COLORADO STATE FAIR AUTHORITY

FINANCIAL AND COMPLIANCE AUDIT
Fiscal Years Ended June 30, 2009 and 2008

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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 2009 audit was conducted under contract with Wall, Smith, Bateman and Associates, Inc. The audit was conducted in accordance with audit standards generally accepted in the United States of America. Audit work was performed June through October, 2009

The purposes and scope of the audit were to:

- Perform a financial and compliance audit of the Colorado State Fair Authority for the years ended June 30, 2009 and 2008 and to express an opinion on the financial statements. This included a review of internal control as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards.*

- Evaluate progress in implementing prior audit recommendations.

Audit Results and Summary of Major Audit Findings

Wall, Smith, Bateman and Associates, Inc. expressed an unqualified opinion on the financial statements for the year ended June 30, 2009 and 2008.

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

Required Auditor Communications to the Legislative Audit Committee

An independent auditor is required to communicate to the Audit Committee certain matters related to the conduct of the audit and to ensure that the Audit Committee receives additional information regarding the scope and results of the audit that may assist the Audit Committee in overseeing the financial reporting and disclosure process for which management is responsible. These matters have been communicated to the Legislative Audit Committee in this report and include among other items that no significant difficulties were encountered in dealing with management in performing our audit.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

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

There is one current year finding and recommendation:

- The Authority's enterprise fund has sustained operating losses for a number of years that have required continued State subsidization. House Bill 08-1399 took effect in 2009 after the payoff of the Authority's loans. This bill provides approximately $800,000 of operating funds per year. It is probable that the Authority will continue to operate at a loss and the funds committed by the State will not be sufficient to sustain the Authority. We recommend that the Authority continue to refine its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses.

Recommendation and Authority Response

A summary of the recommendation for the above comment is included in the Recommendation Locator included at the end of this summary. The Recommendation Locator also shows the Authority's response to the audit recommendation. A detailed description of the audit comment and recommendation is contained in the findings and recommendations section of the report.

Summary of Progress in Implementing Prior Audit Findings

The same recommendation was made in the prior year audit. The implementation of this recommendation is ongoing as discussed in Disposition of Prior Audit Recommendations.

RECOMMENDATION LOCATOR All recommendations are addressed to the Colorado State Fair Authority Fiscal Year 2009				
Rec. No.	**Page No.**	**Recommendation Summary**	**Agency Response**	**Implementation Date**
1	6	Continue to refine strategies and pricing policies and also search for efficiencies in operations to minimize future losses.	Agree	Ongoing

BACKGROUND

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

The Authority operates on the State Fairgrounds in Pueblo on approximately 80 acres of land. The grounds and facilities are owned by the State and include exhibition halls, four permanent restaurants, permanent stalls for horse shows, three 4-H buildings, an amphitheater, six pavilions, and a covered grandstand. The facilities also include an indoor arena (the Events Center) which was constructed at a cost of approximately $7.5 million. The Events Center began operating in 1995. Most of the Authority's revenue is generated during the annual State Fair from admissions, parking, food and beverage sales, concessions, commercial space rental, sponsorships, and carnival ticket sales. Additional revenue is generated from events that are held on a year-round basis at the Events Center and other facilities on the State Fairgrounds. For Fiscal Year 2009, the Authority was appropriated 24 full-time staff and 3 contract employees to run its year-round operations. In the summer, the Authority adds about 800 temporary staff to run the annual State Fair.

FISCAL YEAR 2009 FINANCIAL HIGHLIGHTS

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

	Year ended June 30, 2009 Fair-time*	Year ended June 30, 2009 Off-season	Year ended June 30, 2009 Total	Year ended June 30, 2008 Total
Operating revenues	$ 5,988,676	$ 1,382,032	$ 7,370,708	$ 7,801,003
Operating expenses (excluding depreciation)	6,138,758	3,392,422	9,531,180	9,537,991
Operating income (loss) before depreciation	$ (150,082)	$ (2,010,390)	(2,160,472)	(1,736,988)
Depreciation			(651,684)	(616,329)
Operating loss			(2,812,156)	(2,353,317)
Nonoperating revenues (net)			3,258,864	3,573,114
Gain (loss) before state capital contributions			446,708	1,219,797
Capital contributions			890,317	704,018
Change in net assets			$ 1,337,025	$ 1,923,815

*The fiscal year 2009 fair was held during August/September 2008. Approximately 75% of governance, administration and facilities management expenditures for July, August and September are allocated to Fair-time activity.

The results from the 2009 State Fair which was held during August and September 2009 will be included in the financial statements for the year ended June 30, 2010.

The Authority experienced a net operating cash outflow of $2,407,588 and $1,870,543 respectively, for the years ended June 30, 2009 and 2008.

The gain for the years ended June 30, 2009 and 2008 resulted in a positive change in net assets of $446,708 and $1,219,797 before capital contributions, respectively.

Five-Year Business Plan

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

For Fiscal Year Ended	Operating Loss Including Depreciation and Amortization	Operating Loss Excluding Depreciation and Amortization	Total State Contributions	Local Contributions
June 30, 2009	$ (2,812,156)	$ (2,160,472)	$ 3,609,952	$ 599,693
June 30, 2008	(2,353,317)	(1,736,988)	3,988,351	385,153
June 30, 2007	(2,417,273)	(1,825,645)	4,320,175	270,132
June 30, 2006	(1,748,741)	(1,167,995)	812,924	347,997
June 30, 2005	(1,351,088)	(737,361)	77,352	441,757
June 30, 2004	(1,255,087)	(639,851)	109,674	228,734
June 30, 2003	(1,175,019)	(574,770)	577,685	458,012

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

The Fair has been operating an 11 day Fair since the year ended June 30, 2005 and the operating loss has increased significantly every year since the change. The Fair updates a five-year plan on an annual basis. Based on the updated five-year plan prepared in the first quarter of Fiscal Year 2010, the Authority will continue to rely on State subsidization for at least the next five years. Although the State has committed funding to the Authority, the Authority reports that it may continue to experience cash flow problems based on projections. Since fiscal year 2003, the aforementioned $800,000 per year would not be enough to cover the operating loss excluding depreciation and amortization.

RECOMMENDATION NO. 1

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

Colorado State Fair Authority Response:

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

Disposition of Prior Audit Recommendations

Listed below is the recommendation from the Fiscal Year 2008 Colorado State Fair Authority Financial and Compliance audit.

Recommendation	Disposition
1. The Authority should continue to refine its strategies and pricing policies and also search for efficiencies in its operations to minimize future losses.	Partially implemented. See current year recommendation No. 1.

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INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business type activities of the Colorado State Fair Authority (the Authority), a division of the State Department of Agriculture (the Department) of the State of Colorado, as of June 30, 2009 and 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the Department that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the Department as of June 30, 2009, and 2008, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 25, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 10 through 15 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wall, Smith, Bateman and Associates, Inc.

Wall, Smith, Bateman and Associates, Inc.
Certified Public Accountants
November 25, 2009

Colorado State Fair Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009 and 2008

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, 2009 and should be read in conjunction with the Authority's financial statements, which begin on page 16. These financial statements reflect only activities of the Colorado State Fair Authority, a division of the State Department of Agriculture of the State of Colorado.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The basic proprietary fund financial statements can be found on pages 16 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 20 through 31 of this report.

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority's enterprise fund, assets exceeded liabilities by $12,112,620 at the close of the most recent fiscal year.

The following schedule provides a condensed statement of net assets as of June 30, 2009, 2008 and 2007.

	Schedule of Net Assets		
	June 30,		
	2009	2008	2007
Current assets	$ 1,639,190	$ 1,810,945	$ 740,572
Other assets	-	21,089	25,307
Capital assets	11,304,759	11,053,129	10,877,170
Total assets	12,943,949	12,885,163	11,643,049
Current liabilities	705,472	1,977,279	2,523,961
Noncurrent liabilities	125,857	132,289	267,308
Total liabilities	831,329	2,109,568	2,791,269
Net assets			
Invested in capital assets, net of related debt	11,304,759	10,076,982	9,714,139
Restricted	-	195,262	191,656
Unrestricted (deficit)	807,861	503,351	(1,054,015)
Total net assets	$ 12,112,620	$ 10,775,595	$ 8,851,780

2009

The largest portion of the Authority's net assets (93.3 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to operate the State Fair and non-fair activities held on the premises; consequently, these assets are not available for future spending.

The remaining balance of unrestricted net assets is $807,861.

At the end of the Fiscal Year 2009, the Authority reported positive balances in the investment in capital assets net of related debt and restricted net assets.

The Authority's net assets increased by $1,337,025 during the current fiscal year.

On February 27, 2009, the entire amount of principal and interest on the Authority's refunding revenue bond was paid.

2008

The largest portion of the Authority's net assets (93.5 percent) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to operate the State Fair and Non-Fair activities held on the premises; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

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

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

Colorado State Fair Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009 and 2008

Schedule of Changes in Fund Net Assets
Year ended June 30

	FY09	FY08	FY07
Operating revenues			
Commercial space/concessions	$ 1,270,127	$ 1,273,236	$ 1,231,714
Gate admissions	1,746,961	1,918,890	1,836,919
Box office sales	1,429,681	1,384,300	1,429,681
Private sponsorships	1,692,758	1,934,660	1,249,943
Exhibitor fees	552,627	578,923	449,058
Building rentals	537,948	577,317	506,713
Miscellaneous revenues	140,606	133,677	195,145
Total operating revenues	7,370,708	7,801,003	6,899,173
Operating expenses			
Personnel service and benefits	2,223,118	2,162,379	1,971,955
Entertainment and attractions	1,305,785	1,435,327	1,460,682
Advertising and promotions	1,802,197	2,008,415	1,384,959
Prizes and awards	839,175	827,793	733,089
Depreciation	651,684	616,329	591,628
Other	3,360,905	3,104,077	3,174,133
Total operating expenses	10,182,864	10,154,320	9,316,446
Operating loss	(2,812,156)	(2,353,317)	(2,417,273)
Nonoperating revenues (expenses)			
Department of Agriculture contribution	544,661	-	-
Local government grants	599,693	385,153	270,132
Unclaimed property fund interest income	2,174,974	3,284,333	3,264,758
Private donations	-	974	12,203
Investment income (loss)	16,029	5,816	3,287
Interest expense	(76,493)	(103,162)	(170,186)
Net nonoperating revenue	3,258,864	3,573,114	3,380,194
Increase in net assets before capital contributions	446,708	1,219,797	962,921
Capital contributions	890,317	704,018	1,055,417
Change in net assets	$ 1,337,025	$ 1,923,815	$ 2,018,338

For the Year Ended June 30, 2009 net assets increased by $1,337,025. Key elements of this increase are as follows:

- State capital contributions increased net assets by $890,317. Additionally, the Authority received $2,174,974 of Unclaimed Property interest revenue. These two contributions helped accomplish the increase in net assets by $1,337,025.

- Operating revenue decreased by $430,295 mainly due to decreases in gate admissions and private sponsorships but also, to a smaller degree, decreases in exhibitor fees and building rentals.

- Operating expenses increased by $28,544 with the largest increases in the areas of contractual services, ($291,417); other operating expenses, ($93,983); personnel services and benefits, ($60,739); utilities, ($39,977); and prizes and awards, ($11,382). These increases were offset by savings in the areas of advertising and promotions, $206,218; entertainment and attractions, $129,542; building, vehicle and equipment rentals, $71,999; repairs and maintenance, $64,418; supplies and materials, $24,510; and travel, $7,622. There was an increase in depreciation expense of ($35,355) that makes up the balance of the overall expense increase.

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

- State capital contributions increased net assets by $704,018. Additionally, the Authority received $3,284,333 of Unclaimed Property interest revenue. These two contributions helped accomplish the increase in net assets by $1,923,815.

- Operating revenue increased by $901,830 mainly due to increases in commercial space/concessions, gate admissions, exhibitor fees, private sponsorships and building rentals.

- Operating expenses increased by $837,874 with the largest increases in the areas of personnel services and benefits, ($190,424); contractual services, ($114,179); advertising and promotions, ($623,456); prizes and awards, ($94,704); and utilities, ($112,389). There was notable decrease in repairs and maintenance $218,905 and supplies $81,551.

BUDGETARY HIGHLIGHTS

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

The approved original and final budget for the Authority's activities was cash spending authority appropriation of $9,009,242. The budgetary amount includes the Colorado State Fair Program Line Item in the Long Bill. Total revenues including local government grants and interest were $10,706,065 and total expenses on a budgetary basis were $8,386,227, or $2,319,838 below revenues.

Total operating expenses (GAAP basis)	$	10,182,864
Plus interest expense		76,493
Less depreciation		(651,684)
Plus nonbudgeted item (change in compensated absences)		6,432
Plus capital outlay		12,997
Less in-kind match		(1,240,875)
Total expenses (budgetary basis)	$	8,386,227

ECONOMIC OUTLOOK

On June 5, 2006 House Bill 1384 was passed by the State Legislature which provided valuable financial assistance to the Authority. The financial assistance was provided to the Authority for the purpose of funding to payoff the debt to the State Treasury in the amount estimated at $2.1 million and to pay a loan on the construction of the Events Center in the amount of $1.4 million. It also provided the Authority with $550,000 per year for operations once the debts are paid off. In Fiscal Year 2007 the Authority reduced its debt to the Treasury by $1,212,477. On April 29, 2008, House Bill 1399 was passed granting 25% of the interest from the Unclaimed Property-Tourism Promotion Trust Fund to the Authority and 65% to the Department of Agriculture to take effect once the refunding revenue bonds were paid in full. The Authority has a positive cash balance with the Treasury at this point and has paid off the bonds in Fiscal Year 2009. The Authority has received 25% of the unclaimed property interest since February 2009. The Authority has also been assessed indirect expenses beginning in Fiscal Year 2009 in the amount of $106,685. The assessment for Fiscal Year 2010 is $131,803 which is appropriated separately.

During Fiscal Year 2009, 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. Several strategies for the non-fair season were adopted and were successful however management recognized that there would be opportunity for significant cost reductions during the Fiscal Year 2010 Colorado State Fair. The focus of the strategy is to provide a high quality product appealing to a diverse audience at the lowest possible cost. Fairtime advertising and entertainment budgets reflect the biggest cost savings. Management is working to increase group sales and carnival sales by reaching out to more businesses and schools as well as offering new carnival promotions. Colorado State Fair management plans to sustain the current budget.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This management's discussion and analysis (MD&A) is designed to provide Colorado citizens, Colorado government officials, our sponsors, customers and other interested parties with a general overview of the Authority's financial activity for Fiscal Year 2009 and to demonstrate the Authority's accountability for its use of State resources. If you have questions about the MD&A or need additional information, contact the Department of Agriculture Administrative Services, 700 Kipling Street, Suite 4000, Lakewood, Colorado 80215-8000.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Unrestricted assets		
Cash and cash equivalents	$ 1,346,705	$ 1,384,487
Accounts receivable, net of allowance for doubtful accounts	45,376	20,795
Due from local governments	89,128	-
Inventory	36,062	39,972
Prepaid expenses	121,919	170,429
Total unrestricted assets	1,639,190	1,615,683
Restricted Assets		
Bond fund	-	38,020
Reserve fund	-	157,242
Total restricted assets	-	195,262
Total current assets	1,639,190	1,810,945
Noncurrent assets		
Capital assets, net of accumulated depreciation	11,304,759	11,053,129
Unamortized financing costs	-	21,089
Total noncurrent assets	11,304,759	11,074,218
TOTAL ASSETS	12,943,949	12,885,163
LIABILITIES		
Current liabilities		
Current portion of bonds and capital lease obligations	-	976,147
Accounts payable	142,101	154,183
Accrued payroll	157,119	175,583
Accrued interest	-	6,048
Deferred revenue	396,602	656,568
Other current liabilities	9,650	8,750
Total current liabilities	705,472	1,977,279
Noncurrent liabilities		
Accrued compensated absences	125,857	132,289
Total noncurrent liabilities	125,857	132,289
TOTAL LIABILITIES	831,329	2,109,568
NET ASSETS		
Invested in capital assets, net of related debt	11,304,759	10,076,982
Restricted for:		
Debt service	-	195,262
Unrestricted	807,861	503,351
TOTAL NET ASSETS	$ 12,112,620	$ 10,775,595

The accompanying notes are an integral part of these statements.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Commercial space/concessions	$ 1,270,127	$ 1,273,236
Gate admissions (pledged revenues of $0 in 2009 and $1,918,890 in 2008)	1,746,961	1,918,890
Box office sales	1,429,681	1,384,300
Private sponsorships	1,692,758	1,934,660
Exhibitor fees	552,627	578,923
Building rentals	537,948	577,317
Miscellaneous revenues	140,606	133,677
Total operating revenues	7,370,708	7,801,003
OPERATING EXPENSES		
Personnel service and benefits	2,223,118	2,162,379
Entertainment and attractions	1,305,785	1,435,327
Advertising and promotions	1,802,197	2,008,415
Prizes and awards	839,175	827,793
Repairs and maintenance	212,601	277,019
Utilities	930,539	890,562
Supplies and materials	270,198	294,708
Contractual services	1,233,053	941,636
Other operating	478,668	384,685
Building, vehicle and equipment rental	187,132	259,131
Travel	48,714	56,336
Depreciation	651,684	616,329
Total operating expenses	10,182,864	10,154,320
Operating loss	(2,812,156)	(2,353,317)
NONOPERATING REVENUES (EXPENSES)		
Private donations	-	974
Unclaimed property fund interest income	2,174,974	3,284,333
Department of Agriculture contribution	544,661	-
Local government grants	599,693	385,153
Investment income (loss)	16,029	5,816
Interest expense	(76,493)	(103,162)
Total nonoperating revenues (expenses)	3,258,864	3,573,114
Gain (loss) before state capital contributions	446,708	1,219,797
Capital contributions	890,317	704,018
Change in net assets	1,337,025	1,923,815
Net assets, beginning of year	10,775,595	8,851,780
Net assets, end of year	$ 12,112,620	$ 10,775,595

The accompanying notes are an integral part of these statements.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fees for services	$ 6,407,607	$ 5,512,734
Cash received from rental of property	537,948	577,317
Cash received from other sources	140,606	133,677
Cash paid to employees	(2,248,014)	(2,108,278)
Cash paid to suppliers	(6,379,835)	(5,012,739)
Cash paid to others	(865,900)	(973,254)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,407,588)	(1,870,543)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Local government grants	510,565	385,153
State revenue	2,719,635	3,284,333
Payments to State Treasurer for loan	-	(302,325)
Private donations	-	974
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	3,230,200	3,368,135
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
(Increase) decrease in restricted assets	195,262	(3,606)
Capital contributions	890,317	704,018
Debt service - principal payments	(976,147)	(186,884)
Interest payments	(82,541)	(103,794)
Purchase of property and equipment	(903,314)	(792,288)
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(876,423)	(382,554)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividend income	16,029	5,816
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	16,029	5,816
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,782)	1,120,854
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,384,487	263,633
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,346,705	$ 1,384,487

The accompanying notes are an integral part of these statements.

COLORADO STATE FAIR AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2009 and 2008

	2009	2008
OPERATING LOSS	$ (2,812,156)	$ (2,353,317)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	651,684	616,329
Amortization of bonds	21,089	4,218
(Increase) decrease in accounts receivable	(24,581)	66,916
(Increase) decrease in due from others	-	5,400
(Increase) decrease in inventory	3,910	11,432
(Increase) decrease in prepaid expenses	48,510	(29,661)
Increase (decrease) in accounts payable	(12,082)	(72,985)
Increase (decrease) in compensated absences	(6,432)	54,101
Increase (decrease) in accrued payroll	(18,464)	-
Increase (decrease) in other payables	900	(301)
Increase (decrease) in deferred revenue	(259,966)	(172,675)
Total adjustments	404,568	482,774
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (2,407,588)	$ (1,870,543)
NONCASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment added through contributed capital	$ 890,317	$ 704,018
Inkind contributions	$ 1,240,875	$ 1,476,916

The accompanying notes are an integral part of these statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Colorado State Fair Authority (Authority) is a division of the State Department of Agriculture of the State of Colorado (Department). It operates under the jurisdiction of the Colorado State Fair Authority Board of Commissioners (Board) whose members are appointed by the Governor of the State. The financial statements of the Authority are intended to present the financial position, and changes in financial position and cash flows, of only that portion of the business-type activities of the Department that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the Department as of June 30, 2009 and 2008, and changes in its financial position and its cash flows, where applicable, for the years ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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 2009, the Authority's original and final budget as approved by the General Assembly was $9,009,242. The Authority allocated the final budget to cover operating expenses, excluding depreciation and change in leave accrual. For Fiscal Year 2008, the Authority's original and final operating budget as approved by the General Assembly was $9,365,516. The Authority allocated the final budget to cover operating expenses, excluding depreciation and change in leave accrual.

The Authority also adopts an internal budget for its enterprise fund for management purposes. For Fiscal Year Ended June 30, 2009, the internal budget showed total budgeted operating revenues of $10,703,531. Total actual operating revenues were $7,370,708 and total revenue including operating revenues, unclaimed property fund interest income, local government grants, private donations and interest were $10,706,065. Total allocated budgeted operating expenses were $8,530,620 while total actual operating expenses were $8,386,172 on a budgetary basis.

For Fiscal Year Ended June 30, 2008, the internal budget showed total budgeted operating revenues of $10,568,531. Total actual operating revenues were $7,801,003 and total revenue including operating revenues, local government grants, private donations and interest were $11,477,279. Total allocated budgeted operating expenses were $8,675,532 while total actual operating expenses were $8,227,814, on a budgetary basis.

	2009	2008
Total operating expenses (GAAP basis)	$ 10,182,864	$ 10,154,320
Plus interest expense	76,493	103,162
Less depreciation	(651,684)	(616,329)
Plus nonbudgeted item (compensated absences)	6,432	(24,693)
Less in-kind match	(1,240,875)	(1,476,916)
Plus capital outlay	12,997	88,270
Total expenses (budgetary basis)	$ 8,386,227	$ 8,227,814

Accounts Receivable

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

Inventory

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

Capital Assets

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

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

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

Deferred Revenue

Deferred revenue represents cash received by the Authority in advance of the related revenue being earned by the Authority. Deferred revenue is comprised principally of cash received for events and activities at the Fair that are held after the Authority's fiscal year end.

Accrued Compensated Absences Liability

Effective July 1, 1988, all employees in classified permanent positions within the State Personnel System accrue sick leave at the rate of 6.66 hours per month. Total sick leave per employee is limited to their respective accrued balance on July 1, 1988, plus 360 additional hours. Annual leave is earned on an annual basis, with the amount varying between 10 and 21 days per year depending on the level of, and number of years of continuous service provided by the employee. Annual leave rights are vested after one year of continuous service and the accumulation of annual leave is limited to 42 days at the end of the fiscal year. These compensated absences are recorded as a liability.

In-kind Revenues and Expenses

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. In-kind revenues and expenses of $1,240,875 are included in the operating revenues and expenses of the Authority and are made up of advertising and other costs to operate the annual state fair in August and September.

Statement of Cash Flows

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

NOTE 2 CASH DEPOSITS

Cash

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

Deposits

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

As of June 30, 2009, the Authority had $1,174,766 on deposit with the State Treasurer. Detailed information on the State Treasurer's pooled cash and investments is available from that office.

As of June 30, 2009 the Authority's deposits are as follows:

	Bank Balance	Carrying Balance
Cash on hand	$ -	$ 2,100
Deposits covered by depository insurance - Federal Insurance	122,633	169,839
Total Cash	$ 122,633	$ 171,939

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

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

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

The Authority has no investments as of June 30, 2009 other than those discussed in Note 3.

NOTE 3 RESTRICTED ASSETS

In connection with the refunding revenue bonds issued in 1992 (Note 5), the Authority was required to establish a bond fund. The bond fund was comprised of monthly deposits sufficient to provide for the next maturing installments of bond principal and interest and for bond payments made in June and December of each year. As the bonds were paid off during fiscal year 2009, there was not a balance in the sinking fund at June 30, 2009. The balance in the sinking fund at June 30, 2008 was $38,020, and was invested in cash and money market accounts. This amount was covered by depository insurance. As of July 1, 2008, the amount of funds in the bond fund was sufficient to meet the requirements of the bond resolution.

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

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

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

	2009	2008
Phoenix Money Market Fund	$ -	$ 157,242

The Authority's investment in the money market fund is insured by depository insurance. The investment is allowed under State Statute to be held by the Authority.

NOTE 4 CAPITAL ASSETS

At June 30, 2009, capital assets consisted of the following:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09
Capital assets not being depreciated				
Land	$ 594,458	$ -	$ -	$ 594,458
Construction in progress	198,760	890,316	47,791	1,041,285
Total capital assets not being depreciated	793,218	890,316	47,791	1,635,743
Capital assets being depreciated	-			
Buildings	12,049,278	-	-	12,049,278
Land improvements	8,748,858	47,791	-	8,796,649
Furniture and equipment	2,159,197	12,998	16,385	2,155,810
Total capital assets being depreciated	22,957,333	60,789	16,385	23,001,737
Less accumulated depreciation for:				
Buildings	(8,098,105)	(299,075)	-	(8,397,180)
Land improvements	(2,583,227)	(317,762)	-	(2,900,989)
Furniture and equipment	(2,016,090)	(34,847)	(16,385)	(2,034,552)
Total accumulated depreciation	(12,697,422)	(651,684)	(16,385)	(13,332,721)
Total capital assets being depreciated, net	10,259,911	(590,895)	-	9,669,016
Capital assets, net	$ 11,053,129	$ 299,421	$ 47,791	$ 11,304,759

Construction in progress additions during fiscal year 2009 consisted of electrical and infrastructure improvements.

Depreciation expense for the years ended June 30, 2009 and 2008 was $651,684 and $616,329, respectively.

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

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

NOTE 5 BOND AND CAPITAL LEASE OBLIGATIONS

Refunding Revenue Bonds

During 2008, the Authority had outstanding Refunding Revenue Bonds. These bonds were paid off in fiscal year 2009. Prior to cancellation, the Refunding Revenue Bonds, Series 1992, in the original amount of $2,520,000 matured annually in varying amounts from December 1, 1993 through December 1, 2012. Interest was payable semi-annually at varying rates from 3.6% to 7.4%. The bonds were secured by a first lien on the net revenue of the Authority. See Note 3 for bond reserve and sinking fund requirements.

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

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Bonds payable:				
Refunding revenue bonds	$ 980,000	$ -	$ (980,000)	$ -
Less deferred amounts on refunding	(9,420)	-	9,420	-
Total bonds payable	970,580	-	(970,580)	-
Capital leases	5,567	-	(5,567)	-
Total	$ 976,147	$ -	$ (976,147)	$ -

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

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

NOTE 6 PENSION PLAN OBLIGATIONS

A. PERA 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 the case of death or disability. The plan is a cost sharing multiple employer plan administered by the Public Employees' Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The state plan and other divisions' plans, are included in PERA's financial statements, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA(7372), or by visiting www.copera.org.

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

Beginning on July 1, 2009, the administration of the state's defined contribution retirement plan will be transferred to PERA. New non-higher education employees will have the choice of participating in either the PERA defined benefit or the PERA defined contribution plan. Existing plan members will become participants in the PERA defined contribution plan and retain their current vesting schedule on employer contributions.

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

- Hired before July 1, 2005 – age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired between July 1, 2005 and December 31, 2006 - any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service or age 65 with 5 years of service.
- Hired on or after January 1, 2007 – any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

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

- Hired before January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

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

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

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

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

B. Funding Policy

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2008 to December 31, 2008, the state contributed 12.05 percent of the employee's salary. From January 1, 2009, through June 30, 2009, the state contributed 12.95 percent. During all of Fiscal Year June 2008-09, 1.02 percent of the employee's total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2008, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

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

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

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

The Authority's contributions to the Defined Benefit Plan and the Health Care Trust Fund for the fiscal years ending June 30, 2009, 2008, and 2007 were $219,555, $272,320 and $229,753, respectively. These contributions were equal to the required contributions for each year.

NOTE 7 VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401k plan entirely separate from the defined benefit pension plan. PERA offers a 457 deferred compensation plan previously administered by the state. Certain agencies and institutions of the state offer 403(b) or 401(a) plans.

NOTE 8 POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERA Health Care Program began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for health care coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, which may be obtained by writing PERA at PO Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting http://www.copera.org.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the health care plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit, and is subject to reduction by 5 percent for each year less than 20 years.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions. The amount contributed to the health care fund can be calculated as 8.46% (1.02/12.05) of the total contribution from July 1, 2008, through December 31, 2008, and the residual amount 91.54%(11.03/12.05) was contributed to the defined pension plan. From January 1, 2009 through June 30,2009, these amounts changed to 7.88% (1.02/12.95) and 92.12% (11.93/12.95), respectively, to reflect the increased state contribution from 12.05% to 12.95% for the increase in the Amortization Equalization Disbursement (AED) and the Supplemental Amortization Equalization Disbursement (SAED), as discussed in the Funding Policy section of the PERA note above.

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.11 billion, a funded ratio of 18.7 percent, and a 39-year amortization period.

NOTE 9 RISK MANAGEMENT

The State currently self-insures its agencies, including the Authority, officials, and employees for the risk of losses to which they are exposed (general liability, motor vehicle liability, worker's compensation, and medical claims). Additional information regarding the State's risk management programs is included in the State's comprehensive annual financial report. There have been no significant reductions in insurance coverage from coverage in the prior year and the amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.

NOTE 10 TABOR (TAXPAYERS BILL OF RIGHTS)

The Authority received more than 10% of its total revenue from the State during the fiscal years ending June 30, 2009 and 2008. As a result, in fiscal years ended 2009 and 2008 the Authority was included in the State Tabor District.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Litigation – The Authority is currently the defendant in several lawsuits arising principally in the normal course of operations. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements; accordingly, no provision for losses has been recorded.

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

Members of the Legislative Audit Committee:

We have audited the financial statements of the business type activities of the Colorado State Fair Authority (the Authority), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 30, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Wall, Smith, Bateman and Associates, Inc.
WALL, SMITH, BATEMAN AND ASSOCIATES, INC.
Certified Public Accountants

November 25, 2009

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November 25, 2009

To the Members of the Legislative Audit Committee

We have audited the financial statements of the business-type activities of the Colorado State Fair Authority for the years ended June 30, 2009 and 2008. 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 contract number 2009-43 between our firm and the Office of the State Auditor dated April 22, 2009. 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 Colorado State Fair Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009 or 2008. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of the depreciation of capital assets is based on estimated useful lives of the assets. We evaluated the key-factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2009.

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 governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the Legislative Audit Committee and management of the Colorado State Fair Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Wall, Smith, Bateman and Associates, Inc.

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

November 25, 2009

The electronic version of this report is available on the Web site of the Office of the State Auditor
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