

**STATE OF NEW MEXICO**  
**STATE FAIR COMMISSION**  
**FINANCIAL STATEMENTS**

**JUNE 30, 2017**



**STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
FOR THE YEAR ENDED JUNE 30, 2017  
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**STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
OFFICIAL ROSTER  
JUNE 30, 2017**

**MEMBERS**

Larry Kennedy	Chairman
David "Hossie" Sanchez	Secretary Treasurer
Chuck Brown	Member
Bill Lee	Member
Xavier Jurado	Member

**ADMINISTRATION**

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

## **Independent Auditor's Report**

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, and the budgetary comparisons for the capital project fund and enterprise fund of the State of New Mexico State Fair Commission (Fair) as of and for the year ended June 30, 2017, 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 audits. We conducted our audits 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.

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, the aggregate remaining fund information, and the budgetary comparisons for the capital project fund and enterprise fund of the Fair, as of June 30, 2017, 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.

### **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, 2017, 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 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 31, 2017 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 31, 2017

STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
STATEMENTS OF NET POSITION  
June 30, 2017

	Primary Government		
	Governmental	Business-type Activities	Total
<b>ASSETS</b>			
Investments in SGFIP	\$ 106,131	\$ 1,438,691	\$ 1,544,822
Other unrestricted cash and equivalents	-	147,795	147,795
Receivables			
Due from other agencies	-	-	-
Customers, net of allowance	-	27,102	27,102
Restricted cash and equivalents	-	1,624,127	1,624,127
Capital assets	-	100,265,594	100,265,594
Less: accumulated depreciation	-	(57,114,482)	(57,114,482)
<b>Total assets</b>	<b>106,131</b>	<b>46,388,827</b>	<b>46,494,958</b>
<b>LIABILITIES</b>			
Accounts payable	101,027	206,900	307,927
Accrued liabilities	-	83,546	83,546
Due to other state agencies	1,383	4,592,713	4,594,096
Deposits held for others	-	123,491	123,491
Other liabilities	-	45,408	45,408
Compensated absences	-	193,572	193,572
<b>Total liabilities</b>	<b>102,410</b>	<b>5,245,630</b>	<b>5,348,040</b>
<b>NET POSITION</b>			
Net investment in capital assets	-	43,151,112	43,151,112
Restricted for:			
Capital projects	3,721	1,500,636	1,504,357
Unrestricted	-	(3,508,551)	(3,508,551)
<b>Total net position</b>	<b>\$ 3,721</b>	<b>\$ 41,143,197</b>	<b>\$ 41,146,918</b>

See Notes to Financial Statements.

STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
STATEMENTS OF ACTIVITIES  
June 30, 2017

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government Government Activities							
State Fair projects	\$ 93,525	\$ -	-	2,276,535	\$ 2,183,010	-	2,183,010
<b>Total government activities</b>	<u>93,525</u>	<u>-</u>	<u>-</u>	<u>2,276,535</u>	<u>2,183,010</u>	<u>-</u>	<u>2,183,010</u>
Business-type Activities							
State Fair	15,639,929	12,663,104	-	-	-	(2,976,825)	(2,976,825)
<b>Total business-type activities</b>	<u>15,639,929</u>	<u>12,663,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,976,825)</u>	<u>(2,976,825)</u>
<b>Total primary government</b>	<u>\$ 15,733,454</u>	<u>\$ 12,663,104</u>	<u>-</u>	<u>2,276,535</u>	<u>\$ 2,183,010</u>	<u>(2,976,825)</u>	<u>(793,815)</u>
		General Revenues					
		Transfers in (out)			(2,183,010)	2,183,010	-
		<b>Change in net position</b>			<u>-</u>	<u>(793,815)</u>	<u>(793,815)</u>
		Total net position - beginning of year			<u>3,721</u>	<u>41,937,012</u>	<u>41,940,733</u>
		Total net position - end of year			<u>\$ 3,721</u>	<u>41,143,197</u>	<u>41,146,918</u>

See Notes to Financial Statements.



STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2017

	Capital Project Fund (SHARE 89200)
<b>ASSETS</b>	
Cash and cash equivalents	\$ 106,131
Due to from other agencies	-
<b>Total assets</b>	<u>\$ 106,131</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 101,027
Accrued liabilities	-
Due to other state agencies	1,383
<b>Total liabilities</b>	<u>102,410</u>
Fund balances :	
Restricted for:	
Capital projectes	3,721
<b>Total fund balances</b>	<u>3,721</u>
<b>Total liabilities and fund balances</b>	<u>\$ 106,131</u>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
June 30, 2017

	Capital Project Fund <u>(SHARE 89200)</u>
<b>REVENUES:</b>	
State general fund appropriation	\$ -
Miscellaneous	<u>-</u>
<b>Total revenues</b>	<u>-</u>
<b>EXPENDITURES:</b>	
Contractual services	<u>93,525</u>
<b>Total expenditures</b>	<u>93,525</u>
Excess (deficiency) of revenues over expenditures	<u>(93,525)</u>
Other financing sources (uses):	
Bond proceeds - severance tax bond	2,276,535
Transfer out	<u>(2,183,010)</u>
<b>Total other financing sources</b>	<u>93,525</u>
Net change in fund balances	-
Fund balances - beginning of year	<u>3,721</u>
<b>Fund balances - end of year</b>	<u><u>\$ 3,721</u></u>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
STATEMENT OF NET POSITION - PROPRIETARY FUND (SHARE 19100)  
June 30, 2017

**ASSETS**

Current Assets:

Unrestricted cash and cash equivalents	\$ 1,586,486
Restricted cash and cash equivalents	1,624,127
Accounts and other receivables (net of allowance of \$270,577)	<u>27,102</u>
<b>Total current assets</b>	<u><u>3,237,715</u></u>

Noncurrent Assets:

Capital assets, net	<u>43,151,112</u>
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<b>Total assets</b>	<u><u>46,388,827</u></u>
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**LIABILITIES**

Current Liabilities:

Accounts payable	206,900
Accrued liabilities	83,546
Due to other state agencies	4,592,713
Deposits held for others	123,491
Other liabilities	45,408
Compensated absences	<u>193,572</u>

<b>Total liabilities</b>	<u><u>5,245,630</u></u>
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**NET POSITION**

Net investment in capital assets	43,151,112
Restricted for capital improvement projects	1,500,636
Unrestricted (deficit)	<u>(3,508,551)</u>

<b>Total net position</b>	<u><u>\$ 41,143,197</u></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, 2017

**OPERATING REVENUES**

Admissions, rides, entry fees	\$ 3,509,601
Rentals	4,658,795
Sponsorship in-kind revenues	919,699
Concessions	1,253,773
Parking	1,095,670
Service and fee income	605,770
Sponsorship and advertising	540,766
Commissions	58,014
Other	21,016
	<hr/>
<b>Total operating revenues</b>	<b>12,663,104</b>

**OPERATING EXPENSES**

Salaries and employee benefits	5,815,255
Other professional services and expenses	3,740,140
Depreciation and amortization expense	2,553,232
Sponsorship in-kind expense	919,699
Utilities	1,382,224
Repairs and maintenance	316,930
Advertising	376,448
Supplies	201,130
Equipment rental	234,649
Insurance	100,222
	<hr/>
<b>Total operating expenses</b>	<b>15,639,929</b>

Operating loss	<hr/> <u>(2,976,825)</u>
Non-operating revenue (expenses):	
Transfer in	<hr/> <u>2,183,010</u>
<b>Non-operating revenue</b>	<b><hr/><u>2,183,010</u></b>
Change in net position	(793,815)
Net position, beginning of year	<hr/> <u>41,937,012</u>
<b>Net position, end of year</b>	<b><hr/><u>\$ 41,143,197</u></b>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (SHARE 19100)  
June 30, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 12,801,895
Cash payments to suppliers of goods and services	(7,024,834)
Cash payments to employees for services	<u>(5,863,239)</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ <u>(86,178)</u></b>

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

Purchase of property and equipment	\$ (2,278,294)
Transfer utilized to offset the purchase of property and equipment	<u>2,183,010</u>
<b>Net cash provided by (used for) capital and related financing activities</b>	<b>\$ <u>(95,284)</u></b>

Net increase (decrease) in cash and cash equivalents	\$ (181,462)
Cash and cash equivalents, beginning of year	<u>3,392,075</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,210,613</u></u>

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (2,976,825)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,553,232
Changes in assets and liabilities:	
Increase in accounts and other receivables	81,294
Increase in accounts payable	246,610
Increase in accrued liabilities	(69,857)
Decrease in other liabilities	57,495
Increase in compensated absences	<u>21,873</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ <u><u>(86,178)</u></u></b>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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 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 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.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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, 2017**

**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 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 noncurrent, 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)

STATE OF NEW MEXICO STATE FAIR COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Measurement Focus and Basis of Accounting (continued)*

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.

***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.

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.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

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.* 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, 2017

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, 2017, totaled \$2,183,010.

*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*** – liquid assets which have third-party (statutory, bond covenant or granting agency) limitation on their use.

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

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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

*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, 2017, were \$376,448.

*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 31, 2017, 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, 2015, 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.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

Cash invested with the New Mexico State Treasurer at June 30, 2017 is as follows:

Account Name	Agency Number	SHARE Fund	Balance per SHARE
Capital Projects Fund	46000	89200	\$ 106,131
Proprietary Fund	46000	19100	<u>1,438,691</u>
<b>Total investments in SGFIP</b>			<b><u>\$ 1,544,822</u></b>

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, 2017, the Fair had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total amount on Deposit	\$ 1,703,226
Less: Amount covered by FDIC	<u>(250,000)</u>
Total uninsured funds	1,453,226
<b>Amount requiring collateral (50%)</b>	<b><u>\$ 726,613</u></b>

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)**

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.

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

Restricted cash of \$1,624,127 shown on the Statements of Net Position consists of \$1,500,636 in unused proceeds from Pari-mutuel Tax Revenue restricted for capital improvements at the Fairgrounds and \$123,491 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, 2017:

Various customers receivables	\$ 297,679
Less: Allowance for doubtful accounts	<u>(270,577)</u>
Net Accounts Receivable	<u>\$ 27,102</u>

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 4. CAPITAL ASSETS**

Governmental Fund capital asset activity for the year ending June 30, 2017 is as follows:

	<u>Balance,</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance,</u> <u>June 30, 2017</u>
Capital assets, used in business activities:					
Land	\$ 819,340	-	-	-	819,340
Construction in process	-	-	-	-	-
Total, non-depreciable Assets	<u>\$ 819,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>819,340</u>
Buildings and improvements	89,834,956	2,104,873	-	-	91,939,829
Motor vehicles	576,755	73,848	-	-	650,603
Data processing equipment	1,746,446	-	-	-	1,746,446
Equipment and machinery	3,511,214	99,029	-	-	3,610,243
Office furniture and fixtures	1,498,589	544	-	-	1,499,133
Total, depreciable Assets	<u>97,167,960</u>	<u>2,278,294</u>	<u>-</u>	<u>-</u>	<u>99,446,254</u>
Total capital Assets	<u>97,987,300</u>	<u>2,278,294</u>	<u>-</u>	<u>-</u>	<u>100,265,594</u>
Accumulated depreciation:					
Buildings and improvements	47,159,930	2,477,673	-	382,141	50,019,744
Motor vehicles	553,711	19,603	-	5,344	578,658
Data processing equipment	1,745,227	1,705	-	(1,054)	1,745,878
Equipment and machinery	3,869,616	46,155	-	(609,133)	3,306,638
Office furniture and fixtures	1,232,766	8,096	-	222,702	1,463,564
Total accumulated depreciation	<u>\$ 54,561,250</u>	<u>2,553,232</u>	<u>-</u>	<u>-</u>	<u>57,114,482</u>
Net capital assets	<u>\$ 43,426,050</u>	<u>(274,938)</u>	<u>-</u>	<u>-</u>	<u>43,151,112</u>

Depreciation expense for the year ended June 30, 2017, was \$2,553,232. All of the depreciation expense of \$2,553,232 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, 2017, and total \$307,927.



**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 6. DUE TO OTHER STATE AGENCIES**

Amounts due to other state agencies consists of the following at June 30, 2017:

	Due To (From)
State general fund	\$ 9,926
Fair's capital project fund (Agency 46000, Fund 89200)	(1,383)
Fair's proprietary fund (Agency 46000, Fund 19100)	(8,543)
Purpose: Stale dated warrants	
Department of Public Safety (Agency 79000, Fund 12805)	\$ 16,242
Fair's proprietary fund (Agency 46000, Fund 19100)	(16,242)
Purpose: Law enforcement services provided on the fair grounds	
General Services Department (Agency 35000)	\$ 4,567,928
Fair's proprietary fund (Agency 46000, Fund 19100)	(4,567,928)
Purpose: Prior year insurance premiums and other charges	

**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, 2017, is as follows:

	Balance, <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>	Due within <u>One Year</u>
Compensated absences	\$ 171,699	\$ 140,511	\$ 118,637	\$ 193,572	\$193,572

**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, 2017:

Media services and other	\$919,699
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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.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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](http://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, 2017, 2016, and 2015 were \$286,867, \$260,643, and \$237,264, respectively, which equal the amount of the required contributions for each fiscal year.

The State Fair Commission (EXPO NM), 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.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

*Funding Policy.* The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://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, 2017, 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, 2017, 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.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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, 2017, 2016, and 2015 were \$32,125, \$30,340 and \$27,938, 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, 2017, the Fair had no claims which the Risk Management Division has returned as not covered that would become the responsibility of the Fair.

**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 \$174,326.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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)	\$ 2,276,535
Department of Finance and Administration (Agency 34100, Fund 50230)	(2,276,535)
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, 2017 is as follows:

	Interfund Transfer To (From)
Governmental Activities, Capital Outlay (Fund 89200)	\$ (2,183,010)
Business-type Activities (Fund 19100)	2,183,010

**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.

**NOTE 15. NEW ACCOUNTING STANDARDS**

The Fair did not adopt any new accounting standards in the year ended June 30, 2017. The following standards have been issued but have future implementation dates.

*GASBS No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB 75 is effective for fiscal years beginning after June 15, 2017 (FY18). Management has not yet fully determined the impact of GASB 75.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

GASBS No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 is effective for fiscal years beginning after December 15, 2019 (FY21). Management has not yet fully determined the impact of GASB 87.

STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
CAPITAL PROJECT FUND  
June 30, 2017

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
State general fund appropriation	\$ -	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES:</b>				
Contractual services	\$ 93,525	93,525	93,525	-
Capital outlay	2,183,010	2,183,010	2,183,010	-
<b>Total expenditures</b>	<b>\$ 2,276,535</b>	<b>2,276,535</b>	<b>2,276,535</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	\$ (2,276,535)	(2,276,535)	(2,276,535)	-
<b>Other financing sources (uses):</b>				
Bond proceeds - severance tax bond	2,276,535	2,276,535	2,276,535	-
Current year reversion to State general fund	-	-	-	-
<b>Total other financing sources</b>	<b>2,276,535</b>	<b>2,276,535</b>	<b>2,276,535</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation to GAAP Basis:</b>				
Net change in fund balances			\$ -	
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures			\$ -	

See Notes to Financial Statements.

STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
PROPRIETARY FUND  
JUNE 30, 2017

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Carnival Rides	\$ 900,000	900,000	1,144,351	244,351
Commission on Sales	40,000	40,000	58,014	18,014
Food and Beverage	850,000	850,000	857,556	7,556
Concessions Exhibits	400,000	400,000	396,217	(3,783)
Sponsorship	250,000	250,000	540,766	290,766
Entry Fees Events	60,000	60,000	54,777	(5,223)
Other Fees	500,000	500,000	349,603	(150,397)
Parking	1,300,000	1,300,000	1,095,670	(204,330)
Utilities Fees	120,000	120,000	103,141	(16,859)
Admissions	2,428,700	2,428,700	2,365,250	(63,450)
Other services	70,000	70,000	98,249	28,249
Building and other rentals	4,950,000	4,950,000	4,556,576	(393,424)
Concession Rental	110,000	110,000	102,219	(7,781)
Miscellaneous (excluding in-kind)	-	-	-	-
<b>Total revenues</b>	<b>\$ 11,978,700</b>	<b>11,978,700</b>	<b>11,722,388</b>	<b>(256,312)</b>
<b>EXPENDITURES:</b>				
Personnel services	5,575,300	5,575,300	5,815,255	(239,955)
Contractual services	\$ 2,959,600	2,959,600	2,946,125	13,475
Other costs	3,443,800	3,443,800	3,405,620	38,180
<b>Total expenditures</b>	<b>\$ 11,978,700</b>	<b>11,978,700</b>	<b>12,167,000</b>	<b>(188,300)</b>
Excess (deficiency) of revenues over expenditures	\$ -	-	(444,612)	(68,012)
<b>Reconciliation to GAAP Basis:</b>				
Depreciation and Amortization expenses			\$ (2,553,232)	
Plus in-kind contributions treated as revenue			919,699	
Less in-kind contributions treated as expense			(919,699)	
Other financing sources			2,183,010	
Miscellaneous revenues, not budgeted			21,018	
Change in net position			<u>\$ (793,816)</u>	

See Notes to Financial Statements



STATE OF NEW MEXICO  
STATE FAIR COMMISSION  
SCHEDULE OF DEPOSIT ACCOUNTS  
June 30, 2017

<u>Depository/Account Name</u>	<u>Account Type</u>	<u>Depository Balance</u>	<u>Reconciled Balance</u>
Wells Fargo:			
Operating account	Checking	\$ 1,703,226	1,689,922
Change Fund account	Checking	38,940	38,940
SHARE - Interest in SGFIP account	Checking	1,544,822	1,544,822
Total cash accounts		3,286,988	3,273,684
Petty cash and cash drawers		-	43,060
<b>Total cash and cash equivalents</b>		<b>\$ 3,286,988</b>	<b>3,316,744</b>
Shown on the Statement of Net Position as:			
Investments in SGFIP			1,544,822
Other unrestricted cash and equivalents			147,795
Restricted cash and equivalents			1,624,127
			<b>\$ 3,316,744</b>

See Notes to Financial Statements.



Service plus value, it all adds up.

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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 in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each major fund, 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, 2017 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 31, 2017.

**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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items FS 2009-002, FS 2015-001, and FS 2017-001.

### **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

October 31, 2017

**STATE OF NEW MEXICO STATE FAIR COMMISSION  
FINDINGS AND RESPONSES  
June 30, 2017**

**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**

**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.

**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.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**FINDINGS AND RESPONSES**  
**June 30, 2017**

**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.

**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 will contract with an outside vendor to ensure completion of this reconciliation project. Due to unforeseen complications with the previous outside contractor the project has been left unfinished. We are committed to finishing the project by the end of FY 18. Management and the Chairman of the State Fair Commission will review, certify and sign off on this inventory as to its correctness.

Management will ensure that the outside vendor completes the reconciliation project by June 30, 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**  
**FINDINGS AND RESPONSES**  
**June 30, 2017**

**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 and 2014. The liability is currently recorded in accounts payable on the financial statements as a total of \$4,567,928. 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.

**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 will make all required payments for FY 18 in FY 18 thereby preventing the debt from increasing.

Management will continue to work with GSD and DFA to resolve the debt, striving to reach resolution by 6/30/18. Additionally, the New Mexico State Fair has begun to and will continue to make all required payments for FY 18 in FY 18 thereby preventing the debt from increasing.

**STATE OF NEW MEXICO STATE FAIR COMMISSION**  
**FINDINGS AND RESPONSES**  
**June 30, 2017**

**FS 2017-001 EXCEEDED BUDGET AUTHORITY -Significant Deficiency**

**CONDITION**

The Fair has over expended its total Proprietary Fund budget by \$188,300 due to being over budget in the Personal Services/Employee Benefits category by \$239,955. This was in part due to twenty five year-end audit adjustments to the initial trial balance. This is a financial close and reporting issue.

**CRITERIA**

In accordance with Section 6-6-6 NMSA 1978. claims or warrants in excess of approved budgetary amounts shall not be allowed or approved.

**EFFECT**

As a result, the Fair is in non-compliance with New Mexico state law.

**CAUSE**

The Fair did not make the appropriate budgetary adjustment requests to alleviate possible over-expenditure within functions prior to the year-end.

**RECOMMENDATION**

We recommend that the Fair establish a policy of budgetary review and make the necessary budget adjustment requests. We also recommend greater analyses and appropriate adjustments to the general ledger during the fiscal year which will allow for a better budgetary oversight and better internal financial statements for management.

**MANAGEMENT RESPONSE**

Management agrees with the finding. In FY 17 the information required for the necessary BAR was not compiled until after the final BAR deadline.

If necessary, a BAR will be prepared and submitted by the deadline to ensure that EXPO has the necessary budget in place.

**STATE OF NEW MEXICO STATE FAIR COMMISSION  
FINDINGS AND RESPONSES  
June 30, 2017**

**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 – Repeated – Significant Deficiency  
Repeated



**STATE OF NEW MEXICO STATE FAIR COMMISSION  
EXIT CONFERENCE  
June 30, 2017**

Exit Conference

The contents of this report were discussed on October 31, 2017. 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

Wayne Brown, CPA  
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.