

STATE OF NEW MEXICO
STATE FAIR COMMISSION
INDEPENDENT AUDITOR'S REPORT
AND ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016



INTRODUCTORY SECTION

STATE OF NEW MEXICO
STATE FAIR COMMISSION
FOR THE YEAR ENDED JUNE 30, 2016
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STATE OF NEW MEXICO
STATE FAIR COMMISSION
OFFICIAL ROSTER
JUNE 30, 2016

MEMBERS

Larry Kennedy
David "Hossie" Sanchez
Chuck Brown
Bill Lee
Xavier Jurado

Chairman
Secretary Treasurer
Member
Member
Member

ADMINISTRATION

Dan Mourning
Bill Nordin
Antoinette Kulinna

General Manager
Chief Finance Officer
Financial Specialist

FINANCIAL SECTION

Independent Auditor's Report

6200 Uptown Blvd NE
Suite 400
Albuquerque, NM 87110
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Timothy Keller, New Mexico State Auditor and
State of New Mexico State Fair Commission
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, of the State of New Mexico State Fair Commission (Fair) as of and for the year ended June 30, 2016, 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 statements of each of the Fair's budgetary comparisons for the major capital project fund and proprietary fund, presented as supplementary information, as defined by Government Accounting Standards Board, in the accompanying individual fund financial statements as of and for the year ended June 30, 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fair, as of June 30, 2016, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the major capital project and proprietary funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1, the financial statements of the Fair are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Fair. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required 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.

Supplemental 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 Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 the 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 basic financial statements as a whole.

Other Information

The Schedule of Vendor Information as required by 2.2.2.10(A)(2)(g) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2016 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.

Ricci & Company, LLC

Albuquerque, New Mexico
November 23, 2016

STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2016

Exhibit A-1

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ -	\$ 47,443	\$ 47,443
Cash and cash equivalents in SGFIP	-	1,631,298	1,631,298
Receivables			
Due from other agencies	667,145	-	667,145
Customers, net of allowance	-	108,398	108,398
Restricted cash and equivalents	-	1,713,334	1,713,334
Capital assets	-	97,987,300	97,987,300
Less: accumulated depreciation	-	(54,561,252)	(54,561,252)
 Total Assets	 \$ 667,145	 \$ 46,926,521	 \$ 47,593,666
Liabilities			
Investment accounts overdraft (SGFIP)	\$ 153,261	\$ -	\$ 153,261
Accounts payable	510,065	4,553,003	5,063,068
Accrued liabilities	-	80,859	80,859
Gross receipt tax payable	-	5,238	5,238
Unearned revenue	-	111,404	111,404
Due to other state agencies	-	20,000	20,000
Other accrued liabilities	98	47,306	47,404
Accrued compensated absences	-	171,699	171,699
 Total Liabilities	 \$ 663,424	 \$ 4,989,509	 \$ 5,652,933
Net Position			
Net investment in capital assets	\$ -	\$ 43,426,048	\$ 43,426,048
Restricted for:			
Capital projects	-	1,601,930	1,601,930
Unrestricted	3,721	(3,090,966)	(3,087,245)
 Total Net Position	 \$ 3,721	 \$ 41,937,012	 \$ 41,940,733

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2016

Exhibit A-2

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Primary Government				
Governmental Activities:				
State Fair projects	\$ 75,919	\$ -	\$ -	\$ 1,378,941
Total Governmental Activities	\$ 75,919	\$ -	\$ -	\$ 1,378,941
Business-type Activities				
State Fair	\$ 16,095,057	\$ 12,858,125	\$ -	\$ -
Total Business-type Activities	\$ 16,095,057	\$ 12,858,125	\$ -	\$ -
Total Primary Government	\$ 16,170,976	\$ 12,858,125	\$ -	\$ 1,378,941

General Revenues:

Miscellaneous income
Transfers in (out)

Total General Revenues and Transfers

Change in net position

Total net position - beginning of year

Total net position - end of year

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2016

Exhibit A-2

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ 1,303,022	\$ -	\$ 1,303,022
\$ 1,303,022	\$ -	\$ 1,303,022
\$ -	\$ (3,236,932)	\$ (3,236,932)
\$ -	\$ (3,236,932)	\$ (3,236,932)
		\$ (1,933,910)
\$ 3,721	\$ -	\$ 3,721
(1,303,022)	1,303,022	-
\$ (1,299,301)	\$ 1,303,022	\$ 3,721
\$ 3,721	\$ (1,933,910)	\$ (1,930,189)
-	43,870,922	43,870,922
\$ 3,721	\$ 41,937,012	\$ 41,940,733

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
STATE FAIR COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit B-1

	<u>Capital Project Fund</u>
ASSETS	
Cash and cash equivalents	\$ -
Due from other agencies	667,145
	667,145
<i>Total assets</i>	<u>\$ 667,145</u>
LIABILITIES AND FUND BALANCE	
<i>Liabilities:</i>	
Investment accounts overdraft	\$ 153,261
Accounts payable	510,065
Accrued liabilities	98
<i>Total liabilities</i>	663,424
<i>Fund balances:</i>	
Unassigned	\$ 3,721
<i>Total fund balances</i>	\$ 3,721
<i>Total liabilities and fund balances</i>	\$ 667,145

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
JUNE 30, 2016

Exhibit B-1

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$ 3,721
Difference	-
Total Net Position	<u>\$ 3,721</u>

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

STATE OF NEW MEXICO

Exhibit B-2

STATE FAIR COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Capital Outlay Project Fund</u>
<i>Revenues:</i>	
Miscellaneous	\$ 3,721
<i>Total revenues</i>	<u>\$ 3,721</u>
 <i>Expenditures:</i>	
Contractual services	\$ 75,919
Capital outlay	1,303,022
<i>Total expenditures</i>	<u>\$ 1,378,941</u>
 <i>Excess (deficiency) of revenues over expenditures</i>	 <u>\$ (1,375,220)</u>
 <i>Other financing sources (uses):</i>	
Bond proceeds - Severance Tax Bond	\$ 1,378,941
<i>Total other financing sources</i>	<u>\$ 1,378,941</u>
 <i>Net change in fund balances</i>	 \$ 3,721
 <i>Fund balances - beginning of year</i>	 <u>-</u>
 <i>Fund balances - end of year</i>	 <u>\$ 3,721</u>

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B-2

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 3,721
Difference	-
Change in net position	<u>\$ 3,721</u>

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2016

Exhibit C-1

ASSETS

Cash and cash equivalents	\$	1,678,741
Restricted cash and cash equivalents		1,713,334
Accounts and other receivables (net of allowance of \$252,312)		108,398
Capital assets, net (Note 4)		43,426,048
<i>Total assets</i>	<u>\$</u>	<u>46,926,521</u>

LIABILITIES

Accounts payable	\$	4,553,003
Accrued liabilities		153,403
Deposits held for other		-
Unearned revenue		111,404
Current portion of accrued compensated absences		171,699
<i>Total liabilities</i>	<u>\$</u>	<u>4,989,509</u>

NET POSITION

Net investment in capital assets	\$	43,426,048
Restricted for capital improvement projects		1,601,930
Unrestricted (deficit)		(3,090,966)
<i>Total net position</i>	<u>\$</u>	<u>41,937,012</u>

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

STATE OF NEW MEXICO

Exhibit C-2

STATE FAIR COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

<i>Operating revenues:</i>	
Admissions, rides, entry fees	\$ 3,621,783
Rentals	5,048,470
Sponsorship in-kind revenues	926,450
Concessions	1,213,115
Parking	1,101,136
Service and fee income	624,957
Sponsorship and advertising	252,659
Commissions	66,278
Other	3,277
<i>Total operating revenues</i>	<u>\$ 12,858,125</u>
<i>Operating expenses:</i>	
Salaries and employee benefits	\$ 5,717,644
Other professional services	3,060,831
Depreciation and amortization expense	2,494,622
Sponsorship in-kind expense	926,450
Utilities	1,225,934
Repairs and maintenance	281,892
Advertising	395,066
Other	679,213
Supplies	94,001
Equipment rental	235,379
Settlement	865,779
Insurance	118,246
<i>Total operating expenses</i>	<u>\$ 16,095,057</u>
<i>Operating loss</i>	<u>\$ (3,236,932)</u>
<i>Non-operating revenue (expenses):</i>	
Transfer	\$ 1,303,022
<i>Non-operating revenue</i>	<u>\$ 1,303,022</u>
<i>Change in net position</i>	\$ (1,933,910)
<i>Net position, beginning of year</i>	<u>43,870,922</u>
<i>Net position, end of year</i>	<u>\$ 41,937,012</u>

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

STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-3

<i>Cash flows from operating activities:</i>	
Cash received from customers	\$ 13,599,680
Cash payments to suppliers of goods and services	(7,102,081)
Cash payments to employees for services	(5,774,942)
<i>Net cash provided (used) by operating activities</i>	\$ 722,657
 <i>Cash flows from capital and related financing activities:</i>	
Purchase of property and equipment	\$ (1,369,271)
Transfer utilized to off-set purchase of property and equipment	1,303,022
<i>Net cash provided by (used for) capital and related financing activities</i>	\$ (66,249)
 <i>Net increase (decrease) in cash and cash equivalents</i>	\$ 656,408
 <i>Cash and cash equivalents, beginning of year</i>	2,735,667
 <i>Cash and cash equivalents, end of year</i>	\$ 3,392,075
 <i>Reconciliation of operating loss to net cash provided by operating activities:</i>	
Operating loss	\$ (3,236,932)
<i>Adjustments to reconcile operating loss to net cash provided by operating activities:</i>	
Depreciation and amortization expense	2,494,622
<i>Changes in assets and liabilities:</i>	
Decrease in accounts and other receivables	761,959
Increase in accounts payable	780,710
Decrease in accrued liabilities	(87,266)
Decrease in gross receipt taxes	(3,415)
Decrease in unearned revenue	(16,989)
Increase in compensated absences	29,968
 <i>Net cash provided by operating activities</i>	\$ 722,657

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

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 State of New Mexico with a 12-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 Fairgrounds 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 Commission appointed by the Governor to staggered terms of five (5) years.

In evaluating how to define the Fair for financial reporting purposes, management has considered all potential component units by applying GASB Statement No. 14 and No. 61, The Financial Reporting Entity. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including a potential component unit within the reporting entity. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Fair, or whether the activity is conducted within the geographic boundaries of the Fair. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Fair is able to exercise oversight responsibilities. Based upon the application of these criteria, included within the reporting entity are all funds and functions under the Fair's control and responsibility, which are included in the Fair's reports to the New Mexico Department of Finance and Administration. Based on the application of the above criteria, no other activities meet the criteria for inclusion in the reporting entity; therefore, there are no component units included in these financial statements.

The Fair is a proprietary fund of the State of New Mexico. These financial statements include only those funds and activities over which the Fair has oversight responsibility. The Fair is not included in any other government "reporting entity" as described in Section 2100, "Codification of Governmental Accounting and Financial Reporting Standards."

B. Basis of Presentation, Government-wide and Fund Financial Statements

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 and No. 61, *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.

NOTE 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Government-wide and Fund Financial Statements (Continued)

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the Fair's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. The Fair's governmental funds include:

The Capital Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

NOTE 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation, Government-wide and Fund Financial Statements (Continued)

The Proprietary Fund accounts for activities similar to those found in the private sector where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Under the requirements of GASB No. 34, the Fair is required to present certain of its governmental funds as major funds based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *Capital Project Fund* accounts for the capital expenditures with revenues received from the State Tax Severance Bond Capital Project Fund (SHARE Fund 89200).

C. Measurement Focus and Basis of Accounting

The statement of net position and the statement of activities display information about the Fair, the primary government, as a whole without displaying individual funds or fund types. Generally these statements distinguish between activities that are governmental and those that are considered business-type activities. The Fair operates primarily as a business-type activity. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the "economic resources" measurements focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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 using the 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.

NOTE 1. Summary of Significant Accounting Policies (Continued)

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 government-wide financial statements are prepared on the 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 state fair occurring in the next fiscal year are unearned.

The governmental fund financial statements are prepared using only a "current financial resources" measurement focus and the modified accrual basis of accounting. Under this focus, only current financial assets and liabilities are generally included on the balance sheet. The operating statements present sources and uses of available spendable financial resources during a given period. Governmental funds use fund balance as their measure of available spendable financial resources at the end of the period. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the Fair considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. A reconciliation is provided with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

When both restricted and unrestricted resources are available for use, it is the Fair's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

NOTE 1. Summary of Significant Accounting Policies (Continued)

F. Restricted Cash

Restricted cash currently is made up of unused proceeds from Pari-mutuel Tax Revenue that was dedicated to the debt service for the Series 2004 Revenue Bonds and capital improvements for the Fairgrounds. The Series 2004 Revenue Bonds were retired in November 2014. The Pari-mutuel Tax Revenue previously dedicated to the Fairgrounds was repurposed by the New Mexico Legislature and as of January 15, 2015 is no longer received by the State Fair. The remaining funds are restricted for capital improvements at the Fairgrounds.

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, 2016.

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

For purposes of operation, the Fair capitalizes all capital asset purchases, governmental and business-type activities, within the Proprietary Fund. A transfer is recorded annually for government-wide financial presentation from the Capital Fund to the Proprietary Fund through the statement of activities. The amount of the transfer recorded for the year ended June 30, 2016, totaled \$1,303,022.

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.

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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:

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.

P. Advertising

Non-direct advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2016, were \$395,066.

NOTE 1. Summary of Significant Accounting Policies (Continued)

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 November 23, 2016, 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 are also classified as cash equivalents. The reconciled balances at June 30, 2016, consisted of the following:

Unrestricted:		
Deposit account (Including SHARE – Interest in SGFIP)	\$	1,478,037
Unrestricted on deposit		27,163
Cash drawers		18,280
Petty cash		<u>2,000</u>
Total Unrestricted		<u>1,525,480</u>
Restricted:		
Deposit account (including Pari-mutuel)		1,601,930
Unearned revenue		<u>111,404</u>
Total Restricted		<u>1,713,334</u>
Total Cash and Cash Equivalents	\$	<u>3,238,814</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, 2016. 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.

General Fund Investment Pool Not Reconciled

On August 8, 2016 the New Mexico Department of Finance and Administration, Financials Control Division issued a memorandum regarding the reconciliation of the State General Fund Investment Pool. It stated that the Financial Control Division in collaboration with the State Treasurer's Office implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPA's performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial report for fiscal year 2015. Each review of the process deemed I to be adequate and the findings related to the Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For fiscal year 2016 the following assertions are provided;

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow acceptable range < \$200k (standard deviation) over the last twelve months;
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP, and

NOTE 2. Cash and Cash Equivalents (Continued)

With specific reference to the State Fair Commission, the Commission has provided copies of the diagnostic reports to the IPA. The Commission has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the Commission has control (i.e. collection, depositing, reconciling, bank statements validation, and documentation of outstanding reconciling items) of cash receipts and transfers to the state general fund and other agencies pursuant to state statute.

The Commission has an interest in the State General Fund Investment Pool allocated between their funds operating under the oversight of SHARE and the State Treasurer's Office. The cash transactions processed by the Board flow through the state general fund investment pool.

The Board developed internal reconciliation procedures to ensure that cash receipts and disbursement recorded in the SHARE system are in fact transactions that have been initiated by the Commission. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, general entries, transfers, payroll expenditures and liabilities and all federal grant transactions. The Commission conducts ongoing tracking of all cash deposits and financials transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Commission share of the state general fund investment pool provides management assurance that the balance reflected in the State General Fund Investment Pool account is accurate as of the end of the reporting period.

Interest Rate Risk

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk

The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2016.

NOTE 3. Accounts Receivable, Due From Other Agencies and Interfund Transfers

Accounts receivable balances consist of the following at June 30, 2016:

Total Accounts Receivable	360,710
Less: Allowance for doubtful accounts	<u>(252,312)</u>
Net Accounts Receivable	<u>\$ 108,398</u>

Due from other agencies consist of reimbursement requests related to capital expenditures within the Capital Fund at June 30, 2016, and total \$667,145.

"Interfund transfers" are recorded when capital outlay expenditures occur within the governmental activities and are recognized in the business-type activities. The composition of interfund transfers as of June 30, 2016 is as follows:

	<u>Interfund</u>
	<u>Transfer</u>
Governmental Activities, Capital Outlay	\$ (1,303,022)
Business-type Activities	\$ 1,303,022

NOTE 4. Capital Assets

A summary of capital asset changes for the year ended June 30, 2016 follow. Land and construction in progress are not subject to depreciation.

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
<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	70,848,003	919,725	0	0	71,767,728
Other improvements	17,754,177	313,051	0	0	18,067,228
Motor vehicles	558,755	18,000	0	0	576,755
Data processing equipment	1,746,446	0	0	0	1,746,446
Equipment and machinery	3,393,319	117,895	0	0	3,511,214
Office furniture and fixtures	1,497,989	600	0	0	1,498,589
Total depreciable assets	<u>95,798,689</u>	<u>1,369,271</u>	<u>0</u>	<u>0</u>	<u>97,167,960</u>
Total capital assets	<u><u>96,618,029</u></u>	<u><u>1,369,271</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>97,987,300</u></u>
<i>Accumulated depreciation</i>					
Building	37,290,081	1,827,239	0	0	39,117,320
Other improvements	7,424,865	617,747	0	0	8,042,612
Motor vehicles	548,911	4,800	0	0	553,711
Data processing equipment	1,743,522	1,705	0	0	1,745,227
Equipment and machinery	3,834,652	34,964	0	0	3,869,616
Office furniture and fixtures	1,224,599	8,167	0	0	1,232,766
Total accumulated depreciation	<u>52,066,630</u>	<u>2,494,622</u>	<u>0</u>	<u>0</u>	<u>54,561,252</u>
Net capital assets	<u><u>\$ 44,551,399</u></u>	<u><u>\$ (1,125,351)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 43,426,048</u></u>

Depreciation expense for the year ended June 30, 2016, was \$2,494,622. All of the depreciation expense of \$ 2,494,622 was allocated to the Fair's general government function.

NOTE 5. Accounts Payable, Due to Other Agencies

Accounts payable consist of invoices for goods and services that were due at June 30, 2016, and total \$5,063,068. Of this amount \$4,084,281 represents an amount due to the State of New Mexico General Service Department for prior year insurance premiums and other charges.

Due to Other State Agencies consisted of \$20,000 payable to the New Mexico Department of Public Safety for law enforcement services provided on the grounds at June 30, 2016

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, 2016, is as follows:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due within</u> <u>One Year</u>
Compensated absences	\$ 141,731	\$ 125,630	\$ 95,662	\$ 171,699	\$ 171,699

NOTE 7. Unearned Revenue

The Fair has collected deposits for the Annual State Fair and other events occurring in the subsequent fiscal year. At June 30, 2016, the balance in unearned revenue of \$111,404 consists of advance payments for admissions, concessions, and exhibits.

NOTE 8. 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, 2016:

Media services and other	\$ 926,450
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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 by the amount of expense recorded.

NOTE 9. 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 (PERA) (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, New Mexico 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% of their gross salary. The Fair is required to contribute 16.59% 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, 2016 was \$260,643, which equals the amount of the required contributions for the fiscal year.

The Fair, as a part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan

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

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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

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. 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, 2016, 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, 2016, 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, 2016, 2015, and 2014 were \$30,340, \$27,938, and \$29,208, respectively, which equal the required contributions for each year.

NOTE 11. 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, 2016, the Fair had no claims which the Risk Management Division has returned as not covered that would become the responsibility of the Fair.

NOTE 13. 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 2013 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 \$180,000 for reimbursement of mileage, per diem, overtime, and related expenses incurred by NMDPS. Actual amount paid for services rendered totaled \$170,649.

NOTE 14. Transfers

During the fiscal year, the Fair received funds that were recorded as "Other Financing Sources" in the financial records. These amounts include \$1,303,022 in Severance Bond Tax Reimbursements from the Department of Finance and Administration.

SHARE Fund #	TITLE	TRANSFER IN
(1)34100-89200	Department of Finance and Administration	\$ 1,303,022

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

STATE FAIR COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 CAPITAL OUTLAY CAPITAL PROJECT FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		YTD Actual	Variance Final vs Actual
	Original	Final		Favorable (Unfavorable)
Revenues:				
State General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	3,721	3,721
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,721</u>	<u>3,721</u>
Expenditures:				
Contractual services	\$ 70,000	\$ 70,000	\$ 75,919	\$ (5,919)
Capital outlay	1,320,000	1,320,000	1,303,022	16,978
<i>Total expenditures</i>	<u>1,390,000</u>	<u>1,390,000</u>	<u>1,378,941</u>	<u>11,059</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>\$ (1,390,000)</u>	<u>\$ (1,390,000)</u>	<u>\$ (1,375,220)</u>	<u>\$ 14,780</u>
Other financing sources (uses):				
Bond proceeds - Severance Tax Bond	1,189,000	1,389,000	1,378,941	(10,059)
Current year reversion to - State General Fund	-	-	-	-
<i>Total other financing sources</i>	<u>1,189,000</u>	<u>1,389,000</u>	<u>1,378,941</u>	<u>(10,059)</u>
<i>Net change in fund balances</i>	<u>\$ (201,000)</u>	<u>\$ (1,000)</u>	<u>\$ 3,721</u>	<u>\$ 4,721</u>
Reconciliation to GAAP Basis:				
Net change in fund balances			\$ 3,721	
Differences			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures			<u>\$ 3,721</u>	

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

STATE OF NEW MEXICO

Schedule II

STATE FAIR COMMISSION

STATEMENT OF REVENUES AND EXPENSES - BUDGET (NON-GAAP BUDGETARY BASIS)
AND ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget		
<i>Revenues:</i>				
Admissions	\$ 2,700,000	\$ 2,700,000	\$ 3,621,783	\$ (921,783)
Building rental	4,438,400	4,438,400	4,949,273	(510,873)
Other services (excluding in-kind)	2,160,000	2,160,000	2,043,146	116,854
Concessions and exhibits	1,510,000	1,510,000	1,213,115	296,885
Miscellaneous	980,000	980,000	880,164	99,836
<i>Total revenues</i>	<u>\$ 11,788,400</u>	<u>\$ 11,788,400</u>	<u>\$ 12,707,481</u>	<u>\$ (919,081)</u>
<i>Expenses:</i>				
Personnel services	\$ 5,326,400	\$ 5,326,400	5,269,555	\$ 56,845
Contractual services	3,144,600	3,144,600	2,993,612	150,988
Other costs	3,317,400	3,317,400	3,073,735	243,665
<i>Total expenses</i>	<u>\$ 11,788,400</u>	<u>\$ 11,788,400</u>	<u>\$ 11,336,902</u>	<u>\$ 451,498</u>
<i>Excess (deficiency) of revenues over expenses - budgetary basis</i>			\$ 1,370,579	
<i>Adjustments to conform to Generally Accepted Accounting Principles:</i>				
Depreciation and amortization expenses			(2,494,621)	
Plus in-kind contributions treated as revenue			926,450	
Less in-kind contributions treated as expenses			(926,450)	
Other contributed capital revenue			(809,868)	
<i>Change in Net Position</i>			<u>\$ (1,933,910)</u>	

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2016

Schedule III

<u>Depository/Account Name</u>	<u>Account Type</u>	<u>Cash per Bank June 30, 2016</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Adjusted Cash June 30, 2016</u>
<i>Wells Fargo:</i>					
Operating account	Checking	\$ 1,703,451	\$ -	\$ (24,674)	\$ 1,678,777
Change fund account	Checking	61,720	-	-	61,720
General account	Checking	560	-	(560)	-
Payroll account	Checking	-	346	(346)	-
Premium account	Checking	-	24,328	(24,328)	-
SHARE - Interest in SGFIP account	Checking	1,478,037	-	-	1,478,037
Total cash accounts		<u>3,243,768</u>	<u>24,674</u>	<u>(49,908)</u>	<u>3,218,534</u>
Petty cash and cash drawers		<u>20,280</u>	<u>-</u>	<u>-</u>	<u>20,280</u>
Total cash and cash equivalents, net of overdraft of \$153,260		<u>\$ 3,264,048</u>	<u>\$ 24,674</u>	<u>\$ (49,908)</u>	<u>\$ 3,238,814</u>

STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2016

Schedule IV

	Wells Fargo	Total
Total amounts of deposits per bank	\$ 3,243,768	\$ 3,243,768
Repurchase agreement	-	-
Total value of accounts	3,243,768	3,243,768
Less: FDIC insurance	(1,728,037)	(1,728,037)
Less: NMFA guarantee	-	-
Total Uninsured Public Funds	\$ 1,515,731	\$ 1,515,731
 50% collateral requirement	 \$ 757,866	 \$ 757,866
Pledged Collateral at Market Value:		
Less: Collateralization	757,866	757,866
 Over Collateralized	\$ -	\$ -

Security Description	CUSIP Number	Fair Market Value	Maturity Date	Name and Location of Safekeeper
Wells Fargo Bank FG Q17425, 3%, 4/01/43	3132J8VT4	378,933	04/01/43	Wells Fargo Bank, N.A.
FN AE0216, 4%, 8/01/40	31419AG27	378,933	08/01/40	Wells Fargo Bank, N.A.
		757,866		

* The agency funds are collateralized as part of the State of New Mexico deposits at the financial institutions. Collateralization amount presented State Fair Commission's portion of such collateralization.

State of New Mexico
State Fair Commission
June 30, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for In-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		13-1-98D Exempt from Procurement Code	Albuquerque Bernalillo County Water Utility		\$ 350,640.52		Albuquerque, NM	N/A	N/A	Water Service	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		State Of New Mexico P-Card	Bank of America		\$ 90,707.21	State Purchasing	Charlotte, NC	State Purchasing	State Purchasing	Procurement Card issued by DFA	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		SPA 20-000-00-0075AP	CoporateTechnology Solutions LLC		\$ 476,106.33	State Purchasing	Albuquerque, NM	State Purchasing	State Purchasing	Fiber Optics	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		13-1-98A Exempt from Procurement Code	Department of Public Safety	No Contract	\$ 226,293.68		Santa Fe, NM	N/A	N/A	State Police Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		Small Purchases	Gaylord Paving Inc	No Contract	\$ 66,134.64		Albuquerque, NM	N/A	N/A	Paving/Concrete Work	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		RFP	Mike Cervi Championship Rodeo	Yes	\$ 120,500.00		Greenly, CO	NO	NO	Rodeo Stock	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		Small Purchases	National Electrical Supply	No Contract	\$ 64,163.25		Albuquerque, NM	N/A	N/A	Electrical Supplies	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		RFP	NRG Services	Yes	\$ 103,955.20		Albuquerque, NM	NO	NO	Stage Labor Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		RFP	Pace	YES	\$ 101,661.06		Albuquerque, NM	NO	NO	Data Communications	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		Contract	Payday Inc	N/A	\$ 3,021,357.68		Albuquerque, NM	N/A	N/A	Payroll Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		RFP	Pepsi-Cola	Yes	\$ 146,645.25		Albuquerque, NM	NO	NO	Soft Drink Product	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		13-1-98D Exempt from Procurement Code	Public Service Company of NM		\$ 803,751.55		Albuquerque, NM	N/A	N/A	Electric Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		RFP	Quickbeam Systems Inc	Yes	\$ 188,122.17		Albuquerque, NM	NO	NO	Sound and Lighting Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		RFP	RK Venture	YES	\$ 374,963.57		Albuquerque, NM	NO	NO	Advertising Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		RFP	Securitas Security Services	YES	\$ 780,920.32		Los Angeles, CA	NO	NO	Security Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		13-1-98A Exempt from Procurement Code	The University of New Mexico	No Contract	\$ 70,313.75		Albuquerque, NM	N/A	N/A	Medical Services	
46000	NEW MEXICO STATE FAIR COMMISSION	STATE AGENCY		ITB 60-460-16-00002	Vigil Contracting Services	YES	\$ 66,992.19		Albuquerque, NM	State Purchasing	State Purchasing	Monument Signs	



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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**

Independent Auditor's Report

State of New Mexico State Fair Commission
and
Mr. Timothy Keller, New Mexico State Auditor

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 Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, and the budgetary comparisons for the major capital project fund and proprietary fund, the aggregate remaining fund information, of the State of New Mexico State Fair Commission (Fair), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Fair's basic financial statements and have issued our report thereon dated November 23, 2016.

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 the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 item FS 2015-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fair's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instances of noncompliance or other matter 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 2009-002.

The Fair's Responses to Findings

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

Ricci & Company LLC

Albuquerque, New Mexico
November 23, 2016

**STATE OF NEW MEXICO STATE FAIR COMMISSION
FINDINGS AND RESPONSES
June 30, 2016**

Section 1 – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified? | Yes |

Noncompliance material to financial statements noted? No

Section II – Financial Statement Findings

FS-2009-002 No approval over Annual Inventory – Repeated – Compliance and other Matters

Criteria: NMAC 2.2.1.16 states "(A) At the end of the fiscal year, each agency shall conduct a physical inventory of its fixed asset 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 for the agency was not certified as to correctness and signed by the governing authority. The agency has contracted with an outside vendor for complete reconciliation of the capital asset inventory.

Effect: The New Mexico State Fair Commission 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: The New Mexico State Fair Commission was unaware of NMAC 2.20.1.16 (E) which requires the inventory report be certified as to correctness and signed by the governing authority of the agency.

Auditor's 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 has made progress and continues to work on establishing controls and procedures necessary to ensure that the physical inventory performed of all equipment is reconciled to allow for certification. Management will continue the work of reconciliation between the physical inventory results and the capital asset inventory listing. To assist in this process, Management contracted with an outside vendor to ensure completion of this reconciliation project. Due to unforeseen complications the project has been delayed but will be completed in FY 17. Management and the Chairman of the State Fair Commission will review, certify and sign off on this inventory as to its correctness.

Corrective Action: Management will insure that the outside vendor completes the reconciliation project by June 30, 2017 enabling Management and the Chairman of the State Fair Commission to review, certify and sign off on this inventory as to its correctness.

STATE OF NEW MEXICO STATE FAIR COMMISSION
FINDINGS AND RESPONSES
June 30, 2016

FS 2015-001 Outstanding Liability – Significant Deficiency

Criteria: Good internal controls include processing and paying vendor invoices as they become due, including inter-agency liabilities.

Condition: The Commission has not paid its insurance premium to the New Mexico General Services Division in a number of years although partial payments were made in fiscal year 2013 and 2014. The liability is currently recorded in accounts payable on the financial statements as a total of \$4,084,280. This is a current and demand liability. Since last year, the New Mexico State Fair Commission has continued to work in good faith with GSD to resolve this outstanding liability.

Effect: The credit worthiness, as well as financial liquidity, of the agency could be jeopardized with vendors if liabilities are not paid timely; whether or not to a related party or intra-governmental agency. It is possible that fees and interest could be assessed by the vendor. In addition, although GSD is liable for all State agencies, the Fair may be subjected itself to potential litigation and liabilities as a result of the outstanding balance.

Cause: The Fair has not paid the annual due to the amount of the annual premium being in dispute, as well as a lack of financial resources. This liability has been discussed with GSD and continues to be a current liability as a result of GSD being another State agency.

Auditors' Recommendations: Procedures should be in place to ensure that liabilities are paid addressed timely. The Fair should negotiate with GSD and potentially convert this payable into a long-term liability; potentially with an effective interest rate. Another option is to negotiate a forgiveness of debt with GSD.

Responsible Officials' Views: Management concurs with this finding as factual. The New Mexico State Fair has and continues to work actively with GSD (another Executive Agency) to resolve the outstanding debt. Just under \$2,000,000 of this debt came from the previous administration and the remainder is made up of payments that have been withheld because of an unexplained and unsupported exponential increase in premiums. The New Mexico State Fair will make all required payments for FY 17 in FY 17 thereby preventing the debt from increasing.

Corrective Action: Management will continue to work with GSD and DFA to resolve the debt, striving to reach resolution by 6/30/17. Additionally, the New Mexico State Fair will make all required payments for FY 17 in FY 17 thereby preventing the debt from increasing.

Section III – Prior Year Audit Findings

FS 2009-002 No approval over Annual Inventory – Repeated – Compliance and Other Matters
Repeated

FS 2015-001 Outstanding Liability – Significant Deficiency Repeated

STATE OF NEW MEXICO STATE FAIR COMMISSION
EXIT CONFERENCE
June 30, 2016

Exit Conference

The contents of this report were discussed on November 30, 2016. The following individuals were in attendance.

State Fair Commission

Dan Mourning, General Manager
Larry Kennedy, Chairman
Bill Nordin, CFO
Dupuy Bateman, Contractor
Antoinette Kulinna, Financial Specialist

Ricci & Company, LLC

Wayne Brown, CPA
Dock Livingston, CPA

Griego Professional Services, LLC

JJ Griego, CPA

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.