

STATE OF NEW MEXICO
STATE FAIR COMMISSION
INDEPENDENT AUDITOR'S REPORT
AND ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

INTRODUCTORY SECTION

STATE OF NEW MEXICO
STATE FAIR COMMISSION
FOR THE YEAR ENDED JUNE 30, 2013
TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
TABLE OF CONTENTS		i
OFFICIAL ROSTER		ii
FINANCIAL SECTION		
INDEPENDENT AUDITOR'S REPORT		1
BASIC FINANCIAL STATEMENTS:		
STATEMENT OF NET POSITION	A-1	3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	A-2	4
STATEMENT OF CASH FLOWS	A-3	5
NOTES TO THE FINANCIAL STATEMENTS		6
	<u>Schedule</u>	<u>Page</u>
SUPPLEMENTARY INFORMATION		
SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL (NON-GAAP BASIS)	I	15
SCHEDULE OF DEPOSIT ACCOUNTS	II	16
SCHEDULE OF PLEDGED COLLATERAL	III	17
COMPLIANCE SECTION		
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>		18
SCHEDULE OF FINDINGS AND RESPONSES		20

STATE OF NEW MEXICO
STATE FAIR COMMISSION
OFFICIAL ROSTER
JUNE 30, 2013

MEMBERS

Larry Kennedy
Matthew Rush
Chuck Brown
Kenneth Smith
David Sanchez
Kenneth Goff
Charlotte Rode

Chairman
Secretary Treasurer
Member
Member
Member
Member
Member

ADMINISTRATION

Dan Mourning
Bill Nordin
Tammy Sorem

General Manager
Chief Finance Officer
Controller

FINANCIAL SECTION



Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying basic financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico State Fair Commission (the Fair), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Fair's basic financial statements as listed in the table of contents. We have also audited the financial statement of each of the Fair's budgetary comparisons for the major proprietary funds presented as supplementary information as defined by the Government Accounting Standards Board, in the accompanying individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and aggregate remaining fund information of the Fair, of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the respective changes in financial position and cash flows, thereof and the budgetary comparison for the major proprietary funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Fair's financial statements, the individual fund financial statements, and the budgetary comparisons. The other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by 2.2.2 NMAC are fairly stated in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the Fair's internal control over financial reporting and compliance.



Albuquerque, New Mexico
December 13, 2013

STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2013

Exhibit A-1

ASSETS

Cash and cash equivalents	\$	1,152,765
Restricted cash		1,789,460
Accounts and other receivables (net of allowance of \$197,363)		347,990
Other current assets		264
Capital assets, net (Note		48,376,123
<i>Total assets</i>	\$	<u><u>51,666,602</u></u>

LIABILITIES

Accounts payable		2,496,853
Accrued liabilities		103,885
Accrued interest		-
Deposits		132,998
Noncurrent liabilities (Note):		
Due within one year		785,052
Due within more than one year		676,255
<i>Total liabilities</i>		<u><u>4,195,043</u></u>

DEFERRED INFLOWS OF REVENUES

Unearned revenue		<u>120,737</u>
------------------	--	----------------

NET POSITION

Net investment in capital assets		47,048,556
Restricted for debt service		1,327,567
Restricted for capital improvement projects		1,232,441
Restricted for bond escrow		557,019
Unrestricted (deficit)		<u>(2,814,761)</u>
<i>Total net position</i>	\$	<u><u>47,350,822</u></u>

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

STATE FAIR COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

<i>Operating revenues:</i>	
Admissions, rides, entry fees	\$ 3,315,800
Rentals	1,971,568
Racing and gaming rent	2,297,653
Sponsorship in-kind revenues	1,085,966
Concessions	1,326,217
Parking	1,129,243
Service and fee income	588,504
Sponsorship and advertising	287,763
Feed store sales	11,430
Commissions	106,926
Other	20,434
<i>Total operating revenues</i>	<u>12,141,504</u>
<i>Operating expenses:</i>	
Salaries and employee benefits	4,994,632
Other professional services	2,007,335
Depreciation and amortization expense	2,751,937
Sponsorship in-kind expense	1,085,966
Utilities	1,200,996
Contractual security	766,367
Repairs and maintenance	583,581
Advertising	423,824
Other	294,715
Supplies	74,294
Equipment rental	208,306
Premiums and awards	89,961
Bad debt expense	1,650
Insurance	128,610
<i>Total operating expenses</i>	<u>14,612,174</u>
<i>Operating loss</i>	<u>(2,470,670)</u>
<i>Non-operating revenue (expenses):</i>	
Contributed capital revenue	1,070,261
Interest income	1,964
Gain on sale of capital assets	-
Interest expense	(58,813)
<i>Non-operating revenue</i>	<u>1,013,412</u>
<i>Change in net position</i>	(1,457,258)
<i>Net position, beginning of year</i>	<u>48,808,080</u>
<i>Net position, end of year</i>	<u>\$ 47,350,822</u>

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit A-3

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 11,896,316
Cash payments to suppliers of goods and services	(6,590,704)
Cash payments to employees for services	(4,994,353)
<i>Net cash provided by operating activities</i>	<u>311,259</u>
 <i>Cash flows from capital and related financing activities:</i>	
Purchase of property and equipment	(484,181)
Principal payments on revenue bonds	(628,199)
Proceeds from contributed capital	1,070,261
Interest paid on bonds and capital leases	(70,405)
<i>Net cash used for capital and related financing activities</i>	<u>(112,524)</u>
 <i>Cash flows from investing activities:</i>	
Interest earned	1,964
<i>Net cash provided by investing activities</i>	<u>1,964</u>
 <i>Net increase in cash and cash equivalent</i>	 200,699
 <i>Cash and cash equivalents, beginning of year</i>	 <u>2,741,526</u>
 <i>Cash and cash equivalents, end of year</i>	 <u>\$ 2,942,225</u>
 <i>Reconciliation of operating loss to net cash provided by operating activities:</i>	
Operating loss	\$ (2,470,670)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,840,521
Changes in assets and liabilities:	
Increase in accounts and other receivables	(248,523)
Decrease in other assets	55,792
Increase in accounts payable	130,525
Increase in accrued payroll	16,625
Increase in gross receipts taxes	7,763
Increase in deposits	42,584
Decrease in unearned revenue	(47,012)
Decrease in compensated absences	(16,346)
 <i>Net cash provided by operating activities</i>	 <u>\$ 311,259</u>

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 (7) member State Fair Commission appointed by the governor to staggered terms of five (5) 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, *The Financial Reporting Entity*, (as amended by GASB Statement 39, *Determining Whether Certain Organizations are Component Units*), the Fair is part of the primary government of the State of New Mexico (State), 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, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units that Use Proprietary Accounting*, 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)

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (continued)

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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 unearned.

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 demand deposits with repurchase agreements, money market accounts, and cash retained in cash drawers and petty cash funds. 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.

State statutes also require that 50% of the uninsured balance is secured by pledges of qualifying securities held by the depository. Demand accounts are insured up to \$250,000 per depositor, per insured bank, for each account ownership category. From December 31, 2010 through December 31, 2012, at all FDIC insured institutions, deposits held in non-interest bearing transaction accounts will be fully regardless of the amount in the account.

F. Restricted Cash

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

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, 2013.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. Summary of Significant Accounting Policies

H. Capital Assets

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. Unearned 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.

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 Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. 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 Position

Net position is reported as restricted when external or legal constraints are placed on their use. Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets". Net position is categorized as:

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

1. Restricted for Debt Service: Funds used to account for the accumulation of resources for and the payment of long-term obligation principal payments.
2. Restricted for Capital Projects: Funds used for capital outlay expenses.
3. Unrestricted: Funds not restricted for any project or any other purpose.

M. 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 resources and then to unrestricted resources.

N. 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.

O. 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.

P. Advertising

Non-direct advertising costs are expensed as incurred. Total advertising costs for year ended June 30, 2013 were \$423,824.

Q. 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.

R. Subsequent Events

Subsequent events have been evaluated through December 10, 2013, which is the date the financial statements were available to be issued. As of this date, the Fair had no significant subsequent events.

NOTE 2. Cash and Cash Equivalents

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, 2013 consisted of the following:

Unrestricted:	
Operating account	\$ 1,132,255
Cash drawers	18,510
Petty cash	<u>2,000</u>
Total Unrestricted	<u>1,152,765</u>
Restricted:	
General account for capital projects	1,232,441
Bond escrow money market fund	<u>557,019</u>
Total Restricted	<u>1,789,460</u>
Total Cash and Cash Equivalents	<u>\$ 2,942,225</u>

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. None of the balance was subject to custodial credit risk at June 30, 2013. This amount is collateralized by securities held in the name of the bank. For further information, please see Schedule II and Schedule III under Supplementary Information in the Table of Contents.

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 Receivables

Accounts receivables consist of the following at June 30, 2013:

Various customers receivables	\$ 477,372
Returned checks	<u>67,981</u>
Total Accounts Receivable	545,353
Less: Allowance for doubtful accounts	<u>(197,363)</u>
Net Accounts Receivable	<u>\$ 347,990</u>

NOTE 4. Capital Assets

A summary of capital asset changes for the year ended June 30, 2013 follow. Land and construction in progress are not subject to depreciation. Vehicles and equipment consists of motor vehicles, data processing equipment, and equipment and machinery.

NOTE 4. Capital Assets (Continued)

	Balance June 30, 2012	Additions	Deletions	Transfers	Balance June 30, 2013
<i>Capital assets used in business activities</i>					
Land	\$ 819,340	\$ 0	\$ 0	\$ 0	\$ 819,340
Construction in progress	0	0	0	0	0
Total non-depreciable assets	<u>819,340</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>819,340</u>
Buildings	69,899,034	249,384	0	(85,586)	70,062,832
Other improvements	16,852,938	200,843	0	85,587	17,139,368
Motor vehicles	549,755	9,000	0	0	558,755
Data processing equipment	1,741,331	0	0	0	1,741,331
Equipment and machinery	3,204,176	13,708	0	0	3,217,884
Office furniture and fixtures	1,469,177	11,246	0	(1)	1,400,221
Total depreciable assets	<u>93,716,411</u>	<u>484,181</u>	<u>0</u>	<u>0</u>	<u>94,200,592</u>
Total assets	<u>94,535,751</u>	<u>484,181</u>	<u>0</u>	<u>0</u>	<u>95,019,932</u>
<i>Accumulated depreciation</i>					
Building	31,573,981	1,992,550	0	0	33,566,531
Other Improvements	5,675,692	494,131	0	0	6,169,823
Motor vehicles	534,589	10,722	0	0	545,311
Data processing equipment	1,705,929	36,457	0	0	1,742,386
Equipment and machinery	3,125,122	284,842	0	0	3,409,964
Office furniture and fixtures	1,187,975	21,819	0	0	1,209,794
Total accumulated depreciation	<u>43,803,288</u>	<u>2,840,521</u>	<u>0</u>	<u>0</u>	<u>46,643,809</u>
Net capital assets	<u>\$ 50,732,463</u>	<u>\$(2,356,340)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,376,123</u>

Depreciation expense for the year ended June 30, 2013 was \$ 2,840,521. All of the depreciation expense of \$ 2,840,521 was allocated to the Commission's general government function.

NOTE 5. Accounts Payable

Accounts payable consist of invoices for goods and services that were due at June 30, 2013 and total \$2,496,853. Of this amount \$1,830,367 represents an amount due to the State of New Mexico General Service Department for prior year insurance premiums and other charges.

NOTE 6. Compensated Absences

Compensated absences consist of accrued vacation, sick leave, and compensatory time payable from future operations. A summary of changes in compensated absences payable for the year ended June 30, 2013 is as follows:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2013</u>	Due within <u>One Year</u>
Compensated absences	\$ 150,086	\$ 27,257	\$ 43,603	\$ 133,740	\$ 133,740

NOTE 7. Long-term Debt

A. Bond Liabilities

On September 19, 2004, the Fair issued \$5,555,556 of Pari-Mutuel Tax Improvement Revenue Bonds in order to defray costs of capital improvements for the New Mexico State Fairgrounds including but not limited to gas, water, and sewer lines, building upgrades, and construction of new structures, telephone systems, and parking lot repairs. Proceeds were also authorized to be used for funding a Debt Service Reserve Account, payment of principal, interest expense, and administrative fees from 50% of the proceeds from the bonds. The New Mexico Finance Authority (NMFA) is custodian of the bonds. The bonds are mature on November 1, 2014 and bear interest rates from 1.26% to 3.67%.

The annual requirements to amortize revenue bonds as of June 30, 2013, including interest payments are as follows:

Fiscal Year			
Ending June 30,	Principal	Interest	Total
2014	651,312	36,444	687,756
2015	676,255	12,409	688,664
	<u>\$ 1,327,567</u>	<u>\$ 48,853</u>	<u>\$ 1,376,420</u>

There was no bond issuance costs associated with the Series 2004 bonds. All costs were subsidized by the New Mexico Finance Authority.

B. Changes in Long-term Debt

Long-term debt activity for the year ended June 30, 2013 is as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within</u>
	<u>June 30, 2012</u>			<u>June 30, 2013</u>	<u>One Year</u>
Bonds payable	\$ 1,955,766	\$ 0	\$ 628,199	\$ 1,327,567	\$ 651,312

NOTE 8. Unearned Revenue

The Fair has collected deposits for the annual September Fair and other events occurring in the subsequent fiscal year. At June 30, 2013, the balance in deferred revenue of \$120,737 consists of advance payments for admissions, concessions, and exhibits.

NOTE 9. 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 NMFA for the Series 2004 Bonds. The Pari-Mutuel tax earmarks 50% of the tax and three-sixteenths percent (3/16%) 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 10. 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, 2013:

Media services and other	\$ 1,085,966
--------------------------	--------------

During the current year, there was no net effect on net income by In-Kind services 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 11. Pension Plan – Public Employees Retirement Association (PERA)

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 Act (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 <http://www.pera.state.nm.us>

Funding Policy. Plan members are required to contribute 8.92% (ranges from 3.83% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Fair is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. 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, 2013, 2012, and 2011 were \$235,214, \$220,315, and \$353,342, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 12. Post-Employee 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 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.

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

NOTE 12. Post-Employee Benefits – State Retiree Health Care Plan (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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee’s annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Fair’s contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$30,339, \$28,035, and \$38,562, respectively, which equal the required contributions for each year.

NOTE 13. Contributed Capital Revenue

The following amounts were recorded as contributed capital revenues for capital improvement projects for the year ended June 30, 2013:

State of New Mexico Severance Tax Bond Proceeds	\$ 226,304
Pari Mutuel Tax Proceeds	<u>842,957</u>
Total Contributed Capital Revenue	<u>\$ 1,070,261</u>

NOTE 14. Risk Management

The Fair is subject to various legal proceedings claims and liabilities which arise in the ordinary course of the Fair’s operations. It is defined as a State Agency in the New Mexico Tort Claims Act and 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, 2013, the Fair had no claims which the Risk Management Division has returned as not covered that would become the responsibility of the Fair.

NOTE 15. Joint Powers Agreement

The Fair entered into a Joint Powers Agreement (JPA) with the New Mexico Department of Public Safety to provide additional security during the 2012 NMSF. The parties entered into the JPA in August 2011 to provide fifty-six (56) NMDPS employees to provide additional assistance and security. The agreed upon payment was not to exceed \$130,000 for reimbursement of mileage, per diem, overtime, and related expenses incurred by NMDPS. Actual amount paid for services rendered totaled \$130,000.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

STATE FAIR COMMISSION

STATEMENT OF REVENUES AND EXPENSES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Admissions	\$ 2,504,000	\$ 2,454,000	\$ 3,315,800	\$ 861,800
Building rental	4,100,000	4,000,000	4,269,221	269,221
Other services (excluding in-kind)	2,665,300	2,165,300	2,144,300	(21,000)
Concessions and exhibits	2,100,000	2,100,000	1,326,217	(773,783)
Miscellaneous and Pari-Mutual Tax	696,000	696,000	843,957	147,957
<i>Total revenues</i>	<u>\$ 12,065,300</u>	<u>\$ 11,415,300</u>	<u>\$ 11,899,495</u>	<u>\$ 484,195</u>
<i>Expenses:</i>				
Personal services	\$ 3,898,000	\$ 4,748,000	4,994,632	\$ (246,632)
Contractual services	4,384,000	3,534,000	2,773,702	760,298
Other costs (including debt payments)	3,783,300	3,133,300	2,561,911	571,389
<i>Total expenses</i>	<u>\$ 12,065,300</u>	<u>\$ 11,415,300</u>	<u>\$ 10,330,245</u>	<u>\$ 1,085,055</u>
<i>Excess (deficiency) of revenues over expenses - budgetary basis</i>			\$ 1,569,250	
<i>Adjustments to conform to Generally Accepted Accounting Principles:</i>				
Debt principal payments recorded as a budgetary expense			628,199	
Depreciation and amortization expenses			(2,751,937)	
Plus in-kind contributions treated as revenue			1,085,966	
Less in-kind contributions treated as expenses			(1,085,966)	
Interest expense			(58,813)	
Other contributed capital revenue			(843,957)	
<i>Statement of Revenues, Expenses and Changes in Net Position</i>			<u>\$ (1,457,258)</u>	

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2013

Schedule II

<u>Depository/Account Name</u>	<u>Account Type</u>	<u>Cash per Bank June 30, 2013</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Adjusted Cash June 30, 2013</u>
<i>Wells Fargo:</i>					
Operating account *	Checking	\$ 1,238,793	\$ 208,279	\$ (136,121)	\$ 1,310,951
General account ***	Checking	1,053,595	-	-	1,053,595
Payroll account **	Checking	-	17,330	(17,330)	-
Payroll tax account **	Checking	-	18,614	(18,614)	-
Premium account **	Checking	-	4,829	(4,679)	150
<i>NMFA - Bank of Albuquerque:</i>					
2004 bond account	Savings	557,019	-	-	557,019
Total cash accounts		<u>2,849,407</u>	<u>249,052</u>	<u>(176,744)</u>	<u>2,921,715</u>
Repurchase agreement - Wells Fargo		-	-	-	-
Petty cash and cash drawers		<u>20,510</u>	<u>-</u>	<u>-</u>	<u>20,510</u>
Total cash and cash equivalents		<u>\$ 2,869,917</u>	<u>\$ 249,052</u>	<u>\$ (176,744)</u>	<u>\$ 2,942,225</u>

* Account is a non-interest bearing demand account

** Account is a Zero Balance Account (ZBA) that is used as a clearing account for checks

*** Restricted Funds

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2013

Schedule III

	Wells Fargo	Bank of Albuquerque	Total
Total amounts of deposits per bank	\$ 1,630,368	\$ 558,022	\$ 2,188,390
Repurchase agreement	934,875	-	934,875
Total value of accounts	2,565,243	558,022	3,123,265
Less: FDIC insurance	(2,565,243)	(250,000)	(2,815,243)
Less: NMFA guarantee	-	(308,022)	(308,022)
Total Uninsured Public Funds	\$ -	\$ -	\$ -
 50% collateral requirement	 \$ -	 \$ -	 \$ -
Pledged Collateral at Market Value:			
Less: Collateralization	-	-	-
Over Collateralized	\$ -	\$ -	\$ -

COMPLIANCE SECTION



Griego Professional Services, LLC

Certified Public Accountants

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*

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, the aggregate remaining fund information, of the State of New Mexico State Fair Commission (the Fair) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Fair's basic financial statements, and individual funds and related budgetary comparisons of the Fair, presented as supplemental information, and have issued our report thereon dated December 13, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Fair's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fair's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fair's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations during our audit we did not identify any deficiencies in internal control that were considered to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies and are listed as items FS 08-03, FS 09-02, FS 11-03, FS 12-02, FS 12-08, FS13-01, FS 13-02 and FS13-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State 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 FS 09-02, FS 12-02, FS 12-08, FS13-01 and FS 13-03.

P.O. Box 37379 • Albuquerque, NM 87176-7379
8500 Menaul Blvd. NE, Ste. B295 • Albuquerque, NM 87112
Phone (505) 856-2741 - Fax (505) 856-7510

The Fair's Responses to Findings

The Fair's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Fair's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Grego Professional Services, LLC".

Albuquerque, New Mexico
December 13, 2013

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Section I – Summary of Audit Results

Financial Statements:

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

Section II – Financial Statement Findings

FS 08-03 Supporting Documentation – Modified and Repeated – Significant Deficiency

Criteria: It is good accounting practice to maintain documentation of terms and discounts and keep supporting documentation for each contract organized in a manner that is easily accessible.

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

In-Kind Sponsorship Testwork

- Ten out of fifteen instances no invoices were on file
- Ten out of fifteen instances no proof of receipt was on file, unable to determine goods/services were received.
 - Total amount of in-kind sponsorship without invoices or proof of receipt is \$282,938.17 of \$285,258.17 tested.
- Four out of fifteen instances where no contract could be found
 - Total amount of contracts that were not found is \$ 12,947.77; this amount is part of the amount above where no invoice or proof of receipt was found either.

Contract Testwork

- One out of ten instances where no contract could be found
 - Total amount of contract not found is \$1,000.00 of \$90,593.71 tested.

Effect: EXPO is not in compliance with good accounting practices including keeping a copy of all contracts that are in place; maintaining supporting documentation including, but not limited to invoices, and receiving reports and all other necessary documentation that is involved in any contractual transactions. In doing so, EXPO is at risk of not having documentation that proves they have or have not received services and goods promised through contractual agreements between other entities.

Cause: Lack of effective procedures in place to ensure that all contracts and supporting documentation are obtained and kept in an easily accessible, organized manner for each transaction.

Auditors' Recommendation: EXPO should request invoices, receipts and documentation that support the contract put into place. Documentation should state the in-kind sponsorship they are receiving and aid in keeping track of items received. Management should establish procedures to ensure that all transactions have complete and accurate supporting documentation to document the in-kind sponsorship was indeed received. Several employees should also be cross-trained to locate items in instances where personnel in charge is out of office.

Responsible Officials' Views: Management concurs with the auditor's recommendation. Management has already completed the process of changing this department's oversight, this department now reports to our CFO and will be part of the accounting department going forward. Procedures will be written to ensure that all transactions have complete and accurate supporting documentation to document the in-kind sponsorship was indeed received.

FS 09-02 - No approval over Annual Inventory - Modified and Repeated - Significant Deficiency

Criteria: NMAC 2.20.1.16 states, "(A) At the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of five thousand dollars (\$5,000) or more, under the control of the governing authority. (D) The inventory process shall produce a list of the property and the date and cost of acquisition. The annual physical inventory check against losses not previously revealed and brings to light errors in records of accountability, but more importantly, a systematic physical inventory of fixed assets provides an opportunity for surveying their physical condition, with respect to their need for repairs, maintenance or replacement. (E) The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency. In the process of conducting their fieldwork, the state auditor or independent public accountant under a contract approved by the state auditor may test the correctness of the inventory by generally accepted audit procedures."

Condition: During our capital asset testwork, we noted that a year-end physical inventory count for all capital assets was done; however, the inventory count was lacking the following items:

- No valuation of items was included in the inventory list
- Cost of acquisition not completed for most items on inventory list
- No signature of review of written inventory by governing authority

Effect: EXPO New Mexico is not in compliance with NMAC 2.20.1.16, by not having all necessary items needed with inventory list, we are unable to determine true valuation of all inventory.

Cause: Lack of effective controls or procedures associated with inventory.

Auditors' Recommendation: Management should establish controls and procedures necessary to ensure that a physical inventory of all equipment is performed completely and correctly; including valuation of items, cost of acquisition and signature of review by governing authority. Additionally, we recommend that reconciliation between the physical inventory results and the capital asset inventory listing be performed to identify any necessary adjustments.

Responsible Officials' Views: Management concurs with the auditor's recommendation. Management will work on establishing controls and procedures necessary to ensure that a physical inventory of all equipment is performed completely and correctly; including valuation of items and cost of acquisition. Management will review and sign off on this inventory. Management will also begin the work of reconciliation between the physical inventory results and the capital asset inventory listing.

FS 11-03 - Internal Control Structure Design - Repeated - Significant Deficiency

Criteria: An entity should establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state funds are managed in compliance with applicable laws and regulations. An internal control structure should include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

Condition: The Fair does not have a current comprehensive documented internal control structure. We noted the Fair has not completely updated procedural manuals on a timely basis, including key internal control procedures entity wide or for daily operating activities.

Effect: The Fair has not maintained a formal policy and procedure manual. The lack of formally written policies and procedures may result in grant noncompliance and/or potential errors and misstatements in times of personnel turnover and personnel reductions.

Cause: The Fair has not formally written all internal control policies and procedures. The Fair has written some policies and procedures within departments and is making tremendous improvements and effort, but has not formalized internal controls for the entity as a whole.

Auditor's Recommendation: The Fair should update and complete a formalized comprehensive internal control structure and ensure that it is followed.

Responsible Officials' Views: Management concurs with the auditor's recommendation. While we did rewrite parts of our internal control structure, including procedures dealing with the handling of cash. The entire internal control structure is still under review and we are hopeful that entire procedure manual will be rewritten by the end of FY15.

FS 12-02 – Per Diem and Mileage Act - Significant Deficiency

Criteria: NMAC 2.42.2 governs the payment of per diem rates and mileage and the reimbursement of expenses for all salaried and non-salaried public officers and employees of all state agencies and local public bodies. NMAC 2.42.2.10 states "Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC."

Condition: During fiscal year 2013, we tested the Fair's compliance with the per diem and mileage act and we noted the following:

- 8 out of 10 instances in which the Fair advanced 100% of travel expenses, prior to completion of travel
 - Travel advances paid at 100% prior to completion of travel total \$2,495.72 of \$2,811.37 tested. Support was provided by employees after the trip.

Cause: The Fair is not following NMAC travel and per diem act in regards to travel reimbursements advances.

Effect: The Fair is not in compliance with New Mexico law, and could potentially over/under reimbursed employees for travel.

Auditor's Recommendation: We recommend that the Fair change their travel and per diem policies to match the policies provided by NMAC 2.42.2.10; in doing so they should only reimburse 80% of expected travel expenditures and pay out the remaining 20% after the travel has been completed.

Responsible Officials' Views: Management concurs with the auditor's recommendation. Management discovered this problem during FY 13 and new policies and procedures to comply with state statute were written and implemented. Implementation on these procedures were made after the trips that these findings were discovered.

FS 12-08 – Hiring Process – Approval - Significant Deficiency

Criteria: NMSA 16-6-4 indicates that "the commission, among other duties, shall prepare, adopt, publish and enforce all necessary rules for the management of the New Mexico state fair, its meetings and exhibitions and for the guidance of its officers, employees and exhibitors. The commission shall determine the duties, compensation and tenure of office of all of its officers and employees and may remove from office or discharge any person appointed or employed by it at will and shall have the power to appoint all necessary fairgrounds police to keep order on the grounds and in the buildings of the state fair."

Condition: According to personnel documentation, it does not appear that the commission authorized the hiring of the General Manager of the Fair. The commission approved the Interim Deputy Director the authority to perform General Manager and operational duties of EXPO as of July 29, 2011. The interim director was officially promoted to General Manager on May 12, 2012 without documented Commission approval.

Effect: The Fair is not in compliance with New Mexico Administrative Code which specifies the commission's duties to oversee the State Fairs operations, including the duties and hiring of the General Manager/Agency Director and other officers and employees.

Cause: The Fair's commission did not formally authorize or appoint the position of General Manager or Agency Director to his position. This can be formalized via minutes of the commission authorizing the appointment.

Auditors' Recommendation: The Fair must establish a policy and procedure to ensure internal controls are implemented and enforced, in order to comply with State requirements with regard to the determination of duties of the Fair's officers and the hiring process of such officer's.

Responsible Officials' Views: This matter is to be address at the January 2014, New Mexico State Fair Commission meeting.

FS 13-01 –Payroll - Significant Deficiency

Criteria: NMAC 6.20.2.18 states the local board shall establish written payroll policies and procedures which comply with state and federal regulations on payroll as well as maintaining strict internal controls, close supervision and financial accounting in accordance with GAAP. They shall maintain and have available upon inspection the following employee record documentation: personnel/payroll action form, certification records, employment eligibility verification (federal I-9 for citizenship certification), federal and state withholding allowance plan application, and direct deposit authorizations. The Immigration Reform & Control Act of 1986 requires all employees hired after November 6, 1986 to complete an I-9 form within 3 days of hire. This form is to be retained for either three years after hire or one year after the date of termination, whichever is later.

Condition: During our testwork of payroll we noted the following:

- 8 out of 25 instances in which the I-9 on file was incomplete

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

Effect: EXPO is not in compliance with State statutes and the Immigration Reform & Control Act of 1986 and could be subject to penalties.

Auditor's Recommendation: EXPO must require all employees and employer to complete the necessary forms and retain the necessary documents in each employee's personnel file including making sure the date form is completed is filled out on the form. In addition, the District should make periodic checks to ensure all such information is being properly maintained. Management should establish procedures to ensure that all transactions have complete and accurate supporting documentation.

Responsible Officials' Views: Management concurs with the auditor's recommendation and is taking steps to implement these recommendations.

FS 13-02 –Compensated Absences - Significant Deficiency

Criteria: Sound financial management in maintaining records necessary for accruing leave would indicate EXPO New Mexico would maintain detailed records necessary for making precise accrual. Our audit estimate for this unrecorded liability has not been significant in the past; however, the potential for problems in making an estimate in the absence of such detail can be tremendous.

Condition: During our testwork we found that EXPO New Mexico was unable to produce a report showing valuation of year-to-date leave used on a summary level or an individually employee level, until January 2013 when the Controller began keeping a list to reconcile to.

Cause: EXPO New Mexico's system, Mass-90, would only produce a report within each payroll register on an individually level, this report is one of the many in Mass-90 that cannot be reproduced once it is printed; Mass-90 was also unable to generate a report that started at any time during the year other than the beginning of the year to end of year.

Effect: Without an accurate record of leave used, we are unable to properly accurately accrue the correct liability for compensated absences at fiscal yearend for the entity.

Auditors' Recommendation: We recommend that EXPO New Mexico consider maintaining a detailed analysis of vacation earned by employee in order to record the liability at fiscal year end. Computer software programs for maintaining such records are available.

Responsible Officials' Views: Management concurs with the auditor's recommendation.

FS 13-03 – Lack of Documentation for Disbursements-Significant Deficiency

Criteria: NMSA 6-6-3 states "Every local body shall (A) keep all books, records and accounts in their respective offices in the form prescribed by the local government division and (C) conform to the rules and regulations adopted by the local government division. It is also good accounting practice to insure that contracts are in place prior to events taking place and under emergency situations documentation and approval of extreme circumstances are recorded.

Condition: During our disbursements testwork, we noted that one out of twenty-five instances where the contract was signed after the event took place; the contract amount was \$150.00.

Effect: EXPO New Mexico is not in compliance with NMSA 6-6-3, by not having all documents available to verify endorsements; and by placing contracts in place after a service is rendered.

Cause: Personnel and management allowed event to happen prior to a contract being put into place. The entity has also not signed up for services through the bank to have check images sent to them; these services are available through all banks today.

Auditors' Recommendation: Management should establish controls and procedures necessary to ensure that a contract is put into place at all times prior to any event taking place and in rare instances that an event take place prior to a contract, that the contract be signed as soon as possible and that documentation stating reason for event taking place prior to contract be documented, kept on file and signed by governing authority.

Responsible Officials' Views: Management concurs with the auditor's recommendation.

STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Section III – Prior Year Audit Findings

FS 08-01 Significant Deficiency over the Review and Approval Process – Resolved
FS 08-03 Significant Deficiency over Supporting Documentation – Modified and Repeated
FS 09-02 Significant Deficiency over Capital Asset Inventory – Modified and Repeated
FS 11-02 Significant Deficiency over Segregation of Duties – Resolved
FS 11-03 Significant Deficiency in Internal Control Structure Design – Repeated
FS 12-01 Material Weakness in Budgetary Conditions – Resolved
FS 12-02 Significant Deficiency in Per Diem & Mileage Act – Modified and Repeated
FS 12-03 Significant Deficiency in Request for Proposal (RFP) Process – Resolved
FS 12-04 Control Deficiency in State Procurement Regulations -- Resolved
FS 12-05 Significant Deficiency in State Purchasing Regulations –Committee Selection -- Resolved
FS 12-06 Significant Deficiency in Unauthorized Release of Information to the Public -- Resolved
FS 12-07 Significant Deficiency in State Purchasing Regulations – Communication – Resolved
FS 12-08 Significant Deficiency in Hiring Process – Approval -- Repeated

Section IV – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The Fair's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference

The contents of this report were discussed on December 13, 2013. The following individuals were in attendance.

State Fair Commission

Dan Mourning, General Manager
Larry Kennedy, Chairman
Bill Nordin, CFO
Tammy Sorem, Controller
Allison Hedgecock, Chief Legal Counsel
Dupey Bateman, Contractor
John Jaramillo, Deputy Director

Griego Professional Services, LLC

J.J. Griego, CPA