269,537	260,441
Total noncurrent liabilities	6,918,888	12,749,202
TOTAL LIABILITIES	8,101,508	14,035,768
DEFERRED INFLOWS OF RESOURCES		
Pensions (Note 5)	3,468,270	793,217
OPEB (Note 7)	9,917	13,060
Total deferred inflows of resources	3,478,187	806,277
NET POSITION		
Net investment in capital assets	12,485,278	12,077,191
Unrestricted (deficit)	(7,235,669)	(10,226,940)
TOTAL NET POSITION	$ 5,249,609	$ 1,850,251

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

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Commercial space/concessions	$ 1,215,674	$ 1,192,865
Gate admissions	1,889,392	1,849,467
Box office sales	838,954	1,169,055
Private sponsorships	1,720,881	1,716,236
Exhibitor fees	833,938	846,557
Building rentals	554,495	650,915
Miscellaneous revenues	55,116	76,454
Total operating revenues	7,108,450	7,501,549
OPERATING EXPENSES		
Personal service and benefits	1,587,513	4,219,696
Entertainment and attractions	1,757,370	1,999,836
Advertising and promotions	1,587,621	1,659,613
Prizes and awards	892,567	912,734
Repairs and maintenance	645,400	422,752
Utilities	833,791	933,251
Supplies and materials	286,428	336,100
Contractual services	106,481	102,394
Other purchased services	214,038	338,526
Other operating	376,440	411,537
Building, vehicle and equipment rental	161,599	168,552
Travel	33,061	25,930
Depreciation (Note 3)	845,833	799,638
Total operating expenses	9,328,142	12,330,559
Operating loss	(2,219,692)	(4,829,010)
NONOPERATING REVENUES (EXPENSES)		
Unclaimed property fund interest income	3,481,602	1,847,873
Unrealized Gain (Loss)	26,837	(13,059)
General Fund appropriation	1,000,000	1,000,000
Marijuana Tax Cash Fund appropriation	300,000	300,000
Local government grants	515,000	400,000
Interest expense	(17,689)	(46,739)
Total nonoperating revenues (expenses)	5,305,750	3,488,075
Gain (loss) before capital contributions	3,086,058	(1,340,935)
OTHER REVENUES, (EXPENSES), OR TRANSFERS		
State controlled maintenance	58,711	203,438
Department of Agriculture	209,981	-
State Pension Contribution	44,608	-
Total other revenues, (expenses), or transfers	313,300	203,438
Change in net position	3,399,358	(1,137,497)
Net position, beginning of year, as previously stated	1,850,251	3,251,858
Restatement GASB 75 (Note 7)	-	(264,110)
Net position, beginning of year, as restated	1,850,251	2,987,748
Net position, end of year	$ 5,249,609	$ 1,850,251

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

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees for services	$ 5,271,223	$ 5,659,915
Cash received from rental of property	554,495	650,915
Cash received from other sources	55,116	76,454
Cash paid to employees	(2,559,213)	(2,396,607)
Cash paid to suppliers	(4,903,013)	(4,886,154)
Cash paid to others	(925,728)	(941,951)
NET CASH USED IN OPERATING ACTIVITIES	(2,507,120)	(1,837,428)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Unclaimed property fund interest	3,481,602	1,847,873
Contributions received from the Department of Agriculture	209,981	-
State Pension Contribution	44,608	-
State of Colorado appropriation	1,300,000	1,300,000
Local government grants	515,000	400,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	5,551,191	3,547,873
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments	(970,652)	(92,042)
Interest payments	(17,689)	(46,739)
(Repayment) proceeeds loan from State Treasury	-	(283,023)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITES	(988,341)	(421,804)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cumulative Gain (Loss) on Treasury Pooled Cash	26,837	(13,059)
Purchase of property and equipment	(224,555)	(169,788)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(197,718)	(182,847)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,858,012	1,105,794
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,161,089	55,295
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,019,101	$ 1,161,089

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

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2019 and 2018

	2019	2018
OPERATING LOSS	$ (2,219,692)	$ (4,829,010)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	845,833	799,638
(Increase) decrease in accounts receivable	(142,251)	(61,849)
(Increase) decrease in prepaid expenses	(15,753)	1,072
Increase (decrease) in accounts payable	148,354	(41,626)
Increase (decrease) in warrants payable	(270,384)	284,262
Increase (decrease) in accrued payroll	7,176	8,503
Increase (decrease) in compensated absences	5,657	8,917
Increase (decrease) in other payables	(100)	(3,287)
Increase (decrease) in unearned revenue	118,573	190,283
Increase (decrease) in pension liability	(986,909)	1,804,439
Increase (decrease) in OPEB liability	2,376	1,230
Total adjustments	(287,428)	2,991,582
NET CASH USED IN OPERATING ACTIVITIES	$ (2,507,120)	$ (1,837,428)
NONCASH OPERATING AND FINANCING ACTIVITIES		
Property and equipment contributions	$ 58,711	$ 203,438
Advertising and promotions provided through private sponsorships	$ 1,203,938	$ 1,242,699
Disposition of equipment	$ -	$ 525,356

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Colorado State Fair Authority (Authority) is a division of the Department of Agriculture of the State of Colorado (Department). It operates under the jurisdiction of the Colorado State Fair Authority Board of Commissioners (Board) whose members are appointed by the Governor of the State. The financial statements of the Authority are intended to present the financial position, and changes in financial position and cash flows, of only that portion of the business-type activities of the Department that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the Department as of June 30, 2019 and 2018, and changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Budgetary Process

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

For Fiscal Year 2019, the Authority's original and final budget as approved by the General Assembly was $9,975,705, of which $1,000,000 was General Fund appropriations and $8,975,705 was cash funded. For Fiscal Year 2018, the Authority's original and final operating budget as approved by the General Assembly was $9,961,848, of which $1,000,000 was General Fund appropriations and $8,961,848 was cash funded. The Authority allocated the final budget to help cover operations and maintenance costs including program costs and facility maintenance.

The Authority also adopts an internal budget for its enterprise fund for management purposes. For Fiscal Year Ended June 30, 2019, the internal budget showed total budgeted revenues of $9,635,000. Total actual operating revenues were $7,108,450 and total revenue including operating revenues, unclaimed property fund interest income, Department of Agriculture contributions, local government grants, and interest were $12,405,052. Budgeted expenses were $9,494,100 while total actual expenses were $8,235,984 on a budgetary basis.

For Fiscal Year Ended June 30, 2018, the internal budget showed total budgeted operating revenues of $9,470,000. Total actual operating revenues were $7,501,549 and total revenue including operating revenues, unclaimed property fund interest income, Department of Agriculture contributions, local government grants, and interest were $11,049,422. Budgeted expenses were $9,004,780 while total actual expenses were $8,529,292 on a budgetary basis.

	2019	2018
Total operating expenses (GAAP basis)	$ 9,328,142	$ 12,330,559
Plus interest expense	17,689	46,739
(Less) depreciation	(845,833)	(799,638)
(Less) in-kind match	(1,203,938)	(1,242,699)
Plus/(Less) GASB 68/71 pension expense	942,300	(1,804,439)
(Less) GASB 75 OPEB expense	(2,376)	(1,230)
Total expenses (budgetary basis)	$ 8,235,984	$ 8,529,292

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.

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that period.

Certain amounts related to pensions must be deferred.

Unearned Revenue

Unearned revenue represents cash received by the Authority in advance of the related revenue being earned by the Authority. Unearned revenue is comprised principally of cash received for events and activities at the Fair that is 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.

Pensions

The Authority participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School

Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes. For Fiscal Year 2019 the portion of the direct distribution allocated to the Authority was $44,608.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

- Expands eligibility to participate in the PERA DC Plan to certain new members of the State Division hired on or after January 1, 2019, who are classified State College and University employees. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

Other Postemployment Benefits

The Authority participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

In-kind Revenues and Expenses

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind revenues and expenses as of June 30, 2019 and 2018, of $1,203,938 and $1,202,699, respectively, are included in the operating revenues and expenses of the Authority and are made up of advertising and other costs to operate the annual state fair in August and September.

Statement of Cash Flows

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

Net Position

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

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

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

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

Use of Estimates

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

Reclassification

Certain reclassifications were made to the Fiscal Year 2018 financial statements in order to confirm to the Fiscal Year 2019 financial statements presentation.

NOTE 2 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, 2019, the Authority had cash on deposit with the State Treasurer of $2,956,387, which represented approximately .00033 percent of the total $9,055 million fair value of deposits in the State Treasurer's Pool (Pool). As of June 30, 2019, the Pool's resources included $73.7 million of cash on hand and $9,022.8 million of investments.

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.

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, 2019.

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, 2019 and 2018, the Authority had a balance of $2,956,387 and $1,070,600, respectively on deposit with the State Treasurer. As of June 30, 2019 and 2018, the Authority's deposits are as follows:

	Fiscal Year 2019		Fiscal Year 2018	
	Bank Balance	Carrying Balance	Bank Balance	Carrying Balance
Cash on hand	$ -	5,200	$ -	5,200
Cash in bank	74,444	57,515	93,269	85,289
Total Cash	$ 74,444	$ 62,715	$ 93,269	$ 90,489

The entirety of the bank balance was covered with collateral held by the bank or its agent in the Authority's name.

NOTE 3 CAPITAL ASSETS

At June 30, 2019, capital assets consisted of the following:

	Balance 06/30/18	Additions	Deductions	Transfers	Balance 06/30/19
Capital assets not being depreciated					
Land	$ 594,458	$ -	$ -	$ -	$ 594,458
Construction in Progress	93,034	186,941	(259,368)	-	20,607
Total capital assets not being depreciated	687,492	186,941	(259,368)	-	615,065
Capital assets being depreciated					
Buildings	13,493,308	259,368	-	-	13,752,676
Land Improvements	14,132,943	38,104	-	-	14,171,047
Furniture and Equipment	3,630,760	58,221	-	17,022	3,706,003
Total capital assets being depreciated	31,257,011	355,693	-	17,022	31,629,726
Less accumulated depreciation					
Buildings	(9,952,179)	(207,276)	-	-	(10,159,455)
Land Improvements	(6,003,676)	(454,937)	-	-	(6,458,613)
Furniture and Equipment	(2,940,805)	(183,618)	-	(17,022)	(3,141,445)
Total accumulated depreciation	(18,896,660)	(845,831)	-	(17,022)	(19,759,513)
Total capital assets being depreciated, net	12,360,351	(490,138)	-	-	11,870,213
Captial assets, net	$ 13,047,843	$ (303,197)	$ (259,368)	$ -	$ 12,485,278

At June 30, 2018, capital assets consisted of the following:

	Balance 06/30/17	Additions	Deductions	Balance 06/30/18
Capital assets not being depreciated				
Land	$ 594,458	$ -	$ -	$ 594,458
Construction in Progress	754,318	296,472	(957,756)	93,034
Total capital assets not being depreciated	1,348,776	296,472	(957,756)	687,492
Capital assets being depreciated				
Buildings	13,598,373	-	(105,065)	13,493,308
Land Improvements	13,186,031	1,022,551	(75,639)	14,132,943
Furniture and Equipment	3,963,412	12,000	(344,652)	3,630,760
Total capital assets being depreciated	30,747,816	1,034,551	(525,356)	31,257,011
Less accumulated depreciation				
Buildings	(9,857,887)	(199,357)	105,065	(9,952,179)
Land Improvements	(5,674,132)	(405,142)	75,598	(6,003,676)
Furniture and Equipment	(3,090,318)	(195,139)	344,652	(2,940,805)
Total accumulated depreciation	(18,622,337)	(799,638)	525,315	(18,896,660)
Total capital assets being depreciated, net	12,125,479	234,913	(41)	12,360,351
Captial assets, net	$ 13,474,255	$ 531,385	$ (957,797)	$ 13,047,843

Depreciation expense for the years ended June 30, 2019 and 2018 were $845,833 and $799,638, respectively.

NOTE 4 LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Long-term liability balances for the year ended June 30, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Capital Lease Payable	$ 970,652	$ -	$ 970,652	$ -	$ -
Compensated Absences	104,987	5,657	-	110,644	4,563
Total Business-type Activities	$ 1,075,639	$ 5,657	$ 970,652	$ 110,644	$ 4,563

Long-term liability balances for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Capital Lease Payable	$ 1,062,694	$ -	$ 92,042	$ 970,652	$ 99,439
Compensated Absences	96,070	8,917	-	104,987	12,689
Total Business-type Activities	$ 1,158,764	$ 8,917	$ 92,042	$ 1,075,639	$ 112,128

Capital Leases Payable

The Department of Agriculture is obligated under a master lease contract signed on January 11, 2011, in the amount of $1,753,794 at an interest rate of 3.69% for equipment used for energy conservation measures at the Colorado State Fair Grounds and for two other Colorado Department of Agriculture facilities (The Insectary in Palisade and two inspection and consumer service buildings located in northwest Denver). Of the $1,753,794 lease proceeds it is estimated that 81% of the proceeds have been spent on energy conservation equipment at the Colorado State Fair Grounds. The remaining funds were used at the other two Colorado Department of Agriculture facilities. As part of the master lease contract the Contractor guarantees that the equipment installed for energy conservation measures will result in savings to the State in the form of reduced energy and water usage and other costs that will be enough to cover the yearly debt obligations. The equipment at the Colorado State Fair Grounds is included in the capital assets of the Authority at a cost of $1,476,717 with accumulated depreciation of $879,474 as of June 30, 2018. Unclaimed Property Trust interest income was used to repay the debt as of June 30, 2019.

NOTE 5 DEFINED BENEFIT PENSION PLAN

PERA Pension Plan

General Information about the Pension Plan

Plan description. Eligible employees of the Authority are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413. Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2019. Eligible employees and the Authority are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements for the SDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Employee contribution rates for the period July 2018 through June 2019 are summarized in the table below:

	January 1, 2018 through December 31, 2018	January 1, 2019 through June 30, 2019
Employee Contribution		
(all employees except State Troopers)	8%	8%
State Troopers	10%	10%

Contributions rates for the SDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

The employer contribution requirements for all employees except State Troopers are summarized in the table below:

	As of June 30, 2019
Employer Contribution Rate[1]	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)[1]	-1.02%
Amount Apportioned to the SDTF[1]	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411[1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411[1]	5.00%
Total Employer Contribution Rate to the SDTF	19.13%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, School Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF is considered a nonemployer contribution for financial reporting purposes

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the Authority were $329,218 and $311,651 for the years ended June 30, 2019 and 2018, respectively.

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

The net pension liability for the SDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Authority's proportion of the net pension liability was based on Authority contributions to the SDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity for participating employers of the SDTF that are outside of the State's financial reporting entity.

At June 30, 2019, the Authority reported a liability of $6,543,270 for its proportionate share of the net pension liability.

At December 31, 2018, the Authority's proportion was 0.05750 percent which was a decrease of 0.00007 from its proportion measured as of December 31, 2017.

At June 30, 2018, the Authority reported a liability of $11,525,250 for its proportionate share of the net pension liability.

At December 31, 2017, the Authority proportion was 0.05757 percent, which was a decrease of 0.002 from its proportion measured as of December 31, 2016.

For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of ($942,300), and $1,804,439, respectively. At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Fiscal Year 2019		Fiscal Year 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 187,116	$ -	$ 179,706	$ -
Changes of assumptions or other inputs	344,536	3,378,844	2,001,223	-
Net difference between projected and actual earnings on pension plan investments	330,509	-	-	434,082
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	89,426	-	359,135
Contributions subsequent to the measurement date	120,459	-	121,711	-
Total	$ 982,620	$ 3,468,270	$ 2,302,640	$ 793,217

The Authority will recognize $120,459 and $121,711 for Fiscal Year 2019 and 2018, respectively, reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended June 30,	
2020	$ (1,277,361)
2021	(1,525,979)
2022	16,236
2023	180,995
2024	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.17 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.72 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25 percent.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.72 percent, 2.53 percent lower compared to the current measurement date.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 8,134,411	$ 6,543,270	$ 5,197,020

Pension plan fiduciary net position. Detailed information about the SDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 6 OTHER RETIREMENT PLANS

Defined Contribution Retirement Plan (DC Plan)

Plan Description. Employees of the State of Colorado that were hired on or after January 1, 2006 and employees of certain community colleges that were hired on or after January 1, 2008 which were eligible to participate in the SDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the SDTF or the Defined Contribution Retirement Plan (PERA DC Plan). SB 18-200 expands eligibility to participate in the PERA DC Plan to certain new employees hired on or after January 1, 2019, who are classified State College and University employees. The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA's CAFR as referred to above.

Funding Policy – All participating employees in the PERA DC Plan and the Authority are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period July 2018 through June 2019 are summarized in the tables below:

	January 1, 2018 through December 31, 2018	January 1, 2019 through June 30, 2019
Employee Contribution Rates:		
Employee Contribution (all employees except State Troopers)	8.00%	8.00%
State Troopers Only	10.00%	10.00%
Employer Contribution Rates:		
On behalf of all employees (except State Troopers)	10.15%	10.15%
State Troopers Only	12.85%	12.85%

Additionally, the State of Colorado is required to contribute AED and SAED to the SDTF as follows:

	Fiscal Year 2019
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411[1]	5.00%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411[1]	5.00%
Total Employer Contribution Rate	10.00%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.08 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. Participating employees in the PERA DC Plan contributed $18,024 and the Authority recognized contributions of $28,868 for the PERA DC Plan.

Voluntary Investment Program

Plan Description. Employees of the Authority that are also members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions.

NOTE 7 DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

General Information about the OPEB Plan

Plan description. Eligible employees of the Authority are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure. The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $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 basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Authority were $17,733 and $17,554 as of June 30, 2019 and 2018 respectively.

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

At June 30, 2019 the Authority reported a liability of $269,537 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Authority's proportion of the net OPEB liability was based on Authority contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the Authority's proportion was 0.0198 percent, which was a decrease of .0002 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Authority recognized OPEB expense of $2,376. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Fiscal Year 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 978	$ 410
Changes of assumptions or other inputs	1,891	-
Net difference between projected and actual earnings on OPEB plan investments	1,550	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	897	9,507
Contributions subsequent to the measurement date	6,423	-
Total	$ 11,739	$ 9,917

$6,423 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2019	$	(1,773)
2020		(1,773)
2021		(1,773)
2022		(697)
2023		(464)
Thereafter		(13)

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$ 262,094	$ 269,537	$ 278,098

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 301,589	$ 269,537	$ 244,936

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8 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 9 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, 2019 and 2018. As a result, in Fiscal Years ended 2019 and 2018 the Authority was included in the State TABOR District.

NOTE 10 RELATED PARTY

The Colorado State Fair Foundation, a 501(c)(3), was created to support, benefit, and raise funds or monies for capital and equipment expenditures for the Colorado State Fair. Additionally, the Foundation may also provide financial support to Colorado State Fair programs and initiatives that further the purposes of the Colorado State Fair upon reasonable request. As of June 30, 2019, one board member 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 2019 and 2018, $115,000 and $0, respectively, was given to the Authority. The Foundation is not included as a component unit, as it is not financially significant to the Authority. The Authority will continue to evaluate the Foundation on an annual basis as a potential component unit with the hope that it will be significant in the future.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Claims and Litigation

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

COLORADO STATE FAIR AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO STATE FAIR AUTHORITY

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SDTF PENSION PLAN
For the Years ended June 30,

	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.0575046861%	0.0575744841%	0.0599229532%	0.0658210097%	0.0726617608%
Authority's proportionate share of the net pension liability (asset)	$ 6,543,270	$ 11,525,250	$ 11,006,726	$ 6,931,632	$ 6,834,939
Authority's covered payroll	$ 1,978,303	$ 1,685,672	$ 1,685,481	$ 1,836,017	$ 1,949,794
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	331%	684%	653%	378%	351%
Plan fiduciary net position as a percentage of the total pension liability	55.1%	43.2%	42.6%	56.1%	62.8%

Notes to Required Supplementary Information:

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year is compiled the Authority presents information of those years for which information is available.

Notes to Required Supplementary Information (Net Pension Liability) - Fiscal Year 2019 Changes in benefit terms and actuarial assumptions:

Changes in assumptions or other inputs effective for the December 31, 2018 measurement period are as follows:
- The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.72%

Changes in assumptions or other inputs effective for the December 31, 2017 measurement period are as follows:
- The discount rate was lowered from 5.26% to 4.72%

Changes in assumptions or other inputs effective for the December 31, 2016 measurement period are as follows:
- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered form 2.80% to 2.40%.
- The real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for active employees, RP-2014 Healthy Annuitant Mortality tables projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

There were no changes in terms or assumptions for the December 31, 2015 measurement period for pension compared to the prior year.

COLORADO STATE FAIR AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PERA SDTF PENSION PLAN
For the Years ended June 30,

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 377,198	$ 329,218	$ 311,651	$ 312,373	$ 323,839	$ 331,261	$ 268,913	$ 220,111	$ 205,133	$ 233,366
Contributions in relation to the contractually required contribution	(377,198)	(329,218)	(311,651)	(312,373)	(323,839)	(331,261)	(268,913)	(220,111)	(205,133)	(233,366)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	1,720,951	1,688,744	1,668,178	1,763,258	1,933,170	1,948,594	1,670,267	1,733,157	1,738,415	1,741,537
Contributions as a percentage of covered payroll	21.92%	19.49%	18.68%	17.72%	16.75%	17.00%	16.10%	12.70%	11.80%	13.40%

Notes to Required Supplementary Information:

See Notes on page 42.

COLORADO STATE FAIR AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COLORADO HEALTH CARE TRUST FUND
For the Years ended June 30,

	2019	2018	2017
Authority's proportion of the net OPEB liability	0.0198110127%	0.0200401142%	0.0208432025%
Authority's proportionate share of the net OPEB liability (asset)	$ 269,537	$ 260,441	$ 270,239
Authority's covered payroll	$ 1,745,115	$ 1,685,672	$ 1,685,481
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	15%	15%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.03%	17.53%	17.00%

Notes to Required Supplementary Information:
*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year is compiled the Authority presents information of those years for which information is available.

Notes to Required Supplementary Information (Other Post-Employment Benefits) - Fiscal Year 2019 Changes in benefit terms and actuarial assumptions:

There were no changes in assumptions or other inputs effective for the December 31, 2018 measurement period for OPEB compared to the prior year.

There were no changes in assumptions or other inputs effective for the December 31, 2017 measurement period for OPEB.

COLORADO STATE FAIR AUTHORITY
SCHEDULE OF AUTHORITY CONTRIBUTIONS
COLORADO HEALTH CARE TRUST FUND
For the Years ended June 30,

	2019	2018	2017
Contractually required contribution	$ 17,733	$ 17,554	$ 17,135
Contributions in relation to the contractually required contribution	(17,733)	(17,554)	(17,135)
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered payroll	1,738,573	1,720,951	1,679,887
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

Notes to Required Supplementary Information:

See Notes on page 44.

Wall, Smith, Bateman Inc.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Colorado State Fair Authority (the Authority), a division of the Department of Agriculture of the State of Colorado, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Certified Public Accountants

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

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

October 28, 2019

Wall,
Smith,
Bateman Inc.

October 28, 2019

Members of the Legislative Audit Committee:

We have audited the financial statements of the business-type activities of Colorado State Fair Authority (the Authority), a division of the Department of Agriculture of the State of Colorado, for the years ended June 30, 2019 and 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 16, 2018. 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 2019. 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 estimates affecting the Authority's financial statements were:

> Management's estimate of the net pension liability, net OPEB liability, deferred outflow of resources, and deferred inflow of resources at June 30, 2019, and total pension and OPEB expense recognized in the government-wide financial statements during FY2019 are based on the Authority's proportionate share of the collective net pension liability, net OPEB liability, deferred outflows of resources, and deferred inflows of resources reported by the Public Employee's Retirement Association of Colorado (PERA) at December 31, 2018 and the collective pension and OPEB expense for the year then ended. The Authority's proportion has been adjusted for pension contributions between PERA's reporting date of December 31, 2018 and the Authority's Fiscal Year end of June 30, 2019.
>
> Management's estimate of the depreciation of capital assets is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of the defined benefit pension plan in Note 7 to the financial statements describes the Authority's participation in the State Division Trust Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado (PERA).

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

The attached schedule titled “Passed Audit Adjusting Journal Entries” summarizes uncorrected misstatements of the financial statements. Management has determined their effects to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2019.

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.

<u>Other Matters</u>

We applied certain limited procedures to management's discussion and analysis, the schedule of the Authority's proportionate share of the net pension liability, and the schedule of the Authority's contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

<u>Restriction on Use</u>

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

Very truly yours,

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

COLORADO STATE FAIR AUTHORITY
Adjusting Journal Entries
06/30/2019

Account	Description	Debit	Credit
AJE1			
To reverse Department of Agriculture entry and record a contribution from the Department of Agriculture.			
50022-1533	SPS WORK COM	50,978.00	0.00
50022-1960	PER SERV - INFORMATION TECHNOLOGY	13,179.00	0.00
50022-2650	CISO BILL PS	28,601.00	0.00
50022-2660	INS OT EMP B	53,015.00	0.00
50022-2690	LEGAL SERVIC	8,708.00	0.00
40031-900B	Operating transfer from Agriculture	0.00	154,481.00
Total		**154,481.00**	**154,481.00**
GRAND TOTAL		**154,481.00**	**154,481.00**

COLORADO STATE FAIR AUTHORITY
Passed Audit Adjusting Journal Entries
June 30, 2019

Account	Description	Debit	Credit	Net Income Effect
PJAJE1				
To pass on correctly stating compensated absences annual leave.				
22920-2920	LT COM ABS S	13,873.00	0.00	
50022-1810	Compensated Absences - Annual Leave	0.00	13,873.00	
Total		**13,873.00**	**13,873.00**	**13,873.00**
GRAND TOTAL		**13,873.00**	**13,873.00**	**13,873.00**