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STATE OF NEW MEXICO
STATE FAIR COMMISSION
FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITOR'S REPORT

JUNE 30, 2018



INTRODUCTORY SECTION

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STATE FAIR COMMISSION
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JUNE 30, 2018**

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**STATE OF NEW MEXICO
STATE FAIR COMMISSION
OFFICIAL ROSTER
JUNE 30, 2018**

MEMBERS

Larry Kennedy	Chairman
David “Hossie” Sanchez	Secretary Treasurer
Ruth Bitsui	Member
Bill Lee	Member
Xavier Jurado	Member

ADMINISTRATION

Dan Mourning	General Manager
Bill Nordin	Chief Finance Officer
Antoinette Kulinna	Chief Procurement Officer



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Independent Auditor's Report

Wayne Johnson, 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, and the aggregate remaining fund information of the State of New Mexico State Fair Commission (Fair) as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Fair's basic financial statements 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit 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.

Wayne Johnson, New Mexico State Auditor and
State of New Mexico State Fair Commission
Albuquerque, New Mexico

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.

Opinion

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2018, 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.

Other Matters

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 financial statements that collectively comprise the Fair's basic financial statements. 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

Wayne Johnson, New Mexico State Auditor and
State of New Mexico State Fair Commission
Albuquerque, New Mexico

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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018 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
October 22, 2018

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO STATE
FAIR COMMISSION
STATEMENT OF NET POSITION
June 30, 2018**

	Primary Government		
	Governmental	Business-type Activities	Total
ASSETS			
Investments in SGFIP	\$ 1,911	\$ 1,181,500	\$ 1,183,411
Other unrestricted cash and equivalents	-	56,015	56,015
Receivables			
Customers, net of allowance	-	33,834	33,834
Restricted cash and equivalents	-	1,394,789	1,394,789
Capital assets	-	100,686,502	100,686,502
Less: accumulated depreciation	-	(59,710,890)	(59,710,890)
Total assets	1,911	43,641,750	43,643,661
LIABILITIES			
Accounts payable	1,911	310,077	311,988
Accrued liabilities	-	79,278	79,278
Due to other state agencies	-	4,994,357	4,994,357
Deposits held for others	-	107,643	107,643
Other liabilities	-	5,806	5,806
Compensated absences	-	196,057	196,057
Total liabilities	1,911	5,693,218	5,695,129
NET POSITION			
Net investment in capital assets	-	40,975,612	40,975,612
Restricted for:			
Capital projects	-	1,287,146	1,287,146
Unrestricted	-	(4,314,226)	(4,314,226)
Total net position	\$ -	\$ 37,948,532	\$ 37,948,532

See Notes to Financial Statements.

STATE OF NEW MEXICO
STATE FAIR COMMISSION STATEMENT OF ACTIVITIES
June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Government Activities:							
State Fair projects	\$ 141,033	\$ -	-	403,413	\$ 262,380	-	262,380
Total government activities	141,033	-	-	403,413	262,380	-	262,380
Business-type Activities							
State Fair	15,848,759	12,391,714	-	-	-	(3,457,045)	(3,457,045)
Total business-type activities	15,848,759	12,391,714	-	-	-	(3,457,045)	(3,457,045)
Total primary government	\$ 15,989,792	\$ 12,391,714	-	403,413	\$ 262,380	(3,457,045)	(3,194,665)
		General Revenues:					
		Transfers in (out)			(262,380)	262,380	-
		Change in net position			-	(3,194,665)	(3,194,665)
		Net Position					
		Net Position, beginning of year - as previously stated			3,721	41,143,197	41,146,918
		Restatement			(3,721)	-	(3,721)
		Net Position, beginning of year - as restated			-	41,143,197	41,143,197
		Total net position, end of year			\$ -	37,948,532	37,948,532

See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018**

	<u>Capital Project Fund (SHARE 89200)</u>
ASSETS	
Investment in SGFIP	\$ 1,911
Total assets	<u>\$ 1,911</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 1,911
Total liabilities	<u>1,911</u>
Fund balances :	
Restricted for:	
Capital projects	-
Total fund balances	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,911</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
June 30, 2018**

	<u>Capital Project Fund (SHARE 89200)</u>
REVENUES:	
State general fund appropriation	\$ -
Miscellaneous	-
	<hr/>
Total revenues	-
	<hr/>
EXPENDITURES:	
Contractual services	8,777
Capital Outlay	132,256
	<hr/>
Total expenditures	141,033
	<hr/>
Excess (deficiency) of revenues over expenditures	<u>(141,033)</u>
Other financing sources (uses):	
Bond proceeds - severance tax bond	403,413
Transfer out	(262,380)
	<hr/>
Total other financing sources	141,033
	<hr/>
Net change in fund balances	-
Fund balances	
Fund balances, beginning of year- as previously stated	3,721
Restatement	(3,721)
	<hr/>
Fund balances, beginning of year - as restated	-
Fund balances, end of year	\$ -
	<hr/> <hr/>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF NET POSITION - PROPRIETARY FUND (SHARE 19100)
June 30, 2018**

ASSETS

Current Assets:

Investments in SGFIP	\$ 1,181,500
Other unrestricted cash and equivalents	56,015
Restricted cash and cash equivalents	1,394,789
Accounts and other receivables (net of allowance of \$270,637)	33,834
Total current assets	<u>2,666,138</u>

Noncurrent Assets:

Capital assets, net	<u>40,975,612</u>
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Total assets	<u>43,641,750</u>
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LIABILITIES

Current Liabilities:

Accounts payable	310,077
Accrued liabilities	79,278
Due to other state agencies	4,994,357
Deposits held for others	107,643
Other liabilities	5,806
Compensated absences	<u>196,057</u>

Total liabilities	<u>5,693,218</u>
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NET POSITION

Net investment in capital assets	40,975,612
Restricted for capital improvement projects	1,287,146
Unrestricted (deficit)	<u>(4,314,226)</u>

Total net position	<u>\$ 37,948,532</u>
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUND (SHARE 19100)
June 30, 2018**

OPERATING REVENUES

Admissions, rides, entry fees	\$ 2,884,501
Rentals	4,937,238
Sponsorship in-kind revenues	867,054
Concessions	1,514,245
Parking	1,160,694
Service and fee income	427,518
Sponsorship and advertising	480,109
Commissions	64,410
Other	55,945

Total operating revenues	12,391,714
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OPERATING EXPENSES

Salaries and employee benefits	5,889,426
Other professional services and expenses	3,745,826
Depreciation and amortization expense	2,596,408
Sponsorship in-kind expense	867,054
Utilities	1,349,474
Repairs and maintenance	314,701
Advertising	440,659
Supplies	215,128
Equipment rental	301,488
Insurance	128,595

Total operating expenses	15,848,759
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Operating income (loss)	(3,457,045)
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Non-operating revenue (expenses):

Transfer in	262,380
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Non-operating revenue	262,380
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Change in net position	(3,194,665)
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Net position, beginning of year	41,143,197
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Net position, end of year	\$ 37,948,532
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (SHARE 19100)
June 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 12,329,532
Cash payments to suppliers of goods and services	(6,858,104)
Cash payments to employees for services	<u>(5,891,209)</u>
Net cash used by operating activities	<u>\$ (419,781)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Purchase of property and equipment	\$ (420,908)
Transfer utilized to offset the purchase of property and equipment	<u>262,380</u>
Net cash used for capital and related financing activities	<u>\$ (158,528)</u>

Net (decrease) in cash and cash equivalents	\$ (578,309)
Cash and cash equivalents, beginning of year	<u>3,210,613</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,632,304</u></u>

Reconciliation of operating loss to net cash provided by operating activities:

Operating loss	\$ (3,457,045)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,596,408
Changes in assets and liabilities:	
Increase in accounts and other receivables	(6,732)
Increase in accounts payable	504,821
Increase in accrued liabilities	(4,268)
Decrease in other liabilities	(55,450)
Increase in compensated absences	<u>2,485</u>
Net cash (used) by operating activities	<u><u>\$ (419,781)</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The purpose of the State Fair Commission (Fair) is to hold an annual state fair to provide the State of New Mexico with a 11-day carnival event, as well as exhibit 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.

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 Governmental Accounting Standards Board (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*."

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 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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Government-wide and Fund Financial Statements (continued)

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

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).

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Government-wide and Fund Financial Statements (continued)

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).

The *Proprietary Fund* accounts for activities similar to those found in the private sector (SHARE Fund 19100).

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 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 1978GASB 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. The Fair does not have any deferred outflows of resources.

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. The Fair does not have any deferred inflows of resources.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Refundable deposits received relating to the annual state fair occurring in the next fiscal year are recorded as deposits held for others.

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.

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 the modified accrual basis. The Legal level of budgetary control is at the program appropriation level.

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. This includes investments in SGFIP.

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.

Restricted Cash and Cash Equivalents. Restricted cash is for capital improvements at the Fairgrounds.

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".

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

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, 2018, totaled \$262,380.

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.

Net Position. The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets – portion of net position which is associated with non-liquid capital asset less outstanding capital asset related debt.

Restricted – amounts that can only be spent for the specific purpose stipulated by external resource providers or through enabling legislation.

Unrestricted – all other net position that do not meet the definition of restricted or net investment in capital assets.

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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Advertising. Non-direct advertising costs are expensed as incurred. Total advertising costs for the year ended June 30, 2018, were \$440,659.

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.

Subsequent Events. Subsequent events have been evaluated through October 22, 2018, 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

State General Fund Investment Pool

Section 8-6-3 NMSA 1978 NMSA, requires that all money of the state except when otherwise specially provided, be kept on deposit with the State Treasurer in the State General Fund Investment Pool (SGFIP). The State Treasurer, with the advice and consent of the state board of finance, may invest money held in demand deposits and not immediately needed for operations, in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended.

For additional disclosure information regarding the investment in the State Treasurer’s SGFIP, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2018, review the State Treasurer’s Investment Policy at [Http://www.nmsto.gov/investment_policy_1](http://www.nmsto.gov/investment_policy_1) and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

Cash invested with the New Mexico State Treasurer at June 30, 2018 is as follows:

Account Name	Balance Agency	SHARE Number	per Fund SHARE
Capital Projects Fund		46000 89200	\$ 1,911
Proprietary Fund		46000 19100	<u>1,181,500</u>
Total investments in SGFIP			<u>\$ 1,183,411</u>

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged because they are deposits with another governmental entity.

Cash funds not invested in the SGFIP, include cash drawers, petty cash, and deposits with financial institutions. Money market mutual funds and repurchase agreements are also classified as cash equivalents.

Custodial Credit Risk — Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Departments deposits may not be returned.

In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance. FDIC insures the deposits of governmental accounts on a per Official Custodian basis as follows: the aggregate balance in demand deposits accounts are insured up to \$250,000 per Official Custodian and the aggregate balances in time and savings accounts are insured up to \$250,000 per Official Custodian.

On June 30, 2018, the Fair had one bank account with a balance above \$250,000:

Wells Fargo Bank	
Total amount on Deposit	\$ 1,389,308
Less: Amount covered by FDIC	<u>(250,000)</u>
Total uninsured funds	1,139,308
Amount requiring collateral (50%)	<u>\$ 569,654</u>

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

The New Mexico State Treasurer's Office is responsible to ensure that all accounts have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Fair.

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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk. The New Mexico State Treasurer pools are not rated.

Restricted cash of \$1,394,789 shown on the Statements of Net Position consists of \$1,287,146 in unused proceeds from Pari-mutuel Tax Revenue restricted for capital improvements at the Fairgrounds and \$107,643 in deposits held for others received for next fiscal year's state fair.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances of the following at June 30, 2018:

Various customers receivables	\$ 304,471
Less: Allowance for doubtful accounts	<u>(270,637)</u>
Net Accounts Receivable	<u>\$ 33,834</u>

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2018 is as follows:

	<u>Balance, June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance, June 30, 2018</u>
Capital assets, used in business activities:					
Land	\$ 819,340	-	-	-	819,340
Total, non-depreciable Assets	<u>\$ 819,340</u>	-	-	-	<u>819,340</u>
Buildings and improvements	91,939,829	218,575	-	-	92,158,404
Motor vehicles	650,603	20,231	-	-	670,834
Data processing equipment	1,746,446	-	-	-	1,746,446
Equipment and machinery	3,610,243	148,893	-	-	3,759,136
Office furniture and fixtures	1,499,133	33,209	-	-	1,532,342
Total, depreciable Assets	<u>99,446,254</u>	<u>420,908</u>	-	-	<u>99,867,162</u>
Total capital Assets	<u>100,265,594</u>	<u>420,908</u>	-	-	<u>100,686,502</u>

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Balance, <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance, <u>June 30, 2018</u>
Less Accumulated depreciation:					
Buildings and improvements	(50,019,744)	(2,513,746)	-	-	(52,533,490)
Motor vehicles	(578,658)	(20,207)	-	-	(598,865)
Data processing equipment	(1,745,878)	(568)	-	-	(1,746,446)
Equipment and machinery	(3,306,638)	(54,449)	-	-	(3,361,087)
Office furniture and fixtures	(1,463,564)	(7,438)	-	-	(1,471,002)
Total accumulated depreciation	<u>\$(57,114,482)</u>	<u>(2,596,408)</u>	-	-	<u>(59,710,890)</u>
Net capital assets	<u>\$ 43,151,112</u>	<u>(2,175,500)</u>	-	-	<u>40,975,612</u>

Depreciation expense for the year ended June 30, 2018, was \$2,596,408. All of the depreciation expense of \$2,596,408 was allocated to the Fair's general government function.

NOTE 5. ACCOUNTS PAYABLE

Accounts payable consist of invoices for goods and services that were due at June 30, 2018, and total \$311,988.

NOTE 6. DUE TO OTHER STATE AGENCIES AND COMPONENT UNITS

Amounts due to other state agencies consists of the following at June 30, 2018:

	Due To (From)
Department of Public Safety (Agency 79000, Fund 12805)	\$ 39,723
Fair's proprietary fund (Agency 46000, Fund 19100)	(39,723)
Purpose: Law enforcement services provided on the fair grounds	
General Services Department (Agency 35000)	\$ 4,954,634
Fair's proprietary fund (Agency 46000, Fund 19100)	(4,954,634)
Purpose: Prior year insurance premiums and other charges	

Amounts due to component units of the State of New Mexico is included in other liabilities on the statement of net position and consists of the following at June 30, 2018:

	Due To (From)
University of New Mexico – Financial Services Division	\$ 1,961
Fair's proprietary fund (Agency 46000, Fund 19100)	(1,961)
Purpose: Medical services provided at events	

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7. 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, 2018, is as follows:

	<u>Balance,</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Balance</u> <u>Deletions</u>	<u>June 30,</u> <u>2018</u>	<u>Due</u> <u>within</u> <u>One Year</u>
Compensated absences	\$ 193,572	\$ 135,785	\$ 133,300	\$196,057	\$ 196,057

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, 2018:

Media services and other	\$867,054
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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 (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 www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ending June 30, 2018, 2017, and 2016 were \$272,918, \$286,867, and \$260,643, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) (CONTINUED)

The Fair, as 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 CA FR 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-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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 10. POST-EMPLOYEE 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, 2018, 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, 2018, 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, 2018, 2017, and 2016 were \$31,062, \$32,125, and \$30,340, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 10. POST-EMPLOYEE BENEFITS –STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The State Fair Commission, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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, 2017, the Fair had no claims which the Risk Management Division has returned as not covered that would become the responsibility of the Fair.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12. 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 2016 NMSF. The parties entered into the JPA in August 2016 to provide forty-nine (49) 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 \$174,672 and is included in Other Professional Services and Expenses.

NOTE 13. TRANSFERS

During the fiscal year, the Fair received funds that were recorded as "Other Financing Sources" in the financial records.

	Transfer To (From)
Fair's capital project fund (Agency 46000, Fund 89200)	\$ 403,413
Department of Finance and Administration (Agency 34100, Fund 50230)	(403,413)
Purpose: Severance Bond Tax Reimbursements	

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, 2018 is as follows:

	Interfund Transfer To (From)
Governmental Activities, Capital Outlay (Fund 89200)	\$ (262,380)
Business-type Activities (Fund 19100)	262,380

NOTE 14. LEASES

The Fair leases land and buildings under several non-cancellable leases. The largest of these is with the Downs at Albuquerque, Inc. Its lease term is through 2037 and calls for an annual base rent of \$2,750,000 plus participation rent based upon various calculations.

Since the inception of the lease with the Albuquerque Downs, a number of capital asset additions and deletions have been made to the property under the terms of the lease. All additions made by the Albuquerque Downs become the property of the New Mexico State Fair Commission in January 2037, which is the end of the lease.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15. NEW ACCOUNTING STANDARDS

The Fair adopted the following new accounting standards in the year ended June 30, 2018:

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. This statement is not applicable to the Fair.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The Fair has implemented this standard accordingly in the current year.

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016 (FY 2018). Earlier application is encouraged. This statement is not applicable to the Fair.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (FY 2018). Earlier application is encouraged. The Fair has implemented this standard accordingly in the current year.

The following standards have been issued but have future implementation dates:

In August 2018, the GASB issued Statement No. 90, Majority Interests in an amendment of GASB Statements No. 14 and No. 6. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). Earlier application is encouraged. This statement is not applicable to the Fair.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is not applicable to the Fair.

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (FY 2019). Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the Fair.

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021). Earlier application is encouraged. This statement is applicable to the Fair. This standard will be implemented in a subsequent period.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 16. PRIOR PERIOD ADJUSTMENT

A prior period adjustment has been made to the July 1, 2017 fund balance for the Capital Project Fund, (SHARE 89200), for \$3,721. This is to account for an operating transfer to the Board of Finance to correct a payment to a vendor for fiscal year 2015.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 22, 2018, the date at which the financials were available to be issued for the year ended June 30, 2018.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENDITURES BUDGET AND ACTUAL
PROPRIETARY FUND (NON-GAAP BUDGETARY BASIS)
JUNE 30, 2018**

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Carnival Rides	\$ 1,125,000	1,125,000	804,412	(320,588)
Commission on Sales	50,000	50,000	64,410	14,410
Food and Beverage	800,000	800,000	1,143,975	343,975
Concessions Exhibits	450,000	450,000	370,270	(79,730)
Sponsorship	250,000	250,000	480,109	230,109
Entry Fees Events	80,000	80,000	62,088	(17,912)
Other Fees	300,000	300,000	221,843	(78,157)
Parking	1,200,000	1,200,000	1,160,694	(39,306)
Utilities Fees	120,000	120,000	104,380	(15,620)
Admissions	2,500,000	2,500,000	2,080,089	(419,911)
Other services	75,000	75,000	39,207	(35,793)
Building and other rentals	4,932,000	4,932,000	4,827,803	(104,197)
Concession Rental	95,000	95,000	109,435	14,435
Total revenues	\$ 11,977,000	11,977,000	11,468,715	(508,285)
EXPENDITURES:				
Personnel services	5,613,300	6,013,300	5,889,426	123,874
Contractual services	\$ 2,960,300	3,110,300	3,100,186	10,114
Other costs	3,403,400	3,628,400	3,395,685	232,715
Total expenditures	\$ 11,977,000	12,752,000	12,385,297	366,703
Excess (deficiency) of revenues over expenditures	\$ -	(775,000)	(916,582)	(141,582)
Reconciliation to GAAP Basis:				
Depreciation and Amortization expenses			\$ (2,596,408)	
Plus in-kind contributions treated as revenue			867,054	
Less in-kind contributions treated as expense			(867,054)	
Other financing sources			262,380	
Miscellaneous revenues, not budgeted			55,945	
Change in net position			<u>\$ (3,194,665)</u>	

See Notes to Financial Statements

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF DEPOSIT ACCOUNTS
June 30, 2018**

<u>Depository/Account Name</u>	<u>Account Type</u>	<u>Depository Balance</u>	<u>Reconciled Balance</u>
Wells Fargo:			
Operating account	Checking	\$ 1,389,308	1,368,804
Change Fund account	Checking	36,400	36,400
SHARE - Interest in SGFIP account	Checking	<u>1,183,411</u>	<u>1,183,411</u>
Total cash accounts		2,609,119	2,588,615
Petty cash and cash drawers		<u>-</u>	<u>45,600</u>
Total cash and cash equivalents		<u><u>\$ 2,609,119</u></u>	<u><u>2,634,215</u></u>
Shown on the Statement of Net Position as:			
Investments in SGFIP			1,183,411
Other unrestricted cash and equivalents			56,015
Restricted cash and equivalents			<u>1,394,789</u>
			<u><u>\$ 2,634,215</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF SPECIAL APPROPRIATIONS
June 30, 2018**

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations	Prior Year Expenditures	Current Year Expenditures	Available Balance
To plan, design, construct, furnish and equip infrastructure and infrastructure improvements, including electrical and power upgrades, roofs, roads, pathways and parking lots, at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2018, Ch 80, Sect 21	6/30/2022	89200	1,500,000	-	-	1,500,000
To plan, design, construct, renovate, purchase and install infrastructure improvements campus wide, including asphalt resurfacing and roofs, at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2016, Ch 81, Sect 19	6/30/2020	89200	1,500,000	738,639	235,063	526,298
To purchase and install equipment and to purchase the permanent art exhibit and digital, video, sound and lighting equipment and an air conditioner for the sound room for the African American Performing Arts Center at the New Mexico state fair in Albuquerque in Bernalillo county	Laws of 2015, Ch 3, Sect 21, Item 1		89200	70,000	-	-	70,000
To plan, design, construct, and install an electrical distribution system and sewage transmission line replacement and to plan, design, renovate, and replace roofs at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2015, Ch 3, Sect 21, Item 3	6/30/2019	89200	45,000	-	7,760	37,240
To plan, design, construct, and install an electrical distribution system and sewage transmission line replacement and to plan, design, renovate, and replace roofs at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2015, Ch 3, Sect 21, Item 2	6/30/2019	89200	2,400,000	2,237,165	-	162,835
To design, construct, purchase, and install exhibits and to acquire art, artifacts and equipment for the New Mexico state fair African American Performing Arts Center in Albuquerque in Bernalillo county	Laws of 2014, Ch 66, Sect 17, Item 2	6/30/2019	89200	80,000	48,167	777	31,057
To plan, design, and upgrade sewer and electrical infrastructure and to make roof repairs and replacements at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2014, Ch 66, Sect 17, Item 3	6/30/2018	89200	1,000,000	891,558	103,986	4,456
To plan, design, and construct a stage for the African American Pavilion at the New Mexico State fairgrounds in Albuquerque in Bernalillo county	Laws of 2014, Ch 66, Sect 17, Item 1	6/30/2019	89200	83,000	-	-	83,000
To plan, design, and construct infrastructure improvements and deferred maintenance to facilities at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2013, Ch 226, Sect 24, Item 3	6/30/2019	89200	1,070,000	1,059,262	9,480	1,258
To design, construct, purchase, and install exhibits and to acquire art, artifacts, and equipment for the New Mexico state fair African American Performing Arts Center in Albuquerque in Bernalillo county	Laws of 2013, Ch 226, Sect 24, Item 2	6/30/2019	89200	60,000	35,510	17,964	6,526
To purchase, install, and acquire exhibits, displays, storage for art, exhibitions, and equipment at the African American Performing Arts Center at the New Mexico State fairgrounds in Albuquerque in Bernalillo county	Laws of 2013, Ch 226, Sect 24, Item 1	6/30/2019	89200	59,000	46,288	-	12,712
To design and construct a stage at the Alice Faye Hoppes Pavilion at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2012, Ch 63, Sect 14	6/30/2019	89200	78,789	16,023	5,030	57,736
To plan, design, construct, and equip an addition to the African American Performing Arts Center exhibit hall at the New Mexico state fairgrounds in Albuquerque in Bernalillo county	Laws of 2012, Ch 63, Sect 15	6/30/2019	89200	78,789	75,434	3,355	-
For exhibits, displays, and equipment; and for audiovisual and digital equipment and information technology, including related equipment, furniture and infrastructure at the African American Performing Arts Center in Albuquerque in Bernalillo county	Laws of 2012, Ch 63, Sect 16	6/30/2019	89200	78,789	8,152	19,999	50,638
				<u>8,103,367</u>	<u>5,156,199</u>	<u>403,413</u>	<u>2,543,756</u>

COMPLIANCE SECTION



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**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

State of New Mexico State Fair Commission
and
Mr. Wayne Johnson, 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 in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the State of New Mexico State Fair Commission (Fair), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Fair's basic financial statements and have issued our report thereon dated October 22, 2018.

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. 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency and is 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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is 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 finding identified in our audit are described in the accompanying schedule of findings and responses. The Fair's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
October 22, 2018

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

Section I – Financial Statement Findings

FS 2015-001 Outstanding Liability – Repeated - Significant Deficiency

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, 2014 and 2018. The liability is currently recorded in accounts payable on the financial statements as a total of \$4,994,357.

This is a current and demand liability. Since last year, the New Mexico State Fair Commission continues to work in good faith with GSD to resolve this outstanding liability and has made some progress.

CRITERIA

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

EFFECT

The credit worthiness, as well as financial liquidity, of the agency could be jeopardized with vendors if liabilities are not paid timely; weather 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.

RECOMMENDATION

Procedures should be in place to ensure that liabilities are paid and 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.

MANAGEMENT RESPONSE

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 is making all required payments for FY 19 in FY 19 thereby preventing the debt from increasing. Management will continue to work with GSD, DFA and the New Mexico Legislature to resolve the debt, striving to reach resolution by June 30, 2019.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

Section II – Findings in Accordance with 2.2.2.NMAC.

FS-2009-002 No Approval Over Annual Inventory – Repeated – Other Non-Compliance

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 Commission has contracted with an outside vendor for complete reconciliation of the capital asset inventory, however due to unforeseen complications with the previous outside contractor the project was unfinished as of June 30, 2018.

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.”

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.

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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

Section II – Findings in Accordance with 2.2.2.NMAC. (Continued)

MANAGEMENT RESPONSE

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 has contracted with an outside vendor to ensure completion of this reconciliation project.

Management will ensure that the outside vendor completes the reconciliation project by December 31, 2018 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
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018**

Section III – Prior Year Audit Findings

FS 2009-002 No Approval Over Annual Inventory – Compliance and Other Matters - Repeated

FS 2015-001 Outstanding Liability – Significant Deficiency - Repeated

FS 2017-001 Exceeded Budget Authority – Significant Deficiency - Resolved

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
EXIT CONFERENCE
June 30, 2018**

Exit Conference

The contents of this report were discussed on October 22, 2018. The following individuals were in attendance.

State Fair Commission

Dan Mourning, General Manager
Larry Kennedy, Chairman
Bill Nordin, CFO
Dupuy Bateman, Contractor
Antoinette Kulinna, Chief Procurement Officer

Ricci & Company, LLC

Dock Livingston, CPA

Ricci & Company, 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.