

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Financial Statements  
for the Year Ended  
June 30, 2009,  
and Independent  
Auditors' Report**

STATE OF NEW MEXICO  
STATE FAIR COMMISSION

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STATE OF NEW MEXICO  
STATE FAIR COMMISSION

Official Roster

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June 30, 2009

**Commissioner**

Luke Otero  
Benny Roybal  
Nerissa Whittington  
David Sanchez  
Jack Duffey  
Ruth Grant Bitsui  
Frank Tabet, Jr.

**Position**

Chairman  
Vice-Chairman  
Secretary/Treasurer  
Member  
Member  
Member  
Member

**Administrative Officials**

Craig Swagerty  
Joe McIntyre

**Position**

General Manager  
Director of Finance

## INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor, and  
State of New Mexico State Fair Commission  
Albuquerque, New Mexico

We have audited the accompanying financial statements of the business-type activity of the State of New Mexico State Fair Commission (Fair), as of and for the year ended June 30, 2009, which collectively comprise the Fair's basic financial statements as listed in the table of contents. We have also audited the Schedule of Revenues and Expenses – Budget and Actual (Non-GAAP basis) presented as supplementary information in the accompanying table of contents. These financial statements are the responsibility of the Fair's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fair's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinions.

As discussed in Note 1, the financial statements of the Fair are intended to present the respective financial position of the business-type activity of the Fair at June 30, 2009, and the changes in financial position and cash flows, where applicable, of the activity and fund for only that portion of the Fair. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2009, or the changes in its financial position for the year 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 respective financial position of the business-type activities of the State of New Mexico State Fair Commission, as of June 30, 2009, and the respective changes in



Mr. Hector H. Balderas  
New Mexico State Auditor, and  
State of New Mexico State Fair Commission  
Albuquerque, New Mexico

financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues and Expenses – Budget to Actual (Non-GAAP basis) referred to above presents fairly, in all material respects, the budgetary comparisons for the year ended June 30, 2009, in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of the Fair's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 9 are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements, including the Schedule of Deposit Accounts and the Schedule of Pledged Collateral. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Meyers + Company, LLC*

November 30, 2009

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The State of New Mexico State Fair Commission's (Fair) basic financial statements are prepared on the basis of accounting principles generally accepted in the United States of America for governmental entities that act as a business-type operation.

- **Statement of Net Assets**

This statement presents information reflecting the Fair's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The balance sheet is categorized as to current and non-current assets and liabilities. For the purposes of the basic financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within twelve months of the statement date.

- **Statement of Revenues, Expenses and Changes in Net Assets**

This statement reflects the Fair's operating revenues and expenses, as well as non-operating revenues during the year. The major source of operating revenues is the Annual Event (State Fair) held in September, along with rentals, concessions, parking, gaming and racing income. Major operating expenses include salaries and employee benefits, depreciation, contractual services and utilities. The change in net assets for an enterprise fund is similar to net profit or loss for a company.

- **Statement of Cash Flows**

The statement of cash flows is presented on the direct method of reporting, which reflects cash flows from operating, non-capital financing, capital and related financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

- **Statement of Revenues and Expenses – Budget and Actual (Non-GAAP Basis)**

This statement represents the Fair's 2009 actual results in comparison to the Fair's 2009 budget.

- **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

- **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains certain other supplementary information, including a Schedule of Deposit Accounts and a Schedule of Pledged Collateral, as required by the New Mexico Office of the State Auditor NMAC 2.2.2.

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2009**

**THE FAIR'S NET ASSETS**

The statement of net assets presents information on the Fair's assets and liabilities, with the difference between the two reported as net assets. As of June 30, 2009 and 2008, the Fair has a negative balance in unrestricted net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Fair is improving or deteriorating. The following is condensed financial information.

As of June 30,	2009	2008
<b>ASSETS:</b>		
Current assets	\$ 3,289,718	5,356,272
Non-current assets	644,239	626,482
Capital assets, net	<u>48,232,537</u>	<u>45,222,897</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>52,166,494</u></b>	<b><u>51,205,651</u></b>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities	\$ 3,279,618	3,349,981
Non-current liabilities	<u>3,150,141</u>	<u>3,720,014</u>
Total liabilities	6,429,759	7,069,995
<b>Net assets:</b>		
Invested in capital assets, net of related debt	44,512,523	40,948,461
Restricted for current debt service	569,873	554,422
Restricted for capital improvement projects	1,627,844	3,588,028
Restricted for bond escrow	644,239	626,482
Unrestricted (deficit)	<u>(1,617,744)</u>	<u>(1,581,737)</u>
Total net assets	<u>45,736,735</u>	<u>44,135,656</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>52,166,494</u></b>	<b><u>51,205,651</u></b>

The decrease in current assets includes the decrease in cash restricted for capital improvements. The increase in capital assets is a result of continuing renovation and development. Current year development was funded from State general fund appropriations, Pari-Mutuel tax proceeds and severance tax proceeds. The decrease in total liabilities is a result of scheduled debt payments, reduction in deferred revenue and accounts payable due to timing of transactions. The Fair plans to reduce the deficit balance in the unrestricted net assets by focusing on maintaining and increasing operating revenues and monitoring expenses. The deficit will take a number of years to eliminate solely relying on operations. It should be noted that the current debt service payable is included in the unrestricted deficit.

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2009**

**THE FAIR'S CHANGE IN NET ASSETS**

Year ended June 30,	2009	2008
<b>OPERATING REVENUES:</b>		
Admissions, rides, entry fees	\$ 4,117,946	3,989,499
Rentals	2,729,663	2,790,093
Racing and gaming rent	2,029,748	2,000,000
Sponsorship in-kind	1,991,673	2,231,420
Concessions	1,819,362	1,971,672
All other operating revenues	1,376,429	1,812,285
Parking	<u>1,053,651</u>	<u>1,572,167</u>
<b>TOTAL OPERATING REVENUES</b>	<b>15,118,472</b>	<b>16,367,136</b>
<b>OPERATING EXPENSES:</b>		
Salaries and employee benefits	7,698,915	7,632,830
All other expenses	3,773,130	4,340,529
Other professional services	2,713,440	2,032,497
Depreciation and amortization expenses	2,545,795	2,196,485
Sponsorship in-kind expense	1,991,673	2,231,420
Utilities	<u>1,118,459</u>	<u>1,203,840</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>19,841,412</u></b>	<b><u>19,637,601</u></b>
<b>OPERATING LOSS</b>	<b><u>(4,722,940)</u></b>	<b><u>(3,270,465)</u></b>
<b>NON-OPERATING REVENUE AND EXPENSES, NET</b>	<b><u>6,324,019</u></b>	<b><u>3,850,303</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>1,601,079</b>	<b>579,838</b>
<b>BEGINNING NET ASSETS</b>	<b><u>44,135,656</u></b>	<b><u>43,555,818</u></b>
<b>ENDING NET ASSETS</b>	<b>\$ <u>45,736,735</u></b>	<b><u>44,135,656</u></b>



**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2009**

**THE FAIR'S CHANGE IN NET ASSETS - continued**

Operating revenues in 2009 were approximately \$1,249,000 lower than 2008 levels. The decrease is the result of a \$518,516 decrease in parking revenue which was directly related to free parking for the 70<sup>th</sup> annual State Fair. Sponsorship In Kind revenues decreased by \$239,747 under 2008 levels. All other operating revenues decreased approximately \$436,000 from 2008 amounts. Finally, there was a decrease in concession revenues of approximately \$152,000 from 2008 results.

Operating expenses in 2009 were approximately \$204,000 greater than 2008. Salaries and benefits increased by approximately \$66,000. This is primarily due to increases in permanent employee annual compensation. Sponsorship In Kind expense decreased by approximately \$240,000 compared to 2008 levels. Depreciation expense increased by approximately \$349,000 over 2008, since the Indian Village renovation and other improvements were put into service. Utility costs decreased by approximately \$85,000. Professional service cost increased by \$681,000. About half of the increase in professional services was related to contracts for programs at the African American Performing Arts Center, which were funded by general fund appropriations that are not included in operating revenues. Expo also increased its use of temporary contract labor over prior years by about \$300,000. All other costs decreased by approximately \$567,000.

Total non-operating revenue increased by just over \$2,473,000 compared to the prior year. The Fair was granted two supplemental appropriations totaling \$549,119 to address revenue shortfalls and increased temporary labor costs. The Fair was reauthorized an appropriation originally authorized to the DFA local government division to offset costs of the Jr. Arabian Horse Show in the amount of \$285,000. Finally, the Fair was appropriated approximately \$488,800 to cover costs associated with the African American Performing Arts Center. The remaining non-operating revenues were approximately \$3,900,000 in severance tax draws and \$1,150,000 in Pari-Mutuel taxes. Overall, the Fair's net assets show an increase of \$1,601,079 from 2008 to 2009 despite an operating loss of approximately \$4,700,000.

**BUSINESS-TYPE ACTIVITIES BUDGETARY HIGHLIGHTS**

As indicated in the Statement of Revenues, Expenditures – Budget and Actual (Non-GAAP Basis) on page 30, final budgeted revenue in the business-type activities increased over the original budgeted revenue by \$549,119. The increase was due to increased Pari-Mutuel tax revenue over originally budgeted amounts. Total actual revenue was below final approved budget by approximately \$481,000.

	<b>Original Budget</b>	<b>Revenue Final Approved Budget</b>	<b>Actual</b>
\$	15,544,300	16,093,419	15,612,792

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2009**

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**BUSINESS-TYPE ACTIVITIES BUDGETARY HIGHLIGHTS - continued**

Final budgeted expenditures in the business-type activities were also increased by \$549,119. Actual budgetary expenditures exceeded actual budgetary revenues in the period by approximately \$245,000.

	<u>Original Budget</u>	<u>Expenditures Final Approved Budget</u>	<u>Actual</u>
\$	15,544,300	16,093,419	15,858,366

**HIGHLIGHTS**

The New Mexico State Fair is the premier entertainment venue in New Mexico for the month of September, which generates 49% of Expo New Mexico's operating revenue, with the remaining revenue generated from year-round events. The 2008 State Fair had a 17.5% drop in attendance from the 2007 State Fair. The collapse of the national economy and high gasoline prices contributed to the decrease in attendance at the 2008 Fair. Revenue of the 2008 annual event was approximately \$512,000 lower than in 2007. The primary cause of this decrease was offering free parking for the 70<sup>th</sup> anniversary of the Fair. The State Fair Commission and Expo management take great pride in the fact that despite difficult economic times, we have continued to provide a safe, clean, and affordable State Fair for the citizens of New Mexico.

Expo New Mexico continues to compete with other venues for entertainment during the State Fair and year-round. We compete with casinos throughout the state that are booking quality artists. Area casinos, the Santa Ana Star Center, and the Journal Pavilion continue to provide us with stiff competition. Expo management understands that we have to differentiate ourselves from the rest and the only way to do this is to promote ourselves as a place for inexpensive family entertainment during the Fair, and continue to remain competitive for year-round events. With increasing competition, the potential loss of revenue continues to be a concern requiring new and innovative marketing strategies.

The operation of the Expo New Mexico 236-acre grounds requires a significant labor force from executives, professionals and skilled trades to grounds labor year-round, with personnel levels increasing 400% during the "Annual State Fair". Many factors contribute to the increase in personnel services and benefits. Annual increases in permanent employee wages and increases in the minimum wage are the major factors driving increased labor costs. Expo management will continue to look at every avenue to increase operational efficiencies.

The aging buildings and infrastructure also have a tremendous effect on the operation of Expo New Mexico as an entertainment venue. The New Mexico State Fair is over 70 years old. Most of the buildings and facilities are over 20 years old, and the flagship Tingley Coliseum is almost 50 years old. For years, the State Fair deferred maintenance and upgrade to facilities and infrastructure due to a lack of capital. With the dedication of a

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2009**

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**HIGHLIGHTS - continued**

fraction of the tax on Pari-Mutuel betting in 2003, the State Fair has been able to fund some critical capital projects, especially related to life-safety and accessibility concerns. However, this revenue stream is not adequate to address the longer-range needs of Expo New Mexico. Though the State Fair is an enterprise agency and fully funds its operations from internal revenues, the State Fair depends on capital appropriations from the State for its facilities and infrastructure. The local and regional markets for entertainment, exposition and equestrian facilities are becoming more competitive. This, along with the economic downturn in the economy, may affect revenues in the future. The State Fair continues to update and expand its venues and services to fulfill its historic mission to educate the citizens of New Mexico about advancing science and technology, and better align the programs of the State Fair with the economic development initiatives of the State. The Legislature has appropriated \$14.5 million dollars in severance tax funds to Expo since 2007 to upgrade the aging infrastructure and facilities. The support of Governor Richardson and the Legislature is appreciated tremendously by both the State Fair Commission and management team.

**FINANCIAL CONTACT**

The Fair's financial statements are designed to present users with the general overview of its finances and to demonstrate its accountability. If you have any questions about the report or need additional financial information, contact the Director of Finance at PO Box 8546, Albuquerque, New Mexico 87198.

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AS OF JUNE 30, 2009

**ASSETS:**

**CURRENT ASSETS:**

Cash and cash equivalents	\$	604,946
Restricted cash		1,627,844
Accounts and other receivables, net of allowance for doubtful accounts		956,053
Other current assets		<u>100,875</u>

**TOTAL CURRENT ASSETS** 3,289,718

**NON-CURRENT ASSETS:**

Restricted cash		<u>644,239</u>
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**TOTAL NON-CURRENT ASSETS** 644,239

**CAPITAL ASSETS:**

Land		819,340
Buildings		62,264,573
Improvements, other than buildings		9,774,780
Vehicles and equipment		4,520,106
Office furniture and fixtures		1,467,697
Construction in progress		<u>4,630,932</u>

**TOTAL CAPITAL ASSETS** 83,477,428

**LESS ACCUMULATED DEPRECIATION** 35,244,891

**CAPITAL ASSETS, net** 48,232,537

**TOTAL ASSETS** \$ 52,166,494

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Statement of Net Assets**

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AS OF JUNE 30, 2009

**LIABILITIES AND NET ASSETS:**

**CURRENT LIABILITIES:**

Accounts payable	\$ 1,723,150
Accrued liabilities:	
Payroll and related expenses	310,859
Interest payable	22,892
Gross Receipts Tax	7,565
Deposits	88,178
Deferred revenue	314,273
Compensated absences	242,828
Current portion of bond payable	<u>569,873</u>

**TOTAL CURRENT LIABILITIES**

3,279,618

**NON-CURRENT LIABILITIES:**

Bond payable, excluding current portion	<u>3,150,141</u>
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**TOTAL LIABILITIES**

6,429,759

**NET ASSETS:**

Invested in capital assets, net of related debt	44,512,523
Restricted for debt service	569,873
Restricted for capital improvement projects	1,627,844
Restricted for bond escrow	644,239
Unrestricted	<u>(1,617,744)</u>

**TOTAL NET ASSETS**

45,736,735

**TOTAL LIABILITIES AND NET ASSETS**

\$ 52,166,494

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Statement of Revenues, Expenses and Changes in Net Assets**

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**YEAR ENDED JUNE 30, 2009**

**OPERATING REVENUES:**

Admissions, rides, entry fees	\$ 4,117,946
Rentals	2,729,663
Racing and gaming rent	2,029,748
Sponsorship in-kind revenues	1,991,673
Concessions	1,819,362
Parking	1,053,651
Service and fee income	599,472
Sponsorship and advertising	412,342
Feed store sales	207,907
Commissions	126,754
Other	<u>29,954</u>

**TOTAL OPERATING REVENUES** 15,118,472

**OPERATING EXPENSES:**

Salaries and employee benefits	7,698,915
Other professional services	2,713,440
Depreciation and amortization expense	2,545,795
Sponsorship in-kind expense	1,991,673
Utilities	1,118,459
Contractual security	969,343
Repairs and maintenance	738,123
Advertising	452,894
Other	431,363
Supplies	359,827
Equipment rental	293,150
Entertainment services and events expenses	254,079
Premiums and awards	192,675
Bad Debt Expense	50,870
Insurance	<u>30,806</u>

**TOTAL OPERATING EXPENSES** 19,841,412

**OPERATING LOSS** (4,722,940)

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Statement of Revenues, Expenses and Changes in Net Assets - continued**

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**YEAR ENDED JUNE 30, 2009**

**NON-OPERATING REVENUES (EXPENSES):**

Interest income	\$ 23,844
Interest expense	(130,338)
Contributed capital revenue	<u>6,430,513</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<u>6,324,019</u>
<b>CHANGE IN NET ASSETS</b>	1,601,079
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>44,135,656</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ <u>45,736,735</u></u>

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Statement of Cash Flows**

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YEAR ENDED JUNE 30, 2009

**INCREASE IN CASH AND CASH EQUIVALENTS:**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 15,296,277
Cash payments to suppliers of goods and services	(9,684,106)
Cash payments to employees for services	<u>(7,698,915)</u>

**NET CASH USED BY OPERATING ACTIVITIES** (2,086,744)

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Purchase of property and equipment	(5,555,435)
Principal payments on revenue bonds	(554,422)
Proceeds from contributed capital	6,430,513
Interest paid on bonds and capital leases	<u>(130,338)</u>

**NET CASH PROVIDED BY CAPITAL AND RELATED  
FINANCING ACTIVITIES** 190,318

**CASH FLOWS INVESTING ACTIVITIES:**

Interest received on bank deposits and investments	<u>23,844</u>
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**NET DECREASE IN CASH** (1,872,582)

**CASH AND RESTRICTED CASH, CASH INVESTED IN THE  
STATE TREASURER INVESTMENT POOL, BEGINNING OF YEAR** 4,749,611

**CASH AND RESTRICTED CASH, CASH INVESTED IN THE  
STATE TREASURER INVESTMENT POOL, END OF YEAR** \$ 2,877,029



STATE OF NEW MEXICO  
STATE FAIR COMMISSION

Statement of Cash Flows - continued

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YEAR ENDED JUNE 30, 2009

**RECONCILIATION OF CASH, END OF YEAR TO CASH  
REPORTED IN THE STATEMENT OF ASSETS:**

Current assets - cash	\$ 604,946
Cash restricted for debt service and capital projects	<u>2,272,083</u>

**TOTAL CASH AND RESTRICTED CASH REPORTED IN  
THE STATEMENT OF NET ASSETS**

\$ 2,877,029

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED BY OPERATING ACTIVITIES:**

Operating loss	\$ (4,722,940)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,545,795
Bad debt expense	50,870
Changes in assets and liabilities:	
Accounts and other receivables	177,805
Other assets	(52,460)
Accounts payable	(64,580)
Accrued payroll and related expenses	41,496
Deferred revenues	364
Deposits	<u>(63,094)</u>

**NET CASH USED BY OPERATING ACTIVITIES IN  
THE STATEMENT OF NET ASSETS**

\$ (2,086,744)

## NATURE OF ORGANIZATION

The purpose of the State Fair Commission (Fair) is to hold an annual state fair for the purpose of providing the community of Albuquerque with a 17-day carnival event, as well as exhibiting poultry, livestock, vegetables, fruits, grains, grasses and other farm products; minerals, ores and other mining exhibits; mining, machinery and farm implements; and all other things that the Fair deems compatible with the advancement of agriculture, horticulture, stock raising, mining, mechanical and industrial pursuits in the State of New Mexico. The Fair also holds many other events on the State Fair grounds throughout the fiscal year, the most regular event being the weekly Flea Market.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Reporting Entity**

Chapter 69, Laws of 1935, established the State Fair Commission. Its activities are as provided for by Sections 16-6-1 to 16-6-21, NMSA 1978. The Fair is governed by a seven member State Fair Commission appointed by the Governor to staggered terms of five years.

- **Basis of Presentation**

The financial statements of the Fair have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fair's accounting policies are described below.

These financial statements include all activities over which the Fair has oversight responsibility, including decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability in fiscal matters. There are no organizations that meet the definition of a component unit that should be included in these financial statements. Under GASB Statement 14 (as amended by GASB 39), the Fair is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State.

- **Measurement Focus and Basis of Accounting**

The accounting policies of the Fair, an enterprise fund of the State of New Mexico, as reflected in the accompanying financial statements, conform to GAAP accounting principles for enterprise funds. Enterprise fund accounting is used to account for activities similar to those found in the private sector. Here, the determination of net income is necessary or useful to sound financial administration. Funds are accounted for on the flow of economic resources measurement focus. The measurement focus is on the determination of net income, financial position, and cash flows. As allowed in GASB Statement 20, the Fair has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Fair has elected not to apply

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

• **Measurement Focus and Basis of Accounting - continued**

FASB pronouncements issued after the applicable date. The Fair does not receive any general fund state appropriations and, therefore, is a non-reverting fund. (Section 16-6-18 NMSA 1978)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Fair first uses restricted net assets.

The accompanying financial statements are prepared on the full accrual basis. Transactions not included as operating activities for the statement of the cash flows are classified as non-operating revenues and expenses in the statement of revenues, expenses and changes in net assets. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues received and direct expenses incurred relating to the annual fair occurring in the next fiscal year are deferred.

• **Budgetary Process**

The Budget is prepared on a budgetary basis and submitted annually for approval to the New Mexico Department of Finance and Administration (DFA). Line item expenditures within budget appropriation units may legally exceed amounts budgeted; however, the budget appropriation unit expenditures may not legally exceed the approved budget amount. Monthly reports of receipts and expenditures are required to be submitted to the DFA Budget Division. Budget amendments must be approved by DFA. The budget is adopted on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

• **Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Fair has defined cash and cash equivalents to include cash on deposit with banks, on demand deposits and repurchase agreements, money market mutual funds that invest 100% in U.S. Treasuries and cash retained in cash drawer and petty cash funds.

Cash in bank accounts is insured up to \$250,000 per bank. As required by state law, 50% of the uninsured balance is secured by pledges of qualifying securities held by the depository.

Money market accounts are mutual funds that invest in short-term obligations of the U.S. government or its agencies or other governmental short-term investments, and are carried at the lower of cost or market.

• **Restricted Cash**

Restricted cash is used to account for the bond sinking fund and escrow and unused proceeds for the Series 2004 Revenue Bonds.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

- **Repurchase Agreement**

State Statute Sections 6-10-44 and 6-10-10(f), NMSA 1978, authorizes the Fair to invest in U.S. Treasury certificates, U.S. Treasury bonds or negotiable securities of the United States and bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district. Effective July 1, 1994, State statutes authorized the Fair to enter into yield maintenance repurchase agreements. State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The pledged securities are held by a third party in the Fair’s name. The fair value of the repurchase agreement approximates its cost at June 30, 2009.

- **Property and Equipment**

Property and equipment are stated at cost. The Fair’s capitalization policy is below the \$5,000 threshold, as stated in Section 12-6-10 NMSA 1978. Property and equipment under capital leases are stated at the present value of minimum lease payments at the inception of the lease. Assets contributed by other entities are recorded at the estimated fair market value at the time of receipt. Certain infrastructure assets (for example, site drainage improvement) are included in the category “Other improvements”. Software is included in the category “Data processing and equipment”. The Fair reviewed the infrastructure that had been recorded in previous years and determined that GASB 34 did not impact its financial statements. Depreciation is provided using the straight-line method over the useful lives of the assets, as follows:

Buildings	20 – 40 years
Other improvements	15 – 40 years
Tools, equipment, furniture and fixtures	5 – 10 years
Data processing and equipment	3 years

- **Deferred Revenue**

For cash receipts collected in advance of events from vendors or the general public, revenue is not recognized until the event occurs. Therefore, deferred revenue is recorded based upon payments received before events occur. In addition, when the Fair has entered into a long-term sponsorship or advertising agreement in exchange for cash or contributed assets, the revenue is amortized over the life of the agreement.

- **Compensated Absences**

Employees accumulate sick leave at a rate of 3.69 hours per pay period, and accumulate annual leave at a rate based on date of hire and length of service.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

- **Compensated Absences - continued**

The Fair records accrued vacation, sick and compensatory time when earned by the employee. Vacation and sick leave earned and not taken is cumulative; however, sick pay up to 600 hours is forfeited upon termination of state service and vacation is limited to 240 hours, as required by State Personnel Board rules. Sick leave accumulated in excess of 600 hours, not to exceed 120 hours, is payable semi-annually to qualified employees at a rate equal to 50% of their hourly rate. Upon retirement, sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. The Fair also allows certain employees to defer being paid overtime in exchange for compensatory time off. The Fair will pay up to 240 hours of compensatory time off to selected classes of employees upon termination.

- **Net Assets Invested in Capital Assets, Net of Related Debt**

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvements of these assets reduce the balance in this category.

- **Net Assets**

Net assets are reported as restricted when external or legal constraints are placed on their use. Unrestricted net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”. Net assets are categorized as:

Net Assets Restricted for Debt Service. This category represents funds used to account for the accumulation of resources for, and the payment of, long-term obligation principal payments.

Net Assets Restricted for Capital Projects. This category represents funds restricted for capital outlay.

Unrestricted Net Assets. This category represents net assets of the Fair, not restricted for any project or other purpose.

Restricted Resources: When an expense is incurred that can be paid using either restricted or unrestricted resources, the Fair’s policy is to first apply the expense towards restricted, and then unrestricted, resources.

- **Operating Revenue**

The Fair received proceeds from the operation of a variety of events throughout the year, consisting primarily of the annual State Fair and the weekly Flea Market. Any other proceeds received during the year are classified as non-operating revenue.

STATE OF NEW MEXICO  
STATE FAIR COMMISSION

Notes to Financial Statements - continued

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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

- **Non-operating Revenue**

The Fair received State Severance Tax proceeds that were set aside by the State for the Fair to use on capital improvement projects. The Fair also received Pari-Mutuel Tax proceeds to complete capital improvement projects. This contributed capital revenue is recognized when received by the Fair.

- **Advertising**

Non-direct advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2009 were \$452,894.

- **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

- **Subsequent Events**

Subsequent events have been evaluated through November 30, 2009, which is the date the financial statements were available to be issued.

2. **CASH AND RESTRICTED CASH**

Cash funds, other than cash drawers and petty cash are deposited with financial institutions. Money market mutual funds and repurchase agreements are also classified as cash equivalents. The reconciled balances at June 30, 2009 consisted of the following:

Unrestricted:	
Income account	\$ 593,024
Premium account	25
Bond dividend account	2,612
Cash drawers (on hand)	8,000
Petty cash	<u>1,285</u>
	\$ <u>604,946</u>
Restricted cash and cash equivalents:	
General account (for capital projects)	\$ 1,627,844
Bond escrow money market fund	644,156
Bond sinking fund savings account	<u>83</u>
	\$ <u>2,877,029</u>

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Notes to Financial Statements - continued**

**2. CASH AND RESTRICTED CASH - continued**

Custodial credit risk is defined as the risk that the Fair would not be able to recover the value of its collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. Mutual funds, external investment pools and securities underlying reverse repurchase agreements are not exposed to custodial credit risk. The amount that was subject to custodial credit risk at June 30, 2009 is \$3,102,965. This amount is collateralized by securities held in the name of the bank.

There is no credit risk, concentration of credit risk, interest rate risk or foreign currency risk associated with the cash and cash equivalents.

**3. ACCOUNTS AND OTHER RECEIVABLES**

Accounts and other receivables consist of the following at June 30, 2009:

Various customer receivables and returned checks	\$ 1,113,709
Allowance for doubtful accounts	<u>(157,656)</u>
	<u>\$ 956,053</u>

**4. CAPITAL ASSETS**

Capital asset additions and deletions during the fiscal year ended June 30, 2009, are as follows:

	June 30, 2008	Increase	Decrease	Adjustment	June 30, 2009
Land	\$ 819,340	-	-	-	819,340
Construction in progress	<u>3,797,073</u>	<u>833,859</u>	-	-	<u>4,630,932</u>
Total non-depreciable assets	4,616,413	833,859	-	-	5,450,272
Buildings	58,018,171	4,246,402	-	-	62,264,573
Other improvements	9,746,737	28,043	-	-	9,774,780
Motor vehicles	526,419	34,290	-	-	560,709
Data processing and equipment	1,532,800	88,252	-	-	1,621,052
Equipment and machinery	2,070,199	268,146	-	-	2,338,345
Office furniture and fixtures	<u>1,411,254</u>	<u>56,443</u>	-	-	<u>1,467,697</u>
Total depreciable assets	73,305,580	4,721,576	-	-	78,027,156

STATE OF NEW MEXICO  
STATE FAIR COMMISSION

Notes to Financial Statements - continued

4. CAPITAL ASSETS - continued

	June 30, 2008	Increase	Decrease	Adjustment	June 30, 2009
Less accumulated depreciation:					
Buildings	\$ 24,031,751	1,771,251	-	-	25,803,002
Other improvements	4,047,806	321,411	-	-	4,369,217
Motor vehicles	427,435	39,536	-	-	466,971
Data processing and equipment	1,423,192	71,852	-	-	1,495,044
Equipment and machinery	1,849,695	244,640	-	-	2,094,335
Office furniture and fixtures	<u>919,217</u>	<u>97,105</u>	-	-	<u>1,016,322</u>
Total accumulated depreciation	<u>32,699,096</u>	<u>2,545,795</u>	-	-	<u>35,244,891</u>
Net capital assets	\$ <u>45,222,897</u>	<u>3,009,640</u>	-	-	<u>48,232,537</u>

Depreciation expense for the year ended June 30, 2009 was \$2,545,795.

5. COMPENSATED ABSENCES PAYABLE

A summary of changes in compensated absences payable for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Due Within One Year
Accrued vacation, sick leave and comp time	\$ <u>220,020</u>	<u>280,202</u>	<u>257,394</u>	<u>242,828</u>	<u>242,828</u>

The liability at June 30, 2009 of \$242,828 has been recorded in the basic financial statements and represents the Fair's commitment to fund accrued vacation, sick leave and comp time costs from future operations.



STATE OF NEW MEXICO  
STATE FAIR COMMISSION

Notes to Financial Statements - continued

6. LONG-TERM DEBT

• **Bond Liabilities**

Long-term debt consists of the following at June 30, 2009:

Capital Improvement Bonds, Series 2004, due in installments of \$5,555,556, annual maturities of approximately \$570,000 to \$676,000 through November 1, 2014, interest rate from 1.26% to 3.67%.	\$ 3,720,014
Less current portion	<u>569,873</u>
Total	\$ <u>3,150,141</u>

The total annual principal and interest payments are as follows:

	Principal	Interest	Total
Years ending June 30,			
2010 (Due within one year)	\$ 569,873	115,260	685,113
2011	587,470	98,238	685,708
2012	606,905	79,417	686,322
2013	628,199	58,813	687,012
2014	651,312	36,444	687,756
2015	<u>676,255</u>	<u>12,409</u>	<u>688,664</u>
	\$ <u>3,720,014</u>	<u>400,581</u>	<u>4,120,595</u>

There were no issuance costs associated with the Series 2004 bonds, as all costs were subsidized by the New Mexico Finance Authority.

• **Changes In Long-term Debt**

Long-term debt activity for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009
Bonds payable	\$ <u>4,274,436</u>	-	(554,422)	<u>3,720,014</u>
Long-term liabilities	\$ <u>4,274,436</u>	-	(554,422)	<u>3,720,014</u>

**7. DEFERRED REVENUE**

The Fair has collected deposits for the annual September fair and other events occurring in the next fiscal year. At June 30, 2009, the balance in deferred revenue of \$314,273 consists of prepaid admissions, concessions and exhibits for the fair.

**8. PLEDGED REVENUES**

The Fair has pledged revenues of the Pari-Mutuel tax appropriated to the Fair in the Laws of 2004 as collateral for the debt to New Mexico Finance Authority for the Series 2004 Bonds. The Pari-Mutuel tax earmarks fifty percent of the tax and three-sixteenths percent of the gross amount wagered each day at each location where horse racing is conducted by a State Fair association designated by law, that in good faith conducts a public fair and exhibition of stock and farming products, or where horse racing for profit is held, to the Fair for capital improvements.

**9. SPONSORSHIP IN-KIND REVENUE AND EXPENSE**

The Fair received goods and services provided by various businesses in exchange for advertising on the fairgrounds and other benefits. The estimated fair market value of the goods and services received are as follows at June 30, 2009:

Media, services and other	\$	<u>1,991,673</u>
	\$	<u>1,991,673</u>

These transactions are reflected in the accompanying Statement of Revenues, Expenses and Changes in Net Assets. These transactions have no net effect on net income because the estimated fair market value of the goods and services received is considered to be equal to and, therefore, offset the amount of expense recorded.

**10. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

• **Plan Description**

Substantially all of the Fair’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

10. **PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION - continued**

• **Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Fair is required to contribute 16.59% of the gross covered salary. From the 2009 legislative session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. The contribution requirements of plan members and the Fair are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Fair's contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$530,397, \$522,061 and \$450,693, respectively, which equal the amount of the required contributions for each fiscal year.

11. **POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

• **Plan Description**

The Fair contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**11. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued**

• **Funding Policy**

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer’s RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Fair's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$39,522, \$38,060 and \$34,739, respectively, which equal the required contributions for each year.

**12. CONTRIBUTED CAPITAL REVENUE**

The following amounts were recorded as contributed capital revenues for capital improvement projects for the year ended June 30, 2009:

State of New Mexico Severance Tax Bond Proceeds	\$ 3,968,364
Pari Mutuel Tax Proceeds	1,150,375
Other State Financing	<u>1,361,774</u>
	<u>\$ 6,480,513</u>

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Notes to Financial Statements - continued**

**13. RISK MANAGEMENT**

The Fair is subject to various legal proceedings claims and liabilities which arise in the ordinary course of the Fair's operations.

The State of New Mexico State Fair Commission, as a "State Agency" defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid by the Office of Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverage to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverage for the State of New Mexico employees.

At June 30, 2009, the Fair had no claims which the Risk Management Division has returned as not covered that would become the responsibility of the Fair.

**14. JOINT POWERS AGREEMENTS**

The following is a list of Joint Powers Agreements the Fair has entered into:

Participants	Responsible Party	Dates of Agreements		Amount Applicable	Amount Contributed	Audit Responsibility
		Beginning	Ending			
NM Dept. of Public Safety: Contractor shall supply additional security during special events held on the grounds of the New Mexico State Fair.	Fair	7/1/08	6/30/09	\$38 per hour	-	Fair
NM Dept. of Public Safety: Contractor shall supply additional security during the 2008 New Mexico State Fair.	Fair	6/4/08	2/4/09	\$166,000	\$166,000	Fair
City of Albuquerque Police Dept.: To provide security during the New Mexico State Fair.	Fair	6/11/09	9/27/09	\$27,000	\$27,000	Fair

**15. UNRESTRICTED NET ASSETS DEFICIT BALANCE**

The Fair shows a deficit fund balance of \$1,617,744. The deficit occurred as operating losses accumulated throughout the past years. The Fair plans to maintain and increase revenues while strictly monitoring expenses in order to reduce the deficit in the coming years.

**SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Schedule of Revenues and Expenses - Budget and Actual (Non-GAAP Basis)**

**YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES:</b>				
Admissions	\$ 4,180,000	4,180,000	4,117,946	(62,054)
Building rental	5,200,000	5,200,000	4,759,411	(440,589)
Other services (excluding in-kind)	2,988,000	3,537,119	2,430,080	(1,107,039)
Concessions and exhibits	2,197,300	2,197,300	1,819,362	(377,938)
Discounts and interest earned	284,000	284,000	23,844	(260,156)
Other state financing	-	-	1,311,774	1,311,774
Pari-Mutual Tax	695,000	695,000	1,150,375	455,375
<b>TOTAL REVENUES</b>	<b>\$ 15,544,300</b>	<b>16,093,419</b>	<b>15,612,792</b>	<b>(480,627)</b>
<b>EXPENSES:</b>				
Personal services	\$ 6,926,000	7,651,000	7,698,915	(47,915)
Contractual services	3,830,300	3,790,300	3,682,783	107,517
Other costs (including debt payments)	4,788,000	4,652,119	4,476,668	175,451
<b>TOTAL EXPENSES</b>	<b>\$ 15,544,300</b>	<b>16,093,419</b>	<b>15,858,366</b>	<b>235,053</b>
<b>EXCESS OF REVENUES OVER EXPENSES - BUDGETARY BASIS</b>			<b>\$ (245,574)</b>	
<b>ADJUSTMENTS TO CONFORM TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</b>				
Debt principal payments recorded as a budgetary expense			554,422	
Depreciation and amortization expenses			(2,545,795)	
Plus in-kind contributions treated as revenue			1,991,673	
Less in-kind contributions treated as expenses			(1,991,673)	
Interest expense			(130,338)	
Other contributed capital revenue			3,968,364	
<b>CHANGE IN NET ASSETS AS REPORTED ON STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>			<b>\$ 1,601,079</b>	



**OTHER SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
STATE FAIR COMMISSION

Schedule of Deposit Accounts

YEAR ENDED JUNE 30, 2009

Depository/Account Name	Type of Account	Cash per Bank June 30, 2009	Add Deposits in Transit	Less Outstanding Checks	Other Reconciling Items	Adjusted Cash Balance June 30, 2009
Wells Fargo:						
Income/Cash Management Account	Checking	\$ 890,042	188,420	(453,952)	(31,486)	593,024
Payroll Account	Checking	-	-	-	-	-
Payroll Tax Account	Checking	-	-	-	-	-
Premium Account	Checking	-	-	-	25	25
Bond Sinking Fund Account	Savings	83	-	-	-	83
Bank of Albuquerque:						
2004 Bond Dividend Account	Checking	2,612	-	-	-	2,612
2004 Bond Account	Savings	<u>644,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>644,156</u>
Cash in Bank		1,536,893	188,420	(453,952)	(31,461)	1,239,900
Petty cash and cash drawers		9,285	-	-	-	9,285
Repurchase agreement with Wells Fargo		<u>1,766,072</u>	<u>-</u>	<u>(138,228)</u>	<u>-</u>	<u>1,627,844</u>
<b>TOTAL CASH, RESTRICTED CASH AND CASH EQUIVALENTS</b>		<b>\$ <u>3,312,250</u></b>	<b><u>188,420</u></b>	<b><u>(592,180)</u></b>	<b><u>(31,461)</u></b>	<b><u>2,877,029</u></b>

For the cash and investments noted in the above schedule, market value approximates the cost, or cash per bank.

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Schedule of Pledged Collateral**

**YEAR ENDED JUNE 30, 2009**

	<b>Wells Fargo Bank Balance</b>	<b>Bank of Albuquerque Bank Balance</b>
Total deposits	\$ 890,125	646,768
Repurchase agreement	1,766,072	-
Less FDIC insurance *	(890,125)	(250,000)
<b>TOTAL UNINSURED PUBLIC FUNDS</b>	<b>1,766,072</b>	<b>396,768</b>
50% collateral requirement	-	198,384
102% collateral requirement (repurchase agreement)	1,801,393	-
<b>TOTAL COLLATERAL REQUIREMENT</b>	<b>1,801,393</b>	<b>198,384</b>
<b>COLLATERAL AT MARKET VALUE:</b>		
Collateralization at Wells Fargo **	1,801,393	-
Collateralization at Bank of Albuquerque ***	-	198,384
<b>UNDER COLLATERALIZED</b>	<b>\$ -</b>	<b>-</b>

\* Wells Fargo Bank has chosen to participate in a temporary Transaction Account Guarantee Program offered by the FDIC. This program provides depositors with unlimited coverage for noninterest bearing transaction accounts. Wells Fargo deposit accounts are qualified for this program. The program does not cover any repurchase agreements, which are required to be collateralized at 102%.

This program expires on December 31, 2009.

\*\* The collateral is in the name of and held by Wells Fargo Bank, 200 Lomas Blvd. NW, Suite 100, Albuquerque, NM 87102.

The collateral is one security: CUSIP 31409UB38  
with a market value at June 30, 2009 of \$1,711,506.

This security matures on March 1, 2036.

\*\*\* The collateral is in the name of and held by Bank of Albuquerque at American Performance Funds, 201 3rd St. NW, Albuquerque, NM, 87102.

The collateral is consolidated with all of the banks investment in one security: CUSIP 14956P703

The market value of the total investment at June 30, 2009 was \$987,686,899.

There is no maturity date for this security.

**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***

Mr. Hector H. Balderas  
New Mexico State Auditor, and  
State of New Mexico State Fair Commission  
Albuquerque, New Mexico

We have audited the financial statements of the business-type activity of the State of New Mexico State Fair Commission (Fair), as of and for the year ended June 30, 2009, which collectively comprise the Fair's basic financial statements, and have issued our report thereon dated November 30, 2009. We have also audited the Schedule of Revenue and Expenses – Budget and Actual (Non-GAAP Basis) presented as supplementary information in the accompanying table of contents. 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.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 a combination of control deficiencies, that adversely affects the Fair's ability to initiate, authorize, record, process, or report financial data reliably in



Mr. Hector H. Balderas  
New Mexico State Auditor, and  
State of New Mexico State Fair Commission  
Albuquerque, New Mexico

### **Internal Control Over Financial Reporting - continued**

accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fair's financial statements that is more than inconsequential will not be prevented or detected by the Fair's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (07-01, 08-01, 08-04 and 09-02).

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 Fair'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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did identify one significant deficiency in internal control over financial reporting that we considered to be material weaknesses, as defined above (07-01).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fair'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 08-03 and 09-01.

The Fair's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Fair's responses and, accordingly, we express no opinion on them.

Mr. Hector H. Balderas  
New Mexico State Auditor, and  
State of New Mexico State Fair Commission  
Albuquerque, New Mexico

This report is intended solely for the information and use of management, others within the Fair, the State Auditor, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

*Mejers + Company, LLC*

November 30, 2009

YEAR ENDED JUNE 30, 2009

**A. SUMMARY OF AUDITORS' RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the State of New Mexico State Fair Commission (Fair).
2. One material weakness (07-01) and three significant deficiencies (08-01, 08-04 and 09-02) relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Fair were disclosed during the audit.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-01 MATERIAL WEAKNESS OVER THE CAPITALIZATION POLICY**

**Condition:** During our capital asset testwork, we noted that management is still capitalizing assets with a purchase value of less than \$5,000.

**Criteria:** State Auditor Rule 2.2.2.10, Subsection Y states that the Audit Act requires agencies to capitalize only chattels and equipment that cost over \$5,000.

**Effect:** The Fair is not in compliance with the State Auditor Rule. Additionally, capital assets and depreciation expense will be overstated.

**Cause:** Lack of effective procedures for reviewing capital assets to ensure that all assets being depreciated properly qualify for capitalization in accordance with the State Auditor Rule.

**Auditors' Recommendation:** Management should establish procedures to ensure that only items with a purchase value greater than \$5,000 are capitalized. This includes strict adherence to the State Auditor Rule.

**Management's Response:** Management will continue to address this issue. It should be noted that management understands the State Audit Rule and does not believe that it should still capitalize and depreciate assets costing less than \$5,000. The CFO will provide a training session to all accounting staff on this item in an effort to ensure no assets under \$5,000 are capitalized in the future. Management believes that much progress has been made to ensure no items under \$5,000 are capitalized.

Schedule of Findings and Responses - continued

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YEAR ENDED JUNE 30, 2009

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**08-01 SIGNIFICANT DEFICIENCY OVER THE REVIEW AND APPROVAL PROCESS - Updated**

**Condition:** During our testwork we noted the following lapses in the review and approval process:

- A per diem reimbursement voucher was prepared by an employee of the agency using an incorrect mileage reimbursement rate. The voucher was processed, approved and distributed.
- Five out of 30 adjusting journal entries selected for testwork did not contain an approval signature.
- The year end accrual entry for compensated absences was inadvertently posted in reverse and not detected through the approval process.

**Criteria:** All transactions and internally prepared financial information should be reviewed and approved by someone other than the preparer.

**Effect:** Possible misstatement of the financial statements and/or misappropriation of assets.

**Cause:** Lack of effective controls surrounding the journal entry review process; management oversight.

**Auditors' Recommendation:** Management should establish procedures to review and approve all adjusting journal entries and transactions before the entry is posted or the transaction is processed.

**Management's Response:** Management will implement a procedure where all journal entries will be reviewed for management approval as part of the monthly close process. Staff will provide the CFO with a listing of every journal entry made during the month. At the close of the meeting all entries will be reviewed again for documentation of proper approval.

**08-03 CONTROL DEFICIENCY OVER SUPPORTING DOCUMENTATION - Updated**

**Condition:** During our testwork, we noted that management was unable to provide supporting documentation for 1 out of 40 cash receipts packets requested and 15 out of 22 in-kind/sponsorship revenue packets requested for testing. Additionally, during payroll personnel testwork, we noted that one personnel file did not contain either an I-9 form or an approved PERA form.

**Criteria:** Supporting documentation for financial transactions and newly hired/transferred employees should be retained in a specific location that is easily accessible.



Schedule of Findings and Responses - continued

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YEAR ENDED JUNE 30, 2009

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**08-03 CONTROL DEFICIENCY OVER SUPPORTING DOCUMENTATION – Updated - continued**

**Effect:** Possible misstatement of financial statements and/or misappropriation of assets. Additionally, the Fair is not in compliance with New Mexico state personnel code.

**Cause:** Lack of effective procedures to ensure all supporting documentation is kept and attached to support each transaction or new employee.

**Auditors' Recommendation:** Management should establish procedures to ensure that all transactions have complete and accurate supporting documentation.

**Management's Response:** Management will implement a procedure that, as part of the monthly financial close, all receipt packets are verified by the Accounts Receivable department. The booking of In-Kind/Sponsorship revenues will be revised as well. No In Kind/Sponsorship revenue will be booked without adequate supporting documentation from the Sponsorship department. Payroll staff will be tasked with auditing all personnel files to ensure that all I-9 forms are available. The I-9 problem appears to be isolated to transfers from other state agencies. The payroll staff needs to make sure that this does not happen again.

**08-04 SIGNIFICANT DEFICIENCY OVER OVER-EXPENDED APPROPRIATION UNITS - Updated**

**Condition:** During our budget testwork, we noted that the Fair over-expended the Personal Services appropriation unit by \$47,915.

**Criteria:** State Auditor Rule 2.2.2.9, Subsection P states that if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact must be reported in a finding and disclosed in the notes to the financial statements.

**Effect:** The appropriation unit described above was over-expended.

**Cause:** Management has not been consistently monitoring the budgeted expenditure level.

**Auditors' Recommendation:** Management should track all expenditures and submit Budget Adjustment Requests to ensure compliance with the final budget.

Schedule of Findings and Responses - continued

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YEAR ENDED JUNE 30, 2009

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**08-04 SIGNIFICANT DEFICIENCY OVER OVER-EXPENDED APPROPRIATION  
UNITS – Updated - continued**

**Management's Response:** Management will continue to monitor budget on a monthly basis. The Personal Services appropriation was over-expended by \$47,915. The Other costs category was under-expended by 175,451. The Contractual services category was \$107,517 under budget. In total, the amount of actual expenditures was under budget by \$235,053.

**09-01 CONTROL DEFICIENCY OVER THE TIMELINESS OF CASH DEPOSITS**

**Condition:** During our testwork, we noted that one cash receipt transaction out of 40 was not deposited within the required 24 hour time period.

**Criteria:** In accordance with the Manual of Model Accounting Practices (MAPs), FIN 2.3 states that all monies collected by agencies shall be deposited with the State Treasurer's Office or with an authorized banking institution by the end of the next business day after receipt.

**Effect:** Client is not in compliance with MAPs; potential misstatement of cash account balance and/or misappropriation of cash.

**Cause:** Lack of effective procedures regarding cash receipts/deposits; management oversight.

**Auditors' Recommendation:** Management should establish procedures to ensure that cash received is deposited within 24 hours of receipt.

**Management's Response:** Management acknowledges this finding and will ensure that every effort possible is made to make deposits within 24 hours of receipt.

**09-02 SIGNIFICANT DEFICIENCY OVER CAPITAL ASSET INVENTORY**

**Condition:** During our capital asset testwork, we noted that management did not perform a year-end physical inventory count of all capital assets.

**Criteria:** State Auditor Rule 2.2.2.10, Subsection Y states that each agency shall conduct an annual physical inventory count of all equipment listed on the agency's capital asset inventory listing as of year end. The agency must then certify the correctness of the physical inventory count and the certification must be provided to the agency's auditors.

Schedule of Findings and Responses - continued

YEAR ENDED JUNE 30, 2009

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**09-02 SIGNIFICANT DEFICIENCY OVER CAPITAL ASSET INVENTORY - continued**

**Effect:** Not in compliance with the State Auditor Rule 2.2.2.10 requirements pertaining to the correctness of property listed on the financial statements.

**Cause:** Lack of effective controls or procedures associated with capital assets.

**Auditors' Recommendation:** Management should establish controls and procedures necessary to ensure that a physical inventory of all equipment is performed. Additionally, we recommend that a reconciliation between the physical inventory results and the capital asset inventory listing be performed to identify any necessary adjustments.

**Management's Response:** Management acknowledges this finding and agrees that a physical inventory count needs to be done every year. Steps have already been taken to ensure that the inventory is updated continuously.

**Schedule of Prior Year Findings and Responses**

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**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

- 07-01 Material Weakness over the Capitalization Policy – Repeated
- 08-01 Significant Deficiency over the Review and Approval Processes – Repeated and Modified
- 08-02 Significant Deficiency over Entity-wide Controls – Resolved
- 08-03 Control Deficiency over Supporting Documentation – Repeated and Modified
- 08-04 Significant Deficiency over Over-expended Appropriation Units – Repeated and Modified

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION**

**Exit Conference**

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An exit conference was held on December 7, 2009 to discuss the current report and auditors' findings. Those in attendance were as follows:

STATE OF NEW MEXICO STATE FAIR COMMISSION

Craig Swagerty, General Manager  
Rodger Beimer, Deputy General Manager  
Joe McIntyre, Director of Finance  
Janice Edwards, Financial Specialist Supervisor  
Nerissa Whittington, Commission Secretary/Treasurer

MEYNER + COMPANY, LLC

Georgie Ortiz, CPA, CGFM, Assurance Principal  
John Murrel, CPA, Assurance Senior Manager  
Jason Shaw, CPA, Assurance Staff

The Management's Discussion and Analysis was prepared by management of the Fair. The remainder of the financial statements was prepared by Meyners + Company, LLC, based on the general ledger maintained by the Fair. Management of the Fair reviewed and approved the financial statements and is responsible for the fair presentation of the financial statements.