

**COLORADO STATE FAIR AUTHORITY**

**FINANCIAL AND COMPLIANCE AUDIT**

**Fiscal Years Ended June 30, 2015 and 2014**



Wall,  
Smith,  
Bateman Inc.  
Certified Public Accountants

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**COLORADO STATE FAIR AUTHORITY**  
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**June 30, 2015 and 2014**

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**COLORADO STATE FAIR AUTHORITY  
FINANCIAL AND COMPLIANCE AUDIT  
REPORT SUMMARY  
FISCAL YEARS ENDED JUNE 30, 2015 and 2014**

**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 2015 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 November, 2015.

The purposes and scope of the audit were to:

- § Perform a financial and compliance audit of the Colorado State Fair Authority for the year ended June 30, 2015 and to express an opinion on the financial statements. This included a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- § Evaluate the Authority's progress in implementing prior audit recommendations.

**Audit Results**

Wall, Smith, Bateman Inc. expressed an unmodified opinion on the financial statements for the years ended June 30, 2015 and 2014. Our report, dated December 22, 2015, on the Colorado State Fair Authority's June 30, 2015 financial statements includes an emphasis-of-matter paragraph that describes a going concern uncertainty. The Authority incurred a loss before capital contributions of (\$1,310,264) and change in net position of (\$630,938) for the year ended June 30, 2015. Also, as of that date, the Authority's current liabilities exceeded its current assets by \$1,589,189 and it had a deficit unrestricted net position of (\$8,107,898).

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

**Required Auditor Communications to the Legislative Audit Committee**

The auditor is required to communicate to the Legislative Audit Committee certain matters related to the conduct of the audit and to ensure that the Legislative Audit Committee receives additional information regarding the scope and results of the audit that may assist the Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include, among other items, significant difficulties encountered in performing the audit relating to the statewide change of the accounting system to CORE and turnover in the Department of Agriculture.

## **Summary of Findings and Recommendations**

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

There are two current year findings and recommendations:

- § The Colorado State Fair Authority should develop realistic five-year projections that demonstrate financial stability and include the consideration of strategies, pricing policies, efficiencies in operations, and utilizing the results of the Financial Stability Study to eliminate future losses. This could also include working with the Colorado Department of Agriculture and the Joint Budget Committee to obtain additional appropriations in the State Long Bill to ensure continued operations. These five-year projections should be provided to the Legislative Audit Committee.
- § The Colorado State Fair Authority should obtain training on the CORE accounting system and CPPS reports and implement monthly reconciliation procedures for payroll processed by CPPS on behalf of the Authority to ensure amounts posted to the general ledger are correctly stated.

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

## **Summary of Progress in Implementing Prior Audit Findings**

The implementation status of the recommendations included in the Fiscal Year 2014 audit report are discussed in the Disposition of Prior Audit Recommendations.

**RECOMMENDATION LOCATOR**

**All recommendations are addressed to the Colorado State Fair Authority Fiscal Year 2015**

<b>Rec. No.</b>	<b>Page No.</b>	<b>Recommendation Summary</b>	<b>Agency Response</b>	<b>Implementation Date</b>
1	8	The Colorado State Fair Authority should develop realistic five-year projections that demonstrate financial stability and include the consideration of strategies, pricing policies, efficiencies in operations, and utilizing the results of the Financial Stability Study to eliminate future losses. This could also include working with the Colorado Department of Agriculture and the Joint Budget Committee to obtain additional appropriations in the State Long Bill to ensure continued operations. These five-year projections should be provided to the Legislative Audit Committee.	Agree	June 30, 2016
2	10	The Colorado State Fair Authority should obtain training on the CORE accounting system and CPPS reports and implement monthly reconciliation procedures for payroll processed by CPPS on behalf of the Authority to ensure amounts posted to the general ledger are correctly stated.	Agree	Immediately

**COLORADO STATE FAIR AUTHORITY**  
**BACKGROUND**  
**June 30, 2015 and 2014**

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

The Authority operates on the State Fairgrounds in Pueblo on approximately 80 acres of land. The grounds and facilities are owned by the State and include exhibition halls, four permanent restaurants, permanent stalls for horse shows, three 4-H buildings, an amphitheater, six pavilions, and a covered grandstand. The facilities also include an indoor arena (the Events Center) which was constructed at a cost of approximately \$7.5 million. The Events Center began operating in 1995. Most of the Authority's revenue is generated during the annual State Fair from admissions, parking, food and beverage sales, concessions, commercial space rental, sponsorships, and carnival ticket sales. Additional revenue is generated from events that are held on a year-round basis at the Events Center and other facilities on the State Fairgrounds. For Fiscal Year 2015, 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 2015 fair was held during August/September 2014 with an attendance of 498,720. Approximately 75% of governance, administration and facilities management expenditures for July, August and September are allocated to Fair-time activity. The results from the 2015 State Fair which was held during August and September 2015 will be included in the financial statements for the year ended June 30, 2016.

**FISCAL YEAR 2015 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 356 Off-season events. The breakdown between Fair-time and Off-season periods is provided by the Colorado State Fair Authority and has not been audited.

	Year ended June 30, 2015 <u>Fair-time</u>	Year ended June 30, 2015 <u>Off-season</u>	Year ended June 30, 2015 <u>Total</u>	Year ended June 30, 2014 <u>Total</u>
Operating revenues	\$ 6,201,911	\$ 962,797	\$ 7,164,708	\$ 6,439,003
Operating expenses (excluding depreciation)	<u>6,492,327</u>	<u>3,538,679</u>	<u>10,031,006</u>	<u>8,997,551</u>
Operating income (loss) before depreciation	<u>\$ (290,416)</u>	<u>\$ (2,575,882)</u>	(2,866,298)	(2,558,548)
Depreciation			<u>(824,682)</u>	<u>(741,036)</u>
Operating loss			(3,690,980)	(3,299,584)
Nonoperating revenues (net)			<u>2,380,716</u>	<u>1,418,691</u>
Gain (loss) before state capital contributions			(1,310,264)	(1,880,893)
Capital contributions			<u>679,326</u>	<u>952,837</u>
Change in net position			<u>\$ (630,938)</u>	<u>\$ (928,056)</u>

**COLORADO STATE FAIR AUTHORITY  
AUDITORS' FINDINGS AND RECOMMENDATIONS  
Fiscal year Ended June 30, 2015**

**CONTINUED DECLINE IN FINANCIAL CONDITION**

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

<u>Fiscal Year Ended</u>	<u>Interest Received</u>
2015	\$ 1,121,842
2014	1,067,034
2013	1,025,794
2012	941,994
2011	877,185
2010	854,908
2009	322,733

**What was the purpose of the audit work?**

The purpose of the audit work was to follow up on our June 30, 2014 finding and recommendation related to the continued significant operating losses and negative unrestricted net position of the Authority. At that time, we recommended the Authority reconsider its strategies and pricing policies, search for efficiencies in its operations to minimize future losses and work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain an appropriation in the State Long Bill to ensure continued operations.

**What audit work was performed and how were results measured?**

We analyzed the operating results of the Authority in Fiscal Year 2015 as well as a ten-year historical trend of those results as follows:

For Fiscal Year Ended June 30,	Operating Loss Including Depreciation and Amortization	Operating Loss Excluding Depreciation and Amortization	Total State Contributions	Local Contributions	Operating Loss After Cash Contributions	Increase (Decrease) in Net Position
2015	\$ (3,690,980)	\$ (2,866,298)	\$ 2,171,842	\$ 255,792	\$ (1,263,346)	\$ (630,938)
2014	(3,299,584)	(2,558,548)	1,587,347	407,631	(1,304,606)	(928,056)
2013	(2,784,469)	(2,069,560)	1,532,074	474,590	(777,805)	(543,524)
2012	(2,392,982)	(1,856,744)	1,400,896	590,878	(401,208)	(72,797)
2011	(2,295,016)	(1,768,642)	884,332	440,000	(970,684)	(379,070)
2010	(2,135,781)	(1,716,290)	854,908	445,859	(835,014)	291,982
2009	(2,812,156)	(2,160,472)	3,609,952	599,693	1,397,489	1,337,025
2008	(2,353,317)	(1,736,988)	3,988,351	385,153	2,020,187	1,923,815
2007	(2,417,273)	(1,825,645)	4,320,175	270,132	2,173,034	2,018,338
2006	(1,748,741)	(1,167,995)	812,924	347,997	(587,820)	(746,056)
2005	(1,351,088)	(737,361)	77,352	441,757	(831,979)	(942,851)



**COLORADO STATE FAIR AUTHORITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2015**

**What problem did the audit work identify?**

The Authority has continued to experience significant operating losses before state or local contributions every year for at least the last 10 years. As displayed in the table above, the Authority experienced an operating loss of \$3.69 million for Fiscal Year 2015, which was \$390,000 more than the operating loss of \$3.3 million for Fiscal Year 2014. The Authority's unrestricted net position decreased from a negative \$1,438,410 as of June 30, 2014 to a negative \$1,629,229 (excluding the effects of GASB Statement No. 68) as of June 30, 2015. Although the Authority received in excess of \$3.10 million in State and local contributions, the contributions were not adequate to offset the Authority's operating loss. This resulted in the Authority increasing the loan with the Colorado State Treasury from \$760,160 at June 30, 2014 to \$1,200,813 at June 30, 2015, therefore continuing to operate with a cash deficit. In addition, the current liabilities exceeded the current assets by approximately \$1.6 million at June 30, 2015.

A three-year review of the State Fair's responses to the previously mentioned recommendation and the subsequent results are as follows:

Fiscal Year 2014

Response: Agree. Implementation Date: Immediately and ongoing.

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

Results: Fiscal Year 2015: Gate Admissions increased \$200,000.

Box office revenue increased \$290,000 as did entertainment and attractions expense.

The Department of Agriculture contributed \$946,000.

The State General Fund contributed \$300,000 and provided a \$250,000 State Long Bill appropriation for 4-H and FFA costs.

Net Increase/(Decrease) in net position - (\$631,000)

Fiscal Year 2013

Response: Agree. Implementation Date: Immediately and ongoing.

The Colorado State Fair implemented a new concert ticketing system as well as new cashless card system for the payment of concessions, and carnival games and rides. The new system increased revenue and concessions by \$10,000 for the 2013 Colorado State Fair. The new ticketing system is operated by the Tickethorse Company in Denver. This system helped increase concert revenues by \$50,000. Both systems provide greater control of revenues, and as the systems are refined for 2014, better reporting and more marketing opportunities. The Colorado State Fair Foundation, that was established 2012, raised over \$136,000 in cash, and has had additional contributions of over \$25,000 in in-kind contributions. In the summer of 2013 the girl's bathroom was totally remodeled at the Growing

**COLORADO STATE FAIR AUTHORITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2015**

Minds Dorms. The boy's bathrooms will be remodeled in the summer of 2014. The Foundation board continues to work to raise funds to improve the 4-H and FFA facilities on the grounds.

The Department of Agriculture is committed to the financial stability of the Colorado State Fair. The Department continues to provide the Fair with Ag Management funds to offset losses. The Department is committed to working with the Authority to improve the Fair's revenues and work towards the day when the Authority will no longer need Ag Management subsidies.

Results: Fiscal Year 2014: Concessions decreased \$27,000.  
The Foundation contributed \$34,500.  
The Department of Agriculture contributed \$520,000.  
Net Increase/(Decrease) in net position - (\$928,000)

Fiscal Year 2012

Response: Agree. Implementation Date: Immediately and ongoing.

The Authority has continued to refine its pricing in all areas of its operation for Fiscal Year 2012. The Fair saw significant increases in rental revenue for Fiscal Year 2012. Rental revenue was up by over \$250,000 for non-Fair events. The increase was due to great usage of Fair facilities during the non-Fair time frame. Fair management is working to increase on these gains in Fiscal Year 2013.

The Colorado State Fair Foundation has been established and a foundation development person will be hired in March.

The Fair is in the process of instituting a cashless payment system for concessions and on-grounds attractions for the 2013 Fair. Token machines would be placed around the grounds where customers can buy tokens. Customers would then use these tokens to pay for items. The benefit to the Fair would be that the Fair collects all revenues first. The Fair would then pay the vendor based on the number of tokens returned. Every Fair that has gone to this system has seen an increase in concession revenue. The Mid-Texas Fair in Amarillo saw a 56% increase in concession revenue.

The Department of Agriculture is committed to the financial stability of the Colorado State Fair. The Department continues to provide the Fair with Ag Management funds to offset losses. The Department is committed to working with the Authority to improve the Fair's revenues and work for the day when the Authority will no longer need Ag Management subsidies.

Results: Fiscal Year 2013: Concessions decreased by \$37,500.  
Gate admissions decreased by \$103,000.  
Box office sales decreased by \$196,000.  
Building rentals decreased by \$116,000.  
The Foundation contributed \$34,500.  
The Department of Agriculture contributed \$506,000.  
Net Increase/(Decrease) in net position - (\$544,000)

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

**COLORADO STATE FAIR AUTHORITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2015**

**Why did the problem occur?**

Despite the implementation of strategies to enhance revenues and control expenses, including the implementation of the cashless fair and changes to the ticketing system, operating losses continue. In addition, the State and local contributions have not been adequate to offset the continued operating losses of the Authority. For example, the Authority worked with the General Assembly to receive a \$250,000 State General Fund appropriation for 4-H and FFA costs during Fiscal Year 2015; however, local contributions to the Fair declined during the year by approximately \$150,000, offsetting the additional appropriation.

The Authority was appropriated \$50,000 from the General Fund in Fiscal Year 2016 for a Financial Stability Study, with the intent of the General Assembly to provide a comprehensive plan for long-term financial stability. The results of this Study are due March 1, 2016.

**Why does this problem matter?**

The Authority's working capital shortfalls are growing each year, which jeopardizes the continuing operations. The Authority may have to obtain additional financing to operate in Fiscal Year 2016. The unrestricted net position at June 30, 2015 is negative and unable to absorb future losses; therefore the accompanying financial statements have been prepared assuming doubt that the Authority will continue as a going concern.

(Classification of Finding: Other Matter)

**Recommendation No. 1:**

The Colorado State Fair Authority should develop realistic five-year projections that demonstrate financial stability and include the consideration of strategies, pricing policies, efficiencies in operations, and utilizing the results of the Financial Stability Study to eliminate future losses. This could also include working with the Colorado Department of Agriculture and the Joint Budget Committee to obtain additional appropriations in the State Long Bill to ensure continued operations. These five-year projections should be provided to the Legislative Audit Committee.

**Colorado State Fair Authority's Response:**

Agree. Implementation Date: Upon completion of the Financial Stability Study in March 2016, work on a five year projection will begin, with an estimated completion date of June 30, 2016.

The Colorado State Fair Authority continues to revisit yearly our strategies and pricing for both the Colorado State Fair event and the year round rentals along with searching for efficiencies in our operations. The Colorado State Fair will continue to work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain additional appropriations in the State Long Bill to ensure continued operations. The Colorado State Fair Authority will be under new leadership in January 2016. At that time the new General Manager will begin with her understanding the business of the Colorado State Fair Authority, establishing a budget for fiscal year 2017 and in March reviewing the Financial Stability Study to develop her plan to move forward with the completion of a five year projection that will be provided to the Legislative Audit Committee.

**COLORADO STATE FAIR AUTHORITY  
AUDITORS' FINDINGS AND RECOMMENDATIONS  
Fiscal year Ended June 30, 2015**

**PERSONAL SERVICE AND BENEFITS EXPENSE MONITORING**

The Authority's payroll transactions are processed by the Colorado Personnel Payroll System (CPPS) and posted to the Colorado Operations and Resource Engine (CORE) accounting system automatically.

**What was the purpose of the audit work?**

The purpose of the audit work related to payroll was to perform audit procedures designed to obtain sufficient appropriate audit evidence that all payroll transactions recorded in the Authority's general ledger for Fiscal Year 2015 were correctly stated in the financial statements in accordance with generally accepted accounting principles.

**What audit work was performed and how were results measured?**

We evaluated the Authority's internal controls over the payroll transaction cycle, in accordance with State Fiscal Rules, during the planning stage of our audit. We performed analytical procedures comparing the Fiscal Year 2015 payroll expense, accrued expense balances, number of personnel, and average payroll cost per employee with the prior year. Additional audit procedures were performed to test payroll expense and year end accruals transaction detail.

**What problem did the audit work identify?**

We determined that the monthly payrolls processed by CPPS were not posted to the Authority's general ledger in a timely manner throughout Fiscal Year 2015. In addition, the Authority did not monitor the payroll transactions, as they were posted, for accuracy and completeness. The Authority was unable to provide us with supporting documentation of the payroll amounts included in the Authority's general ledger.

**Why did the problem occur?**

Due to the statewide change of the general ledger accounting system to the Colorado Operations and Resource Engine (CORE), payroll transactions were posted to the CORE accounting system two to three months or more in arrears during Fiscal Year 2015. In addition, the Department of Agriculture informed the Authority accountants that payroll would be reconciled at the Department level upon conversion. The Authority relied on the Department of Agriculture to perform monitoring and reconciliation procedures. However, due to turnover in the Department of Agriculture, payroll reconciliation and monitoring documentation for Fiscal Year 2015 could not be provided by the Department, so we were unable to confirm whether reconciliations were performed or if payroll transactions were monitored by the Department of Agriculture during the fiscal year.

**Why does this problem matter?**

Because the Authority did not perform reconciliations of its payroll expenses, it was unable to determine the accuracy of \$2.6 million in payroll expenses posted to the Authority's general ledger during Fiscal Year 2015. Without appropriate internal controls in place over payroll, including reconciliation processes and monitoring procedures, the Authority cannot ensure that personal service and benefit expenses for its employees are accurately recorded and that its employees are paid appropriately.

(Classification of Finding: Material Weakness)

**COLORADO STATE FAIR AUTHORITY**  
**AUDITORS' FINDINGS AND RECOMMENDATIONS**  
**Fiscal year Ended June 30, 2015**

**Recommendation No. 2:**

The Colorado State Fair Authority should obtain training on the CORE accounting system and CPPS reports and implement monthly reconciliation procedures for payroll processed by CPPS on behalf of the Authority to ensure amounts posted to the general ledger are correctly stated.

**Colorado State Fair Authority's Response:**

Agree. Implementation Date: Immediately

The Colorado State Fair Authority will continue to obtain training on the CORE accounting system and CPPS reports as it becomes available. The Colorado State Fair has implemented a monthly process to balance the monthly reports from CPPS to the general ledger. At this time payroll has been posted to the general ledger for July and August 2015 and those two months have been balanced to the CPPS reports.

## Disposition of Prior Audit Recommendations

Listed below is the recommendation from the Fiscal Year 2014 Colorado State Fair Authority Financial and Compliance audit.

Recommendation	Disposition
1. The Colorado State Fair Authority should reconsider its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses. In addition, the Authority should work with the Colorado Department of Agriculture and the Joint Budget Committee to obtain additional appropriations in the State Long Bill to ensure continued operations.	Not Implemented . See Recommendation No. 1
2. The Colorado State Fair Authority should record all transactions that have occurred in each non-Treasury bank account subsequent to June 30, 2014 in a dual entry accounting system (such as QuickBooks) and perform reconciliation of that system to the respective bank statements to ensure accurate and reliable financial information is available for input in the CORE accounting system, as it is the general ledger of record.	Implemented.



Wall,  
Smith,  
Bateman Inc.

## INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014, 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, 2015 and 2014, 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 Going Concern***

The accompanying financial statements have been prepared assuming that the Authority will continue as a going concern. As discussed in Note 2 to the financial statements, as of June 30, 2015 the Authority's current liabilities exceeded its current assets by \$1,589,189 and it had a deficit unrestricted net position of \$8,107,898. These

### **Certified Public Accountants**

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conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding this matter also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***Emphasis of Matter Regarding Relationship to State of Colorado***

As discussed in Note 1, the financial statements of the Colorado State Fair Authority are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Colorado as of June 30, 2015, 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.

***Change in Accounting Principle***

As discussed in Note 1 - Summary of Significant Accounting Policies, in fiscal year 2015 the Authority adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 liability, and schedule of the Authority's contributions on pages 14–19 and 42-43 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 December 22, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Wall, Smith, Bateman Inc.  
Certified Public Accountants

December 22, 2015



**COLORADO STATE FAIR AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015 and 2014**

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, 2015, and should be read in conjunction with the Authority's financial statements, which begin on page 20. These financial statements reflect only activities of the Colorado State Fair Authority, a division of the Department of Agriculture of the State of Colorado.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 24 through 41 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 \$3,643,675 at the close of the most recent fiscal year.

The following schedule provides a condensed statement of net position as of June 30, 2015, 2014 and 2013.

	<b>Schedule of Net Position</b>		
	<b>June 30,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Current assets	\$ 386,398	\$ 315,285	\$ 312,612
Other assets	-	-	-
Capital assets	12,977,652	13,217,112	13,456,648
Total assets	13,364,050	13,532,397	13,769,260
Deferred Outflows of Resources	356,776	-	-
Current liabilities	1,975,587	1,708,779	926,539
Noncurrent liabilities	8,101,058	1,342,463	1,433,510
Total liabilities	10,076,645	3,051,242	2,360,049
Deferred Inflows of Resources	506	-	-
Net Invested in capital assets	11,751,573	11,919,565	12,095,498
Unrestricted (deficit) Net Position	(8,107,898)	(1,438,410)	(686,287)
Total net position	<u>\$ 3,643,675</u>	<u>\$ 10,481,155</u>	<u>\$ 11,409,211</u>

**COLORADO STATE FAIR AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015 and 2014**

**2015**

The largest portion of the Authority's net position (322.5 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to operate the State Fair and Non-Fair activities held on the premises; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net position is a deficit of \$8,107,898.

At the end of the Fiscal Year 2015, the Authority reported a positive balance in the net investment in capital assets. Capital assets increased \$585,222 of which \$167,503 was funded by the Colorado State Fair Foundation for the renovation of the men's 4-H dormitory, \$135,483 was funded by the Department of Agriculture for a new Ticket Booth and restroom renovation, \$61,000 for equipment was funded by the Governor's Office Contribution, \$127,821 was funded by Colorado State Historical Society for two roof renovations, \$85,544 was funded by the State for the upgrade of the electrical infrastructure (final phase).

The Authority's net position was restated by (\$6,206,542) as of July 1, 2014 due to GASB 68 implementation and decreased by \$630,938 during the current fiscal year.

**2014**

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

The remaining balance of unrestricted net position is a deficit of \$1,438,412.

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

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

**COLORADO STATE FAIR AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015 and 2014**

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

	<u>FY15</u>	<u>FY14</u>	<u>FY13</u>
Operating revenues			
Commercial space/concessions	\$ 1,183,844	\$ 1,214,276	\$ 1,241,080
Gate admissions	1,783,164	1,563,196	1,718,256
Box office sales	981,124	691,079	660,614
Private sponsorships	1,653,670	1,538,202	1,602,831
Exhibitor fees	797,444	739,104	707,788
Building rentals	645,150	644,977	685,789
Miscellaneous revenues	120,312	48,169	100,937
Total operating revenues	<u>7,164,708</u>	<u>6,439,003</u>	<u>6,717,295</u>
Operating expenses			
Personnel service and benefits	2,893,794	2,638,450	2,437,117
Entertainment and attractions	2,166,881	599,915	1,728,533
Advertising and promotions	1,345,862	1,598,130	1,379,904
Prizes and awards	895,448	853,552	882,270
Utilities	1,054,865	1,057,819	1,041,620
Contractual services	81,377	827,641	70,011
Depreciation	824,682	741,036	714,909
Other	1,592,779	1,422,044	1,247,400
Total operating expenses	<u>10,855,688</u>	<u>9,738,587</u>	<u>9,501,764</u>
Operating loss	<u>(3,690,980)</u>	<u>(3,299,584)</u>	<u>(2,784,469)</u>
Nonoperating revenues (expenses)			
Department of Agriculture contribution	500,000	520,313	506,280
Local government grants	255,792	407,631	474,590
Unclaimed property fund interest income	1,121,842	1,067,034	1,025,794
General Fund Appropriation and Governor's Office Contribution	550,000	-	-
Investment income (loss)	-	776	356
Interest expense	(46,918)	(56,750)	(53,688)
Net nonoperating revenue	<u>2,380,716</u>	<u>1,973,510</u>	<u>1,953,332</u>
Decrease in net position before capital contributions	(1,310,264)	(1,360,580)	(831,137)
Capital contributions	<u>679,326</u>	<u>432,524</u>	<u>287,613</u>
Change in net position	<u>(630,938)</u>	<u>(928,056)</u>	<u>(543,524)</u>
Net position, beginning of year, as Previously stated	10,481,155	11,409,211	12,095,498
Restatement GASB 68	(6,206,542)	-	-
Net position, beginning of year, As restated	4,274,613	11,409,211	12,095,498
Net position, end of year	3,643,675	10,481,155	11,409,211

**COLORADO STATE FAIR AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015 and 2014**

**For the Year Ended June 30, 2015**, net position decreased by \$6,837,480 . Key elements of this decrease are as follows:

- § Operating revenue increased by \$725,705 mainly due to an increase in gate admissions, box office sales, private sponsorships, and exhibitor fees.
- § Operating expenses increased by \$1,117,101 with the largest increase in personal services and benefits, entertainment and attractions, and repairs and maintenance.
- § Non-operating revenue and state government contributions increased by \$688,514.
- § Net Position was negatively restated by \$6,206,542 due to GASB 68. It requires cost-sharing employers participating in the PERA program to record their proportionate share of PERA's unfunded pension liability. 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.

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

- § Operating revenue decreased by \$278,292 mainly due to a decrease in gate admissions, private sponsorships, exhibitor fees, and rentals.
- § Operating expenses increased by \$236,823 with the largest increase in personal services and benefits.
- § State capital contributions increased by \$144,911 .

**Further Analysis**

The summary of findings and recommendations discusses an operating loss of approximately \$3.7 million. However, this figure does not include revenues in excess of \$2.3 million earned from local and state sources. The Fair is committed to seeking other revenues to offset decreases in operating revenue. In addition, the Department of Agriculture is committed to providing grant funding to support operating costs of the fair.

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

**COLORADO STATE FAIR AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015 and 2014**

**SUBSEQUENT EVENTS**

**For the Period July 1, 2015 to September 30, 2015**

The fiscal year 2016 fair was held August 28<sup>th</sup> through September 7<sup>th</sup>, 2015. The following is a comparison of the statistics for the past three fairs.

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2014</u>
Colorado State Fair Attendance	500,207	498,720	476,966
Paid events offered during the Colorado State Fair	17	16	16
Colorado State Fair Events*	2	2	2
Events that were NOT Colorado State Fair Events**	92	356	368

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

\*\*Fiscal Year 2016 is not complete, this reflects a total of events as of November 30, 2015.

**BUDGETARY HIGHLIGHTS**

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

The approved original and final budget for the Authority's activities was \$8,806,576 of which \$250,000 was General Fund appropriation and \$8,556,576 was cash funded. The budgetary amount includes the Colorado State Fair Program Line Item in the Long Bill. Total revenues including local government grants and interest were \$8,542,342 and total expenses on a budgetary basis were \$8,689,475 .

Total operating expenses (GAAP basis)	\$ 10,855,688
Plus interest expense	46,918
Less depreciation	(824,682)
Plus non-budgeted item (compensated absences)	(5,852)
Less in-kind match	(1,110,470)
Less GASB 68/71 pension expense	(272,127)
	<hr/>
Total expenses (budgetary basis)	<u>\$ 8,689,475</u>

**COLORADO STATE FAIR AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2015 and 2014**

**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 2015 was \$113,269 from Department of Agriculture and \$31,016 from the Office of Information Technology. 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 Office of Information Technology assessment to the Authority is based on usage of their services by the Authority. The assessment for Fiscal Year 2016 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 Non-Fair season as well as the Colorado State Fair event. The focus of the strategy is to provide a high quality product appealing to a diverse audience at the lowest possible cost. Management is working to increase group sales and carnival sales by reaching out to more businesses and schools as well as offering new carnival promotions. Colorado State Fair management plans to sustain the current budget. The Fair is committed to seeking other revenues to offset decreases in operating revenue. The Colorado State Fair was approved for a \$250,000 general fund appropriation to offset 4-H and FFA costs in Fiscal Year 2015 and 2016.

**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 2015 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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Unrestricted assets</b>		
Cash and cash equivalents	\$ 207,424	\$ 174,753
Accounts receivable, net of allowance for doubtful accounts	18,450	25,359
Due from local governments	13,422	13,422
Inventory	-	17,620
Prepaid expenses	147,102	84,131
<b>Total unrestricted assets</b>	386,398	315,285
<b>Total current assets</b>	386,398	315,285
<b>Noncurrent assets</b>		
Capital assets, net of accumulated depreciation	12,977,652	13,217,112
<b>Total noncurrent assets</b>	12,977,652	13,217,112
<b>TOTAL ASSETS</b>	13,364,050	13,532,397
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	356,776	-
	356,776	-
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to State Treasury	1,200,813	760,160
Accrued expenses	192,650	325,147
Unearned revenue	487,901	528,073
Other current liabilities	3,100	3,300
Current portion of accrued compensated absences	12,760	20,630
Current portion of capital lease obligations	78,363	71,469
<b>Total current liabilities</b>	1,975,587	1,708,779
<b>Noncurrent liabilities</b>		
Accrued compensated absences	118,403	116,385
Capital lease obligations payable	1,147,716	1,226,078
Pension liability	6,834,939	-
<b>Total noncurrent liabilities</b>	8,101,058	1,342,463
<b>TOTAL LIABILITIES</b>	10,076,645	3,051,242
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	506	-
	506	-
<b>NET POSITION</b>		
Net investment in capital assets	11,751,573	11,919,565
Unrestricted (deficit)	(8,107,898)	(1,438,410)
<b>TOTAL NET POSITION</b>	\$ 3,643,675	\$ 10,481,155

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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUES</b>		
Commercial space/concessions	\$ 1,183,844	\$ 1,214,276
Gate admissions	1,783,164	1,563,196
Box office sales	981,124	691,079
Private sponsorships	1,653,670	1,538,202
Exhibitor fees	797,444	739,104
Building rentals	645,150	644,977
Miscellaneous revenues	120,312	48,169
<b>Total operating revenues</b>	<b>7,164,708</b>	<b>6,439,003</b>
<b>OPERATING EXPENSES</b>		
Personal service and benefits	2,893,794	2,638,450
Entertainment and attractions	2,166,881	1,691,526
Advertising and promotions	1,345,862	1,313,190
Prizes and awards	895,448	853,552
Repairs and maintenance	431,866	157,856
Utilities	1,054,865	1,057,837
Supplies and materials	419,708	413,568
Contractual services	81,377	72,170
Other purchased services	150,395	109,433
Other operating	354,425	447,340
Building, vehicle and equipment rental	192,276	211,117
Travel	44,109	31,512
Depreciation	824,682	741,036
<b>Total operating expenses</b>	<b>10,855,688</b>	<b>9,738,587</b>
<b>Operating loss</b>	<b>(3,690,980)</b>	<b>(3,299,584)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Unclaimed property fund interest income	1,121,842	1,067,034
Department of Agriculture other contributions	500,000	520,313
General Fund appropriation	250,000	-
Governor's Office contribution	300,000	-
Local government grants	255,792	407,631
Investment income	-	776
Interest expense	(46,918)	(56,750)
<b>Total nonoperating revenues (expenses)</b>	<b>2,380,716</b>	<b>1,939,004</b>
Gain (loss) before capital contributions	(1,310,264)	(1,360,580)
<b>CAPITAL CONTRIBUTIONS</b>		
State controlled maintenance	90,199	398,018
Department of Agriculture	446,480	-
Colorado State Fair Foundation	142,647	34,506
<b>Total capital contributions</b>	<b>679,326</b>	<b>432,524</b>
<b>Change in net position</b>	<b>(630,938)</b>	<b>(928,056)</b>
<b>Net position, beginning of year, as previously stated</b>	<b>10,481,155</b>	<b>11,409,211</b>
Restatement GASB 68	(6,206,542)	-
<b>Net position, beginning of year, as restated</b>	<b>4,274,613</b>	<b>11,409,211</b>
<b>Net position, end of year</b>	<b>\$ 3,643,675</b>	<b>\$ 10,481,155</b>

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



**COLORADO STATE FAIR AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from fees for services	\$ 5,255,513	\$ 4,628,494
Cash received from rental of property	645,150	644,977
Cash received from other sources	120,312	121,169
Cash paid to employees	(2,598,844)	(2,634,550)
Cash paid to suppliers	(5,293,707)	(4,234,386)
Cash paid to others	(939,757)	(888,739)
	<b>(2,811,333)</b>	<b>(2,363,035)</b>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local government grants	113,144	394,209
Unclaimed property fund interest	1,121,842	1,067,034
General Fund appropriation	250,000	-
Contributions received from the Governor's Office	300,000	-
Contributions received from the Department of Agriculture	594,104	-
	<b>2,379,090</b>	<b>1,461,243</b>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments	(71,468)	(63,603)
Interest payments	(46,918)	(56,750)
Proceeds from issuance of loan from State Treasury	440,653	641,306
Contributions received from the Department of Agriculture	-	520,313
Contributions received from the Colorado State Fair Foundation	142,647	-
Purchase of property and equipment	-	(68,976)
	<b>464,914</b>	<b>972,290</b>
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividend income	-	776
	<b>-</b>	<b>776</b>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>32,671</b>	<b>71,274</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>174,753</b>	<b>103,479</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 207,424</b>	<b>\$ 174,753</b>

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

**COLORADO STATE FAIR AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>OPERATING LOSS</b>	\$ (3,690,980)	\$ (3,299,584)
<b>Adjustments to reconcile net loss to cash used in operating activities:</b>		
Depreciation	824,682	741,036
(Increase) decrease in accounts receivable	6,909	17,933
(Increase) decrease in inventory	17,620	4,516
(Increase) decrease in prepaid expenses	(62,971)	59,574
Increase (decrease) in accounts payable	(161,171)	85,454
Increase (decrease) in compensated absences	(5,852)	1,052
Increase (decrease) in accrued payroll	28,674	2,848
Increase (decrease) in other payables	(200)	(3,675)
Increase (decrease) in unearned revenue	(40,172)	27,811
Increase (decrease) in pension liability	272,128	-
<b>Total adjustments</b>	879,647	936,549
 <b>NET CASH USED IN OPERATING ACTIVITIES</b>	 \$ (2,811,333)	 \$ (2,363,035)
 <b>NONCASH OPERATING AND FINANCING ACTIVITIES</b>		
Property and equipment contributions	\$ 585,222	\$ 432,524
Advertising and promotions provided through private sponsorships	\$ 1,110,470	\$ 1,090,107

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

**COLORADO STATE FAIR AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

**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, 2015 and 2014, 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 2015, the Authority's original and final budget as approved by the General Assembly was \$8,806,576, of which \$250,000 was General Fund appropriations and \$8,556,576 was cash funded. The Authority allocated the final budget to cover operating expenses, excluding depreciation, change in leave accrual, and GASB 68/71 pension expense. For Fiscal Year 2014, the Authority's original and final operating budget as approved by the General Assembly was \$8,422,222. The Authority allocated the final budget to cover operating expenses, excluding depreciation and change in leave accrual.

**COLORADO STATE FAIR AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

The Authority also adopts an internal budget for its enterprise fund for management purposes. For Fiscal Year Ended June 30, 2015, the internal budget showed total budgeted revenues of \$7,895,275. Total actual operating revenues were \$7,164,708 and total revenue including operating revenues, unclaimed property fund interest income, Department of Agriculture contributions, local government grants, and interest were \$9,592,342. Total allocated budgeted expenses were \$7,844,343 while total actual operating expenses were \$8,689,475 on a budgetary basis.

For Fiscal Year Ended June 30, 2014, the internal budget showed total budgeted operating revenues of \$7,607,000. Total actual operating revenues were \$6,439,003 and total revenue including operating revenues, unclaimed property fund interest income, local government grants, and interest were \$8,434,757. Total allocated budgeted operating expenses were \$7,766,718 while total actual operating expenses were \$7,965,246 on a budgetary basis.

	<b>2015</b>	<b>2014</b>
Total operating expenses (GAAP basis)	\$ 10,855,688	\$ 9,738,587
Plus interest expense	46,918	56,750
Less depreciation	(824,682)	(741,036)
Change in nonbudgeted item (compensated absences)	(5,852)	1,052
Less in-kind match	(1,110,470)	(1,090,107)
Less GASB 68/71 pension expense	(272,127)	-
Total expenses (budgetary basis)	<b>\$ 8,689,475</b>	<b>\$ 7,965,246</b>

***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

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***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 fund administered by the Public Employee' 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.

***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, 2015 and 2014, of \$1,110,470 and \$1,090,107, 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.

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***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.

***Changes in Accounting Principle***

***GASB Statement No.68***

During fiscal year 2015, the Authority adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, (GASB No. 68). It revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The Authority provides certain employees with pension benefits through the State's multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

GASB No. 68 requires cost-sharing employers participating in the PERA program, such as the Authority, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 68 to record a portion of PERA's unfunded liability negatively impacted the Authority's beginning net position by \$6,322,807. The net pension liability recorded as of June 30, 2015 was \$6,834,939. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

***GASB Statement No. 71***

The Authority has implemented GASB No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the Authority's fiscal year, January 1 to June 30, as a deferred outflow of resources. The Authority's beginning net position was increased by the \$116,265 to reflect PERA contributions between January 1 and June 30, 2014.

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***Reclassifications***

Certain reclassifications were made to the fiscal year 2014 financial statements in order to conform to the fiscal year 2015 financial statements presentation. Due to the State's accounting system conversion from COFRS to CORE in fiscal year 2015, certain expenses were reclassified. In addition, the fiscal year 2014 balances do not reflect the effects of Government Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, as information to fully record the activity for the year are not available.

**NOTE 2 GOING CONCERN**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Authority as a going concern. However, the Authority has a loss before capital contributions of (\$1,310,264) and change in net position of (\$630,938) for the year ended June 30, 2015.

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

**NOTE 3 CASH DEPOSITS**

***Cash***

The Authority deposits its cash with the Colorado State Treasurer as required by Colorado Revised Statutes (C.R.S.). The State Treasurer pools these deposits and invests them in securities authorized by Section 24-75-601.1, C.R.S. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Moneys deposited in the Treasury are invested until the cash is needed. As of June 30, 2015, the Authority had cash on deposit with the State Treasurer of (\$1,093,457), which is included in the \$7,662 million fair value of deposits in the State Treasurer's Pool (Pool).

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

Investments in the Treasurer's Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the state's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the state's name. As of June 30, 2015, none of the investments in the State Treasurer's Pool are subject to custodial credit risk.

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Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies that assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88 percent of investments of the Treasurer's Pool are subject to credit quality risk reporting. Except for \$112,415,190 of corporate bonds rated lower medium, these investments are rated from upper medium to the highest quality, which indicates that the issuer has strong capacity to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on the types of investments, the State Treasurer's investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity of investments in the Treasurer's Pool is 0.063 years for Commercial Paper (6.3 percent of the Pool), 1.339 years for U.S. Government Securities (47.5 percent of the Pool), 2.528 years for Asset Backed Securities (18.4 percent of the Pool), and 2.196 years for Corporate Bonds (22.9 percent of the Pool).

The Treasurer's Pool was not subject to foreign currency risk or concentration of credit risk in Fiscal Year 2014-15.

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, 2015.

***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, 2015 the Authority had a deficit balance of \$1,093,457 in the deposit with the State Treasurer. As of June 30, 2015 the Authority's deposits are as follows:

	Bank Balance	Carrying Balance
Cash on hand	\$ -	\$ 27,520
Cash in Bank	605,563	179,904
Total Cash	\$ 605,563	\$ 207,424

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



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

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

**NOTE 4 DUE TO THE STATE TREASURY**

The Authority obtained an authorized loan from the State Treasury in fiscal years 2015 and 2014 permitting the Authority to maintain a deficit cash position at various times in the Treasury up to \$4,835,260 in fiscal year 2015 and \$1,725,177 in fiscal year 2014. The Treasury charges interest to the Authority at the current earnings rate on pooled cash. As of June 30, 2015 and 2014 the rate was approximately 1.0% and 1.0%, respectively. The balance of \$1,200,813 as of June 30, 2015 consists of \$1,093,457 deficit cash balance in the Treasury and \$107,356 balance in warrants payable. The balance of \$760,160 as of June 30, 2014 consists of \$673,465 deficit cash balance in the Treasury and \$86,695 balance in warrants payable.

**NOTE 5 CAPITAL ASSETS**

At June 30, 2015, capital assets consisted of the following:

	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
Capital assets not being depreciated				
Land	\$ 594,458	\$ -	\$ -	\$ 594,458
Construction in Progress	43,796	246,092	24,856	265,032
Total capital assets being depreciated	<u>638,254</u>	<u>246,092</u>	<u>24,856</u>	<u>859,490</u>
Capital assets being depreciated				
Buildings	12,910,324	302,987	-	13,213,311
Land Improvements	12,120,273	-	-	12,120,273
Furniture and Equipment	3,819,029	60,999	-	3,880,028
Total capital assets being depreciated	<u>28,849,626</u>	<u>363,986</u>	<u>-</u>	<u>29,213,612</u>
Less accumulated depreciation				
Buildings	(9,341,295)	(119,169)	-	(9,460,464)
Land Improvements	(4,422,150)	(512,514)	-	(4,934,664)
Furniture and Equipment	(2,507,323)	(192,999)	-	(2,700,322)
Total accumulated depreciation	<u>(16,270,768)</u>	<u>(824,682)</u>	<u>-</u>	<u>(17,095,450)</u>
Total capital assets being depreciated, net	<u>12,578,858</u>	<u>(460,696)</u>	<u>-</u>	<u>12,118,162</u>
Capital assets, net	<u>\$ 13,217,112</u>	<u>\$ (214,604)</u>	<u>\$ 24,856</u>	<u>\$ 12,977,652</u>

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

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

Depreciation expense for the years ended June 30, 2015 and 2014 were \$824,682 and \$741,035, respectively.

**NOTE 6 LONG-TERM LIABILITIES**

*Changes in Long-term Liabilities*

Long-term liability balances for the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Capital Lease Payable	\$ 1,297,547	\$ -	\$ 71,468	\$ 1,226,079	\$ 78,363
Compensated Absences	137,015	-	5,852	131,163	12,760
Total Business-type Activities	<u>\$ 1,434,562</u>	<u>\$ -</u>	<u>\$ 77,320</u>	<u>\$ 1,357,242</u>	<u>\$ 91,123</u>

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

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

***Capital Leases Payable***

The Authority is obligated under a master lease contract signed on January 11, 2011, in the amount of \$1,753,794 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 is included in capital assets at a cost of \$1,476,717 with accumulated depreciation of \$439,601 and \$291,930 as of June 30, 2015 and 2014 respectively. The below debt service requirements for the capital lease payable reflects the Authority's portion of the debt (81%) only.

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

	Principal	Interest	Totals
2016	\$ 78,363	\$ 44,179	\$ 122,542
2017	85,022	41,196	126,218
2018	92,042	37,963	130,005
2019	99,439	34,465	133,904
2020	107,232	30,689	137,921
2021-2025	668,225	85,985	754,210
2026	95,756	1,546	97,302
	<u>\$ 1,226,079</u>	<u>\$ 276,023</u>	<u>\$ 1,502,102</u>

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**NOTE 7 DEFINED BENEFIT PENSION PLAN**

*PERA Pension Plan for the Fiscal Year Ended June 30, 2015 (GASB No. 68)*

*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 that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* 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.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 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 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF.

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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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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.* Eligible employees and the Authority are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees with the exception of State Troopers are required to contribute 8 percent of their PERA-includable salary.

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

	For the Year Ended December 31,		
	2015	2014	2013
Employer Contribution Rate	10.15%	10.15%	10.15%
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	-1.02%	-1.02%	-1.02%
Amount Apportioned to the SDTF	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20%	3.80%	3.40%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	3.50%	3.00%
Total Employer Contribution Rate to the SDTF	<u>17.33%</u>	<u>16.43%</u>	<u>15.53%</u>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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 Authority were \$324,460 for the year ended June 30, 2015.

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

At June 30, 2015, the Authority reported a liability of \$6,834,939 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Authority proportion of the net pension liability was based on Authority contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, the Authority proportion was 0.07 percent, which was a decrease of 0.002 from its proportion measured as of December 31, 2013.

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For the year ended June 30, 2015, the Authority recognized pension expense of \$272,127. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 506
Net difference between projected and actual earnings on pension plan investments	139,365	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	97,658	-
Contributions subsequent to the measurement date	119,753	-
Total	\$ 356,776	\$ 506

\$119,753 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2016	\$ 86,794
2017	80,040
2018	34,841
2019	34,841
2020	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 9.57 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

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The SDTF's long-term expected rate of return on pension plan investments was determined using 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 analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity- Large Cap	26.76%	5.00%
U.S. Equity- Small Cap	4.40%	5.19%
Non U.S. Equity- Developed	22.06%	5.29%
Non U.S. Equity- Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, 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 on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the Authority 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Proportionate share of the net pension liability	8,764,045	6,834,939	5,212,303

**COLORADO STATE FAIR AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*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](http://www.copera.org/investments/pera-financial-reports).

***PERA Pension Plan for the Fiscal Year Ended June 30, 2014 (GASB No. 27)***

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

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

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

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

- § Hired before July 1, 2005 - age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- § Hired between July 1, 2005 and December 31, 2006 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with any years of service.
- § Hired between January 1, 2007 and December 31, 2010 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. For members with less than five years of service credit as of January 1, 2011 age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- § Hired between January 1, 2011 and December 31, 2016 – any age with 35 years of service, age 58 with 30 years of service, age 65 with 5 years of service.
- § Hired on or after January 1, 2017 – any age with 35 years of service, age 60 with 30 years of service, or age 65 with 5 years of service.

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

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



**COLORADO STATE FAIR AUTHORITY**  
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- § Hired between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.
- § Hired between January 1, 2011 and December 31, 2016 – age 58 and age plus years of service equals 88 or more.
- § Hired on or after January 1, 2017 – age 60 and age plus years of service equals 90.

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

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

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

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

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

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

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

**COLORADO STATE FAIR AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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

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

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

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

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

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

**NOTE 8 OTHER RETIREMENT PLANS**

***Defined Contribution 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). 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 comprehensive annual financial report as referred to above.

*Funding Policy* – All participating employees in the PERA DC Plan, with the exception of State Troopers, are required to contribute 8.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 10.15 percent of PERA-includable salary on behalf of these employees. All participating State Troopers are required to contribute 10.00 percent of their PERA-includable salary and the State of Colorado is required to contribute 12.85 percent of PERA-includable salary on behalf of these employees.

**COLORADO STATE FAIR AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

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

	For the Year Ended December 31,		
	2015	2014	2013
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20%	3.80%	3.40%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	3.50%	3.00%
<b>Total Employer Contribution Rate to the SDTF</b>	<b>8.20%</b>	<b>7.30%</b>	<b>6.40%</b>

<sup>1</sup>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.

***401(k) Defined Contribution Plan***

*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](http://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 and investment earnings.

***457 Deferred Compensation Plan***

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2014, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$17,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional \$5,500 contribution in 2014, for total contributions of \$23,000. Contributions and earnings are tax deferred. At December 31, 2014 and 2013, the plan had 17,738 and participants.

**NOTE 9 OTHER POST-EMPLOYMENT BENEFITS**

***Health Care Trust Fund***

*Plan Description.* The Authority contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium

**COLORADO STATE FAIR AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015 and 2014**

subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera\\_-financial-reports](http://www.copera.org/investments/pera_-financial-reports).

*Funding Policy.* The Authority is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014, and 2013, the Authority contributions to the HCTF were \$19,461, \$19,876 and \$17,037 respectively, equal to their required contributions for each year.

**NOTE 10 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 11 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, 2015 and 2014. As a result, in fiscal years ended 2015 and 2014 the Authority was included in the State TABOR District.

**NOTE 12 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, 2015, one board members of the Colorado State Fair Authority as well as the General Manager of the Authority are also board members of the Colorado State Fair Foundation. During Fiscal Year 2015 and 2014, \$142,647 and \$34,506, respectively, was given to the Authority.

**NOTE 13 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,**

	2015	2014
Authority's proportion of the net pension liability	0.0726617608%	0.7097921010%
Authority's proportionate share of the net pension liability (asset)	\$ 6,834,939	\$ 6,322,807
Authority's covered-employee payroll	\$ 1,919,318	\$ 1,948,594
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	356%	324%
Plan fiduciary net position as a percentage of the total pension liability	62.8%	64.1%

\*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:**

There have not been any changes to benefit terms.  
There have not been any changes in assumptions.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 343,558	\$ 331,261	\$ 268,913	\$ 220,111	\$ 205,133	\$ 233,366	\$ 219,555	\$ 272,320	\$ 229,753	\$ 195,416
Contributions in relation to the contractually required contribution	<u>(343,558)</u>	<u>(331,261)</u>	<u>(268,913)</u>	<u>(220,111)</u>	<u>(205,133)</u>	<u>(233,366)</u>	<u>(219,555)</u>	<u>(272,320)</u>	<u>(229,753)</u>	<u>(195,416)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	1,919,318	1,948,594	1,670,267	1,733,157	1,738,415	1,741,537	1,756,440	2,347,586	2,107,826	1,879,000
Contributions as a percentage of covered-employee payroll	17.90%	17.00%	16.10%	12.70%	11.80%	13.40%	12.50%	11.60%	10.90%	10.40%

**Notes to Required Supplementary Information:**

There have not been any changes to benefit terms.

There have not been any changes in assumptions.

**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**



Wall,  
Smith,  
Bateman Inc.

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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 22, 2015.

### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Auditors' Findings and Recommendations, we identified a deficiency in internal control that we consider to be a material weakness.

*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. We consider the deficiency described in the accompanying Auditors' Findings and Recommendations to be a material weakness. (Recommendation No. 2)

*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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Auditors' Findings and Recommendations. (Recommendation No. 1.)

### **Certified Public Accountants**

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**Colorado State Fair Authority's Response to the Findings**

The Authority's response to the findings identified in our audit are described in the accompanying Auditors' Findings and Recommendations section. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." The signature is written in a cursive, flowing style.

Wall, Smith, Bateman Inc.

Alamosa, Colorado

December 22, 2015



Wall,  
Smith,  
Bateman Inc.

December 22, 2015

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, 2015 and 2014. 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 July 10, 2015. 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. As described in Note 1, the Authority changed accounting policies by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The requirement to record a portion of PERA's unfunded liability negatively impacted the Authority's beginning net position in the government wide financial statements by \$6,322,807. The Authority has no legal obligation to fund this shortfall nor does it have the ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. Along with GASB No. 68, the Authority has implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, by recognizing contributions from the end of the calendar year to the end of the Authority's fiscal year, January 1 to June 30, as deferred outflow of resources. The Authority's beginning net position was increased by \$116,265 to reflect PERA contributions between January 1 and June 30, 2014. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the net pension liability, deferred outflow of resources, and deferred inflow of resources at June 30, 2015, and total pension expense recognized in the government-wide financial statements during FY2015 are based on the Authority's proportionate share of the collective net pension liability, deferred outflows of resources, and deferred inflows of resources reported by the Public Employee's Retirement Association of Colorado (PERA) at December 31, 2014 and the collective pension expense for the year then ended. The Authority's proportion has been adjusted for pension contributions between PERA's reporting date of December 31, 2014 and the District's fiscal year end of June 30, 2015.

### **Certified Public Accountants**

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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.

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*

Significant difficulties were encountered in performing the audit relating to the State-wide change of the accounting system to CORE and turnover in the Department of Agriculture accounting department.

#### *Corrected and Uncorrected Misstatements*

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

#### *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 December 22, 2015.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, 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.

Restriction on Use

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

Very truly yours,

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive script.

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

Colorado State Fair Authority  
 Audit Adjusting Journal Entries  
 6/30/2015

Reference	Type	Date	Account Number	Description	Debit	Credit
AJE01	Adjusting	6/30/2015	6700	Donations from Public Sources	\$ 62,499	
			1330	Billed Accounts Receivable		\$ 62,499

To reverse accounts receivable and revenue for the State Historical Grant as expenses were paid by the Department of Agriculture.

AJE02	Adjusting	6/30/2015	2220	Bldg Main Rs	35,498	
			3110	Other Supp + Materials		35,498

To reclassify expenses to the appropriate account.

AJE03	Adjusting	6/30/2015	1920	Per Ser Prof	134,829	
			4111	Prize/Awards	115,171	
			900B	Transfer In		250,000

To reverse client entry to remove expenses and record corresponding contribution.

**Total** \$ 347,997 \$ 347,997

Passed Audit Adjusting Journal Entries  
 6/30/2015

Reference	Type	Date	Account Number	Description	Debit	Credit
PAJE01	Passed	6/30/2015	2820	Other Purchased Services	6,756	
			700B	Operating Transfers to Agriculture	22,933	
			2310	Purchased Construction Services		17,490
			7600	State Grants from State Departments - Operating		12,200

To reclassify remaining activity in Department BSFA, Fund 1000.

**Total** \$ 29,690 \$ 29,690