

STATE OF NEW MEXICO
STATE FAIR COMMISSION
INDEPENDENT AUDITORS' REPORT
AND ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
STATE FAIR COMMISSION
FOR THE YEAR ENDED JUNE 30, 2010
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**OFFICIAL ROSTER
JUNE 30, 2010**

Members

Name	Title
David Sanchez	Chairman
Frank Tabet, Jr.	Vice-Chairman
Mark Jaramillo	Secretary/Treasurer
Ruth Bitsui	Member
Jack Duffey	Member
Benny Roybal	Member
Denny Gentry	Member

Administration

Craig Swagerty	General Manager
Rodger Beimer	Deputy General Manager
Roberta Simoni	Associate Director
Joe McIntyre	Chief Financial Officer

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FINANCIAL SECTION

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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 basic financial statements consisting of the business-type activity of the State of New Mexico State Fair Commission (Fair), as of and for the year ended June 30, 2010, 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 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 the 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, 2010, 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, 2010, 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, 2010, and the respective changes in 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, 2010, 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 December 13, 2010, 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.

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The State of New Mexico State Fair Commission has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Grigo Professional Services, LLC

December 13, 2010

**STATE OF NEW MEXICO
STATE FAIR COMMISSION**

Exhibit A-1

Statement of Net Assets

June 30, 2010

ASSETS

Current assets:

Cash and cash equivalents	\$ 274,029
Restricted cash	531,631
Accounts and other receivables, net of allowance for doubtful accounts	738,534
Other current assets	<u>10,603</u>

Total current assets 1,554,797

Non-current assets:

Restricted cash	<u>590,002</u>
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Total non-current assets 590,002

Capital assets

Land	819,340
Buildings	67,793,403
Improvements, other than buildings	14,160,509
Vehicles and equipment	5,490,983
Office furniture and fixtures	1,469,177
Construction in progress	<u>317,937</u>

Total capital assets 90,051,349

Less accumulated depreciation 37,875,359

Net capital assets 52,175,990

Total assets \$54,320,789

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
STATE FAIR COMMISSION

Exhibit A-1

Statement of Net Assets

June 30, 2010

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 2,502,409
Accrued liabilities:	
Payroll and related expenses	171,790
Interest payable	8,933
Gross Receipts Tax	4,793
Deposits	141,772
Deferred revenue	345,950
Compensated absences	255,176
Current portion of bond payable	<u>587,470</u>

Total current liabilities 4,018,293

Non-current liabilities:

Bond payable, excluding current portion	<u>2,562,671</u>
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Total non-current liabilities 2,562,671

Total liabilities 6,580,964

Net Assets:

Invested in capital assets, net of related debt	49,025,849
Restricted for debt service	587,470
Restricted for capital improvement projects	531,631
Restricted for bond escrow	590,002
Unrestricted	<u>(2,995,127)</u>

Total net assets 47,739,825

Total liabilities and net assets \$54,320,789

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended June 30, 2010

Exhibit A-2

<i>Operating revenues:</i>	
Admissions, rides, entry fees	\$ 3,328,114
Rentals	2,311,199
Racing and gaming rent	2,069,418
Sponsorship in-kind revenues	2,013,331
Concessions	1,582,305
Parking	1,398,934
Service and fee income	690,852
Sponsorship and advertising	353,099
Feed store sales	9,150
Commissions	102,114
Other	69,198
<i>Total operating revenues</i>	13,927,714
 <i>Operating expenses:</i>	
Salaries and employee benefits	7,216,893
Other professional services	2,639,596
Depreciation and amortization expense	2,673,968
Sponsorship in-kind expense	2,013,331
Utilities	1,219,037
Contractual security	1,072,197
Repairs and maintenance	341,627
Advertising	582,258
Other	621,499
Supplies	110,099
Equipment rental	252,659
Entertainment service and events expenses	-
Premiums and awards	97,904
Bad debt expense	31,020
Insurance	73,422
<i>Total operating expenses</i>	18,945,510
 <i>Operating income (loss)</i>	 (5,017,796)

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended June 30, 2010

Exhibit A-2

<i>Non-operating revenue (expenses):</i>	
Interest income	1,503
Interest expense	(101,302)
Contributed capital revenue	<u>7,120,685</u>
<i>Non-operating revenue (expenses)</i>	7,020,886
<i>Change in net assets</i>	2,003,090
<i>Net assets at beginning of year</i>	<u>45,736,735</u>
<i>Net assets at end of year</i>	<u><u>\$ 47,739,825</u></u>

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
Statement of Cash Flows
For the Year Ended June 30, 2010

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 16,324,911
Cash payments to suppliers of goods and services	(10,869,703)
Cash payments to employees for services	<u>(7,354,729)</u>
<i>Net cash provided by operating activities</i>	(1,899,521)
<i>Cash flows from capital and related financing activities:</i>	
Purchase of property and equipment	(6,032,859)
Principal payments on revenue bonds	(569,873)
Proceeds from contributed capital	7,120,685
Interest paid on bonds and capital leases	<u>(101,302)</u>
<i>Net cash used by capital and related financing activities</i>	416,651
<i>Cash flows from investing activities:</i>	
Interest earned	<u>1,503</u>
<i>Net cash provided by investing activities</i>	1,503
<i>Net increase (decrease) in cash</i>	(1,481,367)
<i>Cash and restricted cash, cash invested in the State Treasurer investment pool, beginning of year</i>	<u>2,877,029</u>
<i>Cash and restricted cash, cash invested in the State Treasurer investment pool, end of year</i>	<u><u>\$ 1,395,662</u></u>

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
Statement of Cash Flows
For the Year Ended June 30, 2010

Exhibit A-3

<i>Reconciliation of cash, end of year to cash reported in the Statement of Net Assets:</i>	
Current assets - cash	274,029
Cash restricted for debt service and capital projects	1,121,633
	<u>1,121,633</u>
 <i>Total cash and restricted cash reported in the Statement of Net Assets</i>	
	\$ 1,395,662
 <i>Reconciliation of operating loss to net cash used by operating activities:</i>	
Operating income (loss)	(5,017,796)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,673,968
Bad debt expense	31,020
Changes in assets and liabilities:	
Accounts and other receivables	(217,519)
Other assets	(90,272)
Accounts payable	779,259
Accrued payroll and related expenses	(155,800)
Deposits	53,594
Deferred revenues	31,677
Payroll liabilities	12,348
	<u>12,348</u>
 <i>Net cash provided by operating activities in the Statement of Net Assets</i>	
	<u>\$ (1,899,521)</u>

The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. Summary of Significant Accounting Policies

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.

A. Reporting Entity

Charter 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.

B. 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.

C. 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 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)

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. Summary of Significant Accounting Policies – (Continued)

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 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.

D. 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.

E. Cash and Cash Equivalents

For the 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.

F. Restricted Cash

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. Summary of Significant Accounting Policies – (Continued)

G. *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, 2010.

H. *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

I. *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.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1. Summary of Significant Accounting Policies – (Continued)

J. *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.

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.

K. *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.

L. *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:

1. 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.
2. Net Assets Restricted for Capital Projects. This category represents funds restricted for capital outlay.
3. 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.

M. *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
JUNE 30, 2010

NOTE 1. Summary of Significant Accounting Policies – (Continued)

N. *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 the capital improvements projects. This contributed capital revenue is recognized when received by the Fair.

O. *Advertising*

Non-direct advertising costs are expensed as incurred. Total advertising costs for year ended June 30, 2010 were \$582,258.

P. *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 disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Q. *Subsequent Events*

Subsequent events have been evaluated through December 13, 2010, which is the date the financial statements were available to be issued.

NOTE 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, 2010 consisted of the following:

Unrestricted:		
Income account	\$	264,536
Premium account		408
Cash drawers (on hand)		8,525
Petty cash		560
Total	\$	<u>274,029</u>
Restricted:		
General account (for capital projects)	\$	531,631
Bond escrow money market fund		587,294
Bond dividend account		2,612
Bond sinking fund savings account		96
Total	\$	<u>1,121,633</u>

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 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, 2010 is \$1,006,259. 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.

NOTE 3. Accounts and Other Receivables

Accounts and other receivables consist of the following at June 30, 2010:

Various customers receivables and returned checks	\$ 927,210
Allowance for doubtful accounts	<u>(188,676)</u>
Total	<u>\$ 738,534</u>

NOTE 4. Capital Assets

	Balance June 30, 2009	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2010
Land	\$ 819,340	\$ —	\$ —	\$ —	\$ —	\$ 819,340
Construction in progress	<u>4,630,932</u>	<u>7,001,675</u>	<u>—</u>	<u>(10,720,272)</u>	<u>(594,398)</u>	<u>317,937</u>
Total non-depreciable assets	<u>5,450,272</u>	<u>7,001,675</u>	<u>—</u>	<u>(10,720,272)</u>	<u>(594,398)</u>	<u>1,137,277</u>
Buildings	62,264,573	—	—	5,528,830	—	67,793,403
Other improvements	9,774,780	55,223	7,977	4,338,483	—	14,160,509
Motor vehicles	560,709	9,443	—	—	—	570,152
Data processing and equipment	1,621,052	27,222	—	90,357	—	1,738,631
Equipment and machinery	2,338,345	124,753	43,500	762,602	—	3,182,200
Office furniture and fixtures	1,467,697	—	—	—	—	1,467,697
Art	<u>—</u>	<u>1,480</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,480</u>
Total depreciable assets	<u>78,027,156</u>	<u>218,121</u>	<u>51,477</u>	<u>10,720,272</u>	<u>—</u>	<u>88,914,072</u>
Total assets	<u>\$ 83,477,428</u>	<u>\$ 7,219,796</u>	<u>\$ 51,477</u>	<u>\$ —</u>	<u>\$ (594,398)</u>	<u>\$ 90,051,349</u>
Less accumulated depreciation:						
Buildings	\$ 25,803,002	\$ 1,760,558	\$ —	\$ —	\$ —	\$ 27,563,560
Other improvements	4,369,217	320,190	—	—	—	4,689,407
Motor vehicles	466,971	41,953	—	—	—	508,924
Data processing and equipment	1,495,044	77,145	—	—	—	1,572,189
Equipment and machinery	2,094,335	422,381	43,500	—	—	2,473,216
Office furniture and fixtures	<u>1,016,322</u>	<u>51,741</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,068,063</u>
Total accumulated depreciation	<u>\$ 35,244,891</u>	<u>\$ 2,673,968</u>	<u>\$ 43,500</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37,875,359</u>
Total capital assets	<u>\$ 48,232,537</u>	<u>\$ 4,545,828</u>	<u>\$ 7,977</u>	<u>\$ —</u>	<u>\$ (594,398)</u>	<u>\$ 52,175,990</u>

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5. Compensated Absences Payable

A summary of changes in compensated absences payable for the year ended June 30, 2010 is as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due within</u> <u>One Year</u>
Accrued vacation, sick leave and comp time	\$ 242,828	\$ 156,165	\$ 143,817	\$ 255,176	\$ 255,176

The liability at June 30, 2010 of \$255,176 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.

NOTE 6. Long-term Debt

A. *Bond Liabilities*

Long-term debt consists of the following at June 30, 2010:

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%.	\$ 3,150,141
Less current portion	<u>587,470</u>
Total	<u>\$ 2,562,671</u>

The total annual principal and interest payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011 (Due within one year)	\$ 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>3,150,141</u>	\$ <u>285,321</u>	\$ <u>3,435,462</u>

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6. Long-term Debt – (Continued)

B. *Changes in Long-term Debt*

Long-term debt activity for the year ended June 30, 2010 is as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>June 30, 2010</u>
Bonds payable	\$ 3,720,014	\$ –	\$ 3,150,141

NOTE 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, 2010, the balance in deferred revenue of \$345,950 consists of prepaid admissions, concessions and exhibits for the Fair.

NOTE 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.

NOTE 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, 2010:

Media, services and other \$ 2,013,331

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 is considered to be equal to and, therefore, offset the amount of expense recorded.

NOTE 10. Pension Plan – Public Employees Retirement Association

A. *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.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 10. Pension Plan – Public Employees Retirement Association – (Continued)

B. 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, 2010, 2009 and 2008 were \$439,788, \$530,397 and \$522,061, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 11. Post-Employee Benefits – State Retiree Health Care Plan

A. 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 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. The report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

B. 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.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11. Post-Employee Benefits – State Retiree Health Care Plan – (Continued)

B. Funding Policy – Continued

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that established 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, 2010, 2009 and 2008 were \$28,235, \$39,522 and \$38,060, respectively, which equal the required contributions for each year.

NOTE 12. Contributed Capital Revenue

The following amounts were recorded as contributed capital revenues for capital improvement projects for the year ended June 30, 2010:

State of New Mexico Severance Tax Bond Proceeds	\$	5,637,758
Pari Mutuel Tax Proceeds		1,033,894
Other State Financing		449,033
	\$	7,120,685

NOTE 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 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, 2010, the Fair had no claims which the Risk Management Division has returned as not covered that would become the responsibility of the Fair.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 14. Joint Powers Agreement

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: To provide additional security during the 2009 New Mexico State Fair.	Fair	6/30/2008	Term	\$38 per hour	\$ 102,505	Fair
NM Dept. of Public Safety: To provide additional security during the 2009 New Mexico State Fair.	Fair	5/13/2009	2/28/2010	\$ 58,000	\$ 157,904	Fair
NM Dept. of Finance and Admin.: To provide National Barrel Horse during the 2009 New Mexico State Fair.	Fair	6/8/2009	12/31/2009	\$ 14,000	\$ -	Fair
City of Albuquerque Traffic Dept.: To provide security during the 2009 New Mexico State Fair.	Fair	6/11/2009	9/27/2009	\$ 27,000	\$ 26,933	Fair
NM Dept. of Finance and Admin.: To provide Bernalillo County 4H Rodeo during the 2009 New Mexico State Fair.	Fair	8/7/2009	12/31/2009	\$ 11,000	\$ -	Fair
City of Albuquerque Police Dept.: To provide security during the 2009 New Mexico State Fair.	Fair	8/10/2009	9/27/2009	\$ 67,000	\$ 55,652	Fair
NM Dept. of Finance and Admin.: To provide Bernalillo County 4H Rodeo during the 2009 New Mexico State Fair.	Fair	6/1/2010	12/31/2009	\$ 5,700	\$ -	Fair

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
Statement of Revenues and Expenses -
Budget (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2010

Schedule I

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
<i>Revenues:</i>				
Admissions	\$ 4,250,000	\$ 4,050,000	\$ 3,328,114	\$ (721,886)
Building rental	4,900,000	4,700,000	4,380,617	(319,383)
Other services (excluding in-kind)	2,550,000	2,750,000	2,623,347	(126,653)
Concessions and exhibits	2,250,000	2,250,000	1,582,305	(667,695)
Discounts and interest earned	19,000	19,000	1,503	(17,497)
Other state financing	435,100	435,100	449,033	13,933
Pari-Mutual Tax	695,000	695,000	1,033,894	338,894
<i>Total revenues</i>	<u>\$ 15,099,100</u>	<u>\$ 14,899,100</u>	<u>\$ 13,398,813</u>	<u>\$ (1,500,287)</u>
<i>Expenses:</i>				
Personal services	\$ 6,798,000	\$ 7,173,000	7,216,893	\$ (43,893)
Contractual services	3,810,600	3,525,600	3,711,793	(186,193)
Other costs (including debt payments)	4,490,500	4,200,500	3,899,398	301,102
<i>Total expenses</i>	<u>\$ 15,099,100</u>	<u>\$ 14,899,100</u>	<u>\$ 14,828,084</u>	<u>\$ 71,016</u>
<i>Excess (deficiency) of revenues over expenses - budgetary basis</i>			\$ (1,429,271)	
<i>Adjustments to conform to Generally Accepted Accounting Principles:</i>				
Debt principal payments recorded as a budgetary expense			569,873	
Depreciation and amortization expenses			(2,673,968)	
Plus in-kind contributions treated as revenue			2,013,331	
Less in-kind contributions treated as expenses			(2,013,331)	
Interest expense			(101,302)	
Other contributed capital revenue			5,637,758	
<i>Change in net assets as reported on Statement of Revenues, Expenses and Changes in Net Assets</i>			<u>\$ 2,003,090</u>	

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
Schedule of Deposit Accounts
June 30, 2010

Schedule II

<u>Depository/Account Name</u>	<u>Type of Account</u>	<u>Cash Per Bank June 30, 2010</u>	<u>Add Deposits in Transit</u>	<u>Less Outstanding Checks</u>	<u>Other Reconciling Items</u>	<u>Adjusted Cash Balance June 30, 2010</u>
Wells Fargo						
Income/Cash Management Account	Checking	\$ 292,720	\$ 89,343	\$ (207,678)	\$ (16,655)	\$ 157,730
Payroll Account	Checking	-	14,027	(14,368)	341	-
Payroll Tax Account	Checking	-	2	-	(2)	-
Premium Account	Checking	-	12,115	(14,804)	3,097	408
Bond Sinking Fund Account	Savings	96	-	-	-	96
Bank of Albuquerque:						
2004 Bond Dividend Account	Checking	-	-	-	2,612	2,612
2004 Bond Account	Savings	556,530	10,794	(57,536)	77,506	587,294
Cash in Bank		849,346	126,281	(294,386)	66,899	748,140
Petty cash and cash drawers		9,085	-	-	-	9,085
Repurchase agreement with Wells Fargo		656,913	7,736	(26,212)	-	638,437
Total Cash, Restricted Cash and Cash Equivalents		<u>\$ 1,515,344</u>	<u>\$ 134,017</u>	<u>\$ (320,598)</u>	<u>\$ 66,899</u>	<u>\$ 1,395,662</u>

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

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STATE OF NEW MEXICO
STATE FAIR COMMISSION
Schedule of Pledged Collateral
June 30, 2010

Schedule III

	Wells Fargo Bank Balance	Bank of Albuquerque Bank Balance	
Total Deposits	\$ 292,816	\$ 556,530	
Repurchase agreement	656,913	-	
Less FDIC insurance	(250,000)	(250,000)	
Total Uninsured Public Funds	699,729	306,530	
50% collateral requirement	21,408	153,265	
102% collateral requirement (repurchased agreement)	670,051	-	
Total Collateral Requirement	691,459	153,265	
Collateral at Market Value:			
Collateralization at Wells Fargo *	691,459	-	
Collateralization at Bank of Albuquerque **	-	153,265	
Under Collateralized	\$ -	\$ -	

* 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 3128M6VH8
with a market value at June 30, 2010 of \$12,993,978.
This security matures on September 1, 2038.

** The collateral is in the name of and held by BNY Mellon Corporate Trust, 1775 Sherman Street, Suite 2775
Denver, CO 80203.
The collateral is in the amount of the Bank of New York Mellon's cash reserve balances.
The total collateralized cash reserve balance for these accounts at June 30, 2010 was \$153,265.
There is no maturity date for this security.

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COMPLIANCE SECTION

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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***

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, 2010 and have issued our report thereon dated December 13, 2010. 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (FS 07-01)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. (FS 08-01, FS 08-03, FS 08-04, FS 09-02 and FS 10-01 through FS 10-06)

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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 no 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 FS 07-01, FS 08-04, FS 09-02, FS 10-01, FS 10-02, FS 10-03 and FS 10-05.

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.

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.

Arigo Professional Services, LLC

Albuquerque, New Mexico
December 13, 2010

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**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010**

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditors' report issued	Unqualified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

FS 07-01 – Material Weakness over the Capitalization Policy – Repeated

Condition: During our 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 Audit 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 agrees with this finding. We will continue to educate staff on the State Auditor's policy in an effort to ensure this finding is resolved in future periods.

FS 08-01 – Significant Deficiency over the Review and Approval Process – Modified and Repeated

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

- The payroll supervisor is responsible for various job duties including updating the compensated absences account balances. The payroll supervisor's work is not being reviewed for this duty.
- An operations check was used for payroll and not caught in 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.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

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

Auditors' Recommendation: Management should establish procedures to review and approve all work and transactions performed by employees before they are posted or processed.

Management's Response: The State Fair has implemented formal monthly financial close procedures over the past several years. Finance staff meets with the CFO monthly to review varying areas of responsibility. Close procedures will be updated to ensure the payroll supervisor provides a tie out of compensating balances to the controller on a monthly basis. In December of 2009, the State Fair human resources director retired and was not replaced because of the hiring freeze and budgetary considerations. Until his retirement, the human resources director had been charged with oversight of the payroll function. The controller has been assigned to oversee the payroll function, and a repeat of this finding will not occur.

FS 08-03 Control Deficiency over Supporting Documentation – Modified and Repeated

Condition: During our testwork, we noted that management was unable to provide supporting documentation for the following items:

- Operating leases
- Joint power agreements
- Two out of twenty-six RHC reconciliations
- Twelve out of fifteen In-Kind/Sponsorship revenue packets requested for testing

Criteria: Supporting documentation for financial transactions should be retained in a specific location that is easily accessible.

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

Cause: Lack of effective procedures to ensure that all supporting documentation is kept and attached to support each transaction.

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

Management's Response: Management agrees with this finding as it relates to In Kind/Sponsorship packets. It is our position that all other supporting documentation was provided to the audit team. Procedures will be developed in conjunction with the Sponsorship staff to address the documentation necessary to support In Kind donations.

FS 08-04 Significant Deficiency over Over-Expended Appropriation Units – Modified and Repeated

Condition: During our budget testwork, we noted that the Fair over-expended the Personal Services appropriation unit by \$43,893 and the Contractual Services appropriation unit by \$186,193.

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.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

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.

Management's Response: Management agrees with this finding. It should be noted that management does review the budgetary position of the Fair on a monthly basis. The unpredictable business cycles of the agency make it difficult to forecast the staffing needs of certain events. It should be noted that the state fair was \$383,398 under budget in the other costs category. In the aggregate, the state fair was \$153,312 under budget for the fiscal year.

FS 09-02 Significant Deficiency over Capital Asset Inventory –Repeated

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

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 agrees with this finding. During the fiscal year, a seasonal temporary employee was assigned specifically to address this issue. Because of budgetary constraints, the position was eliminated and not on staff at year end. Permanent staff will be responsible for this task in the future.

FS 10-01 Significant Deficiency over Bids

Condition: During our State Auditor Compliance testwork, we noted that management could not provide proof of a sealed bid for one out of five bids tested.

Criteria: State Auditor Rule 2.40.2.13 states that all non exempt procurement by state agencies shall be achieved by competitive sealed bids or competitive sealed proposals.

Effect: Not in compliance with the State Auditor Rule 2.40.2.13 requirements pertaining to sealed bids or proposals for all professional services over \$50,000.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Cause: It appears there was an isolate instance in which there was a lack of effective controls or procedures associated with bids.

Auditors' Recommendation: Management should establish controls and procedures necessary to ensure that bids and proposals are received sealed and that staff is documenting or keeping documentation to provide proof.

Management's Response: All bids received by the Fair for all RFPs were sealed until opened by the contracts staff at the appropriate time. Management acknowledges that on one occasion contracts staff failed to properly log a bid. On this occasion, there was only one bid response to the RFP in question. We believe that this exception was an anomaly and that procedures are in place to prevent a further reoccurrence.

FS 10-02 Significant Deficiency over Per Diem Disbursements

Condition: During our State Auditor Compliance testwork, we noted that management was paying per diem advances to employees over the daily per diem allowance for out of state travel in two out of five disbursements tested.

Criteria: State Auditor Rule 2.42.2.8, subsection B states that travel for public officers and employees where overnight lodging is required shall be reimbursed at \$115.00 for out of state areas.

Effect: Not in compliance with the State Auditor Rule 2.42.2.8 requirements pertaining to travel and per diem.

Cause: Lack of effective controls or procedures associated with travel and per diem.

Auditors' Recommendation: Management should establish controls and procedures necessary to ensure that travel and per diem meets the State Auditor Rule.

Management's Response: Management agrees with this finding. A pre audit of all per diem advances will be conducted in the future. A training session will be conducted for all finance staff regarding travel reimbursement procedures.

FS 10-03 Significant Deficiency over Disposal of Assets

Condition: During our State Auditor Compliance testwork, we noted that management did not notify the State Auditor's Office thirty days prior to disposal of the asset.

Criteria: State Auditor Rule 2.2.2.10, subsection V states that at least thirty days prior to any such disposition of property on the agency inventory list, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the state auditor.

Effect: Not in compliance with the State Auditor Rule 2.2.2.10 requirements pertaining to notifying the State Auditor's Office of asset disposal.

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

Auditors' Recommendation: Management should establish controls and procedures necessary to ensure that the Fair is notifying the State Auditor's Office of all capital asset disposals thirty days prior to disposing of the asset.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Management's Response: Management agrees with this finding. In the future, the state auditor will be notified of all capital asset disposals.

FS 10-04 Compensated Absences

Condition: During our compensated absences testwork we noted that an employee who had left the Fair, and exhausted all of their leave, was still accruing leave in the Fair's system. This was due to the agency not marking the employee as terminated in their system.

Criteria: The reports generated from the Fair's system shows the amount of leave the employee has earned, used and has available to date. These amounts should accurately reflect the true balances of the employee's leave.

Effect: The Fair's leave schedule did not accurately reflect the amount of leave they were earning, using and had available at the end of each pay period and at the end of the fiscal year.

Cause: The agency's employees were not marking terminated employees are terminated in the payroll system.

Auditors' Recommendation: Management should establish controls and procedures necessary to ensure that the Fair is properly terminating the employee in all systems once termination has occurred.

Management's Response: The State Fair has implemented formal monthly financial close procedures over the past several years. Finance staff meets with the CFO monthly to review varying areas of responsibility. Close procedures will be updated to ensure the payroll supervisor provides a tie out of compensating balances to the controller on a monthly basis. In December of 2009, the state fair human resources director retired and was not replaced because of the hiring freeze and budgetary considerations. Until his retirement, the human resources director had been charged with oversight of the payroll function. The controller has been assigned to oversee the payroll function, and a repeat of this finding will not occur.

FS 10-05 Stale Dated Transactions

Condition: The Fair is in violation of New Mexico Statutes, Section 6-10-57, NMSA, 1978 regarding stale-dated checks. The Fair maintained multiple stale-stated checks on the bank reconciliation that were dated over one year old at June 30, 2010. The checks totaled \$30,999.

Criteria: New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation requires local public bodies to cancel or void any check that is unpaid for one year after it is written.

Effect: The Fair was in violation of New Mexico Statute, Section 6-10-57, NMSA, 1978. Cash balances were not accurately reflected as a result of stale-dated transactions appearing on the outstanding check listings. Outstanding items noted must be addressed and cleared.

Cause: The State does not allow the Fair to void checks that are stale dated.

Auditors' Recommendation: We recommend that the Office implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated transactions. If transactions on the outstanding check listings are greater than one year old we recommend these checks be voided.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

Management's Response: Management will take the steps necessary to comply with NM Statutes, Section 6-10-57, NMSA, 1978. It should be noted that the controller does indeed spend a significant amount of time reconciling all cash accounts on a monthly basis and in a timely manner. The cash reconciliation procedures have been the same for the past several years. The annual audits conducted of the State Fair by approved audit firms have not identified this as a significant deficiency in the past audits. The Fair will make sure that the reconciling items that have been carried forward from past years' bank reconciliations are adjusted in FY 2011 financial statements.

FS 10-06 Bank Reconciliations

Condition: The Fair's June 2010 bank reconciliations do not tie to the trial balance provided due to a sub ledger difference of \$2,899 that has been continuously carried forward for several years as well as Zero-Based Accounting differences of (\$37,426) that have also been carried forward for several years.

Criteria: Statement on Auditing Standards (SAS) 112 Section 402.61 states that "A cash reconciliation that reconciles from the bank to the general ledger balance should be prepared to determine that all transactions have been recorded properly and to discover bank errors."

Effect: Without proper reconciliations, cash may be misstated on the financial statements.

Cause: The bank statement was not properly reconciled to the general ledger. There is an un-reconciled difference of \$34,527.

Auditors' Recommendation: The Fair should reconcile bank accounts monthly and in a timely manner. Furthermore, the Fair should reconcile any un-reconciled differences and move forward with clean bank reconciliations.

Management's Response: Management will take the steps necessary to comply with NM Statutes, Section 6-10-57, NMSA, 1978. It should be noted that the controller does indeed spend a significant amount of time reconciling all cash accounts on a monthly basis and in a timely manner. The cash reconciliation procedures have been the same for the past several years. The annual audits conducted of the state fair by approved audit firms have not identified this as a significant deficiency in the past audits. The Fair will make sure that the reconciling items that have been carried forward from past years' bank reconciliations are adjusted in FY 2011 financial statements.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
JUNE 30, 2010

Section III – Prior Year Audit Findings

07-01 Material Weakness over the Capitalization Policy – *Repeated*

08-01 Significant Deficiency over the Review and Approval Process – *Resolved*

08-03 Control Deficiency over Supporting Documentation – *Modified and Repeated*

08-04 Significant Deficiency over Over-Expanded Appropriation Units – *Modified and Repeated*

09-01 Control Deficiency over the Timeliness of Cash Deposits – *Resolved*

09-02 Significant Deficiency over Capital Asset Inventory – *Repeated*

Section IV – Other Disclosures

Auditor Prepared Financials

The financial statements presented in this report were prepared by the auditors, Griego Professional Services, LLC.

Exit Conference

The contents of this report were discussed on December 14, 2010. The following individuals were in attendance.

State Fair Commission

Craig Swagerty, General Manager
David Sanchez, Chairman
Janice Edwards, Controller
David Roybal, Budget Analyst

Griego Professional Services, LLC

J.J. Griego, CPA