



OFFICE OF THE STATE AUDITOR



FOR IMMEDIATE RELEASE

Contact: Stelios Pavlou (303) 869-2833
stelios.pavlou@state.co.us

DIANNE E. RAY, CPA
STATE AUDITOR

November 4, 2019

ONGOING LEADERSHIP AND FINANCIAL WOES AT COLORADO STATE FAIR

DENVER—the Office of the State Auditor (OSA) has released a performance audit of the Colorado State Fair Authority (Authority), the entity created in 1983 to run the State Fair and its facilities. In an effort to understand why the Authority has had operating losses for the past 21 years, leading to an increased reliance on taxpayer funding, legislators asked the OSA to look into how the Fair is being run. The results shed light on fundamental problems that have contributed to the Authority's growing deficits that averaged \$4 million annually from 2014 through 2018. Auditors found that the Authority's Board isn't sufficiently governing the Authority and has no strategic direction for the Fair. The audit identified numerous indicators of poor management. For example, most of the 57 state buildings on the fairgrounds are in disrepair, the Authority has mismanaged rentals of fairground facilities during non-Fair times, and the Authority's marketing efforts are inadequate.

The Fair has been in Pueblo since 1901 and was established to showcase Colorado's major industries. The Authority is governed by an 11-member board. In addition to running the 11-day annual Fair, the Authority manages the 102-acre fairgrounds and rents out facilities for public and private events. Auditors found that although state law intended the Fair to operate as a self-sustaining enterprise, it is disqualified from doing so due to its heavy reliance on state and local government funding.

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, 80203
COLORADO

303.869.2800

State taxpayer dollars channeled to the Fair increased from 3 to 30 percent between 1999 and 2018. For many of those years, the Authority had significant declines in its non-Fair rental revenues. Auditors found that in Fiscal Year 2018 alone, the Authority could have brought in about \$1.2 million in facility rentals but gave steep and inconsistent discounts to some renters, collecting only about \$270,000. The Authority spends no money to market its non-Fair rentals, but spends \$1.1 million annually on marketing of the Fair that does not appear to deliver results, with no marketing plan, goals, or a statewide target audience.

Further, state law requires the Fair to showcase all of Colorado's major industries, such as tourism, recreation, and aerospace, yet the Authority focuses almost exclusively on agriculture. The Authority also lacks a comprehensive plan to improve the conditions of its 57 buildings, nearly one-quarter of which are in such poor condition they are considered at least partially unusable and another 60 percent of which need significant repairs and improvements to meet expected standards for state building conditions.

Despite the State allocating nearly half a million dollars on studies to improve the Fair in recent years, the Authority lacks a defined vision for its future, including how it will reverse the trend of declining attendance, improve its non-government revenue stream, and pay for the millions of dollars in fairground maintenance needs that have accumulated through the years. Many of these issues appear to stem from a board that isn't involved in strategic planning or overseeing operations, and doesn't hold the general manager accountable or direct the organization to be profitable.

The audit makes 6 recommendations.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic

financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.