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6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

505 338 0800 office riccicpa.com

**STATE OF NEW MEXICO
STATE FAIR COMMISSION**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2019

**STATE OF NEW MEXICO
STATE FAIR COMMISSION**

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**STATE OF NEW MEXICO
STATE FAIR COMMISSION**

OFFICIAL ROSTER

<u>Appointed Members</u>	<u>Title</u>
<i>Executive Office</i>	
Eric Serna	Chairman
Benny Roybal	Secretary Treasurer
Carol Cloer	Member
Thomas Spindle	Member
Trudy Healy	Member
Danielle Lowry	Member
Larry Chavez Sr.	Member
<i>Administration</i>	
Dan Mourning	General Manager
Bill Nordin	Chief Finance Officer
Antoinette Kulinna	Chief Procurement Officer

FINANCIAL STATEMENTS



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

Independent Auditors' Report

Brian Colón, Esq.
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, 2019, 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.

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, 2019, 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, 2019, 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 30, 2019 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 30, 2019

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF NET POSITION
June 30, 2019**

	Primary Government		
	Governmental	Business-type Activities	Total
ASSETS			
Investments in SGFIP	\$ 7,110,067	1,324,914	\$ 8,434,981
Other unrestricted cash and equivalents	-	110,161	110,161
Receivables			
Customers, net of allowance	-	51,327	51,327
Restricted cash and equivalents	-	1,325,441	1,325,441
Capital assets	-	94,204,863	94,204,863
Less: accumulated depreciation	-	(55,035,144)	(55,035,144)
Total assets	7,110,067	41,981,562	49,091,629
LIABILITIES			
Accounts payable	173,667	327,269	500,936
Accrued liabilities	-	92,804	92,804
Due to other state agencies	-	141,904	141,904
Deposits held for others	-	131,886	131,886
Unearned revenue	-	55,000	55,000
Other liabilities	-	4,978	4,978
Compensated absences	-	202,448	202,448
Total liabilities	173,667	956,289	1,129,956
NET POSITION			
Net investment in capital assets	-	39,169,719	39,169,719
Restricted for:			
Capital projects	6,936,400	1,193,555	8,129,955
Deposits held for others	-	131,886	131,886
Unrestricted	-	530,113	530,113
Total net position	6,936,400	41,025,273	47,961,673
Total net position and liabilities	\$ 7,110,067	41,981,562	\$ 49,091,629

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF ACTIVITIES
Year ended June 30, 2019**

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	943,226	-	-	2,050,391	1,107,165	-	1,107,165
Total government activities	943,226	-	-	2,050,391	1,107,165	-	1,107,165
Business-type Activities							
State Fair	16,120,753	13,095,929	-	-	-	(3,024,824)	(3,024,824)
Total business-type activities	16,120,753	13,095,929	-	-	-	(3,024,824)	(3,024,824)
Total primary government	\$ 17,063,979	13,095,929	-	2,050,391	\$ 1,107,165	(3,024,824)	\$ (1,917,659)
					General Fund Appropriation		
					\$ 6,936,400	4,994,400	\$ 11,930,800
					Transfers in (out)		
					(1,107,165)	1,107,165	-
					6,936,400	3,076,741	10,013,141
					Net Position, beginning of year		
					-	37,948,532	37,948,532
						-	-
					\$ 6,936,400	41,025,273	\$ 47,961,673

The Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019**

	Capital Project Fund (SHARE 89200)	Capital Project Fund (SHARE 93100)	Total Governmental Funds
ASSETS			
Investment in SGFIP	\$ 173,667	6,936,400	\$ 7,110,067
Total assets	<u>\$ 173,667</u>	<u>6,936,400</u>	<u>\$ 7,110,067</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 173,667	-	\$ 173,667
Total liabilities	<u>173,667</u>	<u>-</u>	<u>173,667</u>
Fund balances :			
Restricted for:			
Capital projects	-	6,936,400	6,936,400
Total fund balances	<u>-</u>	<u>6,936,400</u>	<u>6,936,400</u>
Total liabilities and fund balances	<u>\$ 173,667</u>	<u>6,936,400</u>	<u>\$ 7,110,067</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
Year ended June 30, 2019**

	Capital Project Fund (SHARE 89200)	Capital Project Fund (SHARE 93100)	Total Governmental Funds
REVENUES:			
General revenues	\$ -	-	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:			
Capital outlay	618,369	-	618,369
Supplies	324,857	-	324,857
Total expenditures	<u>943,226</u>	<u>-</u>	<u>943,226</u>
Excess (deficiency) of revenues over expenditures	<u>(943,226)</u>	<u>-</u>	<u>(943,226)</u>
Other financing sources (uses):			
State general fund appropriation		6,936,400	6,936,400
Bond proceeds - severance tax bond	2,050,391	-	2,050,391
Transfer out	(1,107,165)	-	(1,107,165)
Total other financing sources	<u>943,226</u>	<u>6,936,400</u>	<u>7,879,626</u>
Net change in fund balances	<u>-</u>	<u>6,936,400</u>	<u>6,936,400</u>
Fund balances, end of year	<u>\$ -</u>	<u>6,936,400</u>	<u>\$ 6,936,400</u>

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF NET POSITION – PROPRIETARY FUND
June 30, 2019**

ASSETS

Current Assets:

Investments in SGFIP	\$ 1,324,914
Other unrestricted cash and equivalents	110,161
Restricted cash and cash equivalents	1,325,441
Accounts and other receivables (net of allowance of \$273,671)	<u>51,327</u>

Total current assets 2,811,843

Noncurrent Assets:

Capital assets, net	<u>39,169,719</u>
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Total assets 41,981,562

LIABILITIES

Current Liabilities:

Accounts payable	327,269
Accrued liabilities	92,804
Due to other state agencies	141,904
Deposits held for others	131,886
Unearned revenue	55,000
Other liabilities	4,978
Compensated absences	<u>202,448</u>

Total liabilities 956,289

NET POSITION

Net investment in capital assets	39,169,719
Restricted for capital improvement projects	1,193,555
Unrestricted (deficit)	<u>661,999</u>

Total net position 41,025,273

Total liabilities and fund balances \$ 41,981,562

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – PROPRIETARY FUND
Year ended June 30, 2019**

OPERATING REVENUES

Admissions, rides, entry fees	\$ 3,694,736
Rentals	4,836,261
Sponsorship in-kind revenues	856,637
Concessions	1,389,581
Parking	1,296,771
Service and fee income	438,075
Sponsorship and advertising	510,100
Commissions	48,539
Other	25,229

Total operating revenues	<u>13,095,929</u>
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OPERATING EXPENSES

Salaries and employee benefits	5,819,112
Other professional services and expenses	3,734,252
Depreciation and amortization expense	2,621,935
Sponsorship in-kind expense	856,637
Utilities	1,366,303
Repairs and maintenance	314,443
Advertising	431,925
Supplies	230,541
Equipment rental	251,648
Insurance	119,811

Total operating expenses	<u>16,120,753</u>
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Operating income (loss)	<u>(3,024,824)</u>
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Non-operating revenue (expenses):

Transfers in	<u>6,101,565</u>
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Non-operating revenue	<u>6,101,565</u>
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Change in net position	3,076,741
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Net position, beginning of year	<u>37,948,532</u>
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Net position, end of year	<u><u>\$ 41,025,273</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year ended June 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 13,157,679
Cash payments to suppliers of goods and services	(17,758,836)
Cash payments to employees for services	(5,800,023)
Net cash used by operating activities	<u>\$ (10,401,180)</u>

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

Purchase of property and equipment	\$ 4,427,827
Transfer utilized to offset the purchase of property and equipment	6,101,565
Net cash used for capital and related financing activities	<u>\$ 10,529,392</u>

Net (decrease) in cash and cash equivalents	\$ 128,212
Cash and cash equivalents, beginning of year	<u>2,632,304</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,760,516</u></u>

Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (3,024,824)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	(2,621,935)
Changes in assets and liabilities:	
Increase in accounts and other receivables	(17,493)
Increase in accounts payable	(4,835,260)
Increase in accrued liabilities	12,698
Decrease in other liabilities	79,243
Increase in compensated absences	6,391
Net cash (used) by operating activities	<u>\$ (10,401,180)</u>

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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 an 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*."

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Government-wide and Fund Financial Statement

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.

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

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The Proprietary Funds account 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, 2019**

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 Capital Project Fund accounts for the capital expenditures with revenues received from the general fund appropriations (SHARE Fund 93100).

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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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.

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 Equivalent

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 OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalent (Continued)

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".

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 records 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, 2019, totaled \$1,107,165.

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

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (Continued)

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

Restricted amounts that can only be spent for the specific purpose stipulated by external resource providers or through enabling legislation; the amount restricted by enabling legislation at June 30, 2019 is \$1,325,441.

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

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, 2019, were \$431,925.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2019 is as follows:

Agency Account Name	<u>SHARE Number</u>	<u>Balance per Fund SHARE</u>
Capital Projects Fund	46000 89200	\$ 173,667
	46000 93100	6,936,400
Proprietary Fund	46000 19100	<u>1,324,914</u>
Total investments in SGFIP		<u><u>\$ 8,434,981</u></u>

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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

State General Fund Investment Pool (Continued)

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, 2019, the Fair had one bank account with a balance above \$250,000:

<u>Wells Fargo Bank</u>	
Total amount on deposit	\$ 1,376,327
Less: Amount covered by FDIC	<u>(250,000)</u>
Total uninsured funds	1,126,327
Amount requiring collateral (50%)	<u><u>\$ 563,164</u></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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2. CASH AND CASH EQUIVALENTS (CONTINUED)

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 \$1,325,441 shown on the Statements of Net Position consists of \$1,193,555 in unused proceeds from Pari-mutuel Tax Revenue restricted for capital improvements at the Fairgrounds and \$131,886 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, 2019:

Various customers receivables	\$	324,998
Less: Allowance for doubtful accounts		(273,671)
Net Accounts receivable	\$	<u>51,327</u>

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2019 is as follows:

	Balance				Balance
	June 30, 2018	Additions	Deletions	Transfers	June 30, 2019
Capital assets, used in business activities:					
Land	\$ 819,340	-	-	-	\$ 819,340
Total, non depreciable assets	<u>\$ 819,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 819,340</u>
Buildings and improvements	\$ 92,158,404	897,299	(4,784,727)	-	\$ 88,270,976
Motor vehicles	670,834	101,473	(150,930)	-	621,377
Data processing equipment	1,746,446	102,183	(896,282)	-	952,347
Equipment and machinery	3,759,136	78,469	(1,083,001)	-	2,754,604
Office furniture and fixtures	1,532,342	10,765	(756,888)	-	786,219
Total depreciable assets	<u>99,867,162</u>	<u>1,190,189</u>	<u>(7,671,828)</u>	<u>-</u>	<u>93,385,523</u>
Total capital assets	<u>\$ 100,686,502</u>	<u>1,190,189</u>	<u>(7,671,828)</u>	<u>-</u>	<u>\$ 94,204,863</u>
Less accumulated depreciation:					
Buildings and improvements	\$ (52,533,490)	(2,493,361)	4,412,110	-	\$ (50,614,741)
Motor vehicles	(598,865)	(37,245)	150,930	-	(485,180)
Data processing equipment	(1,746,446)	(18,159)	896,282	-	(868,323)
Equipment and machinery	(3,361,087)	(65,199)	1,083,000	-	(2,343,286)
Office furniture and fixtures	(1,471,002)	(7,971)	755,359	-	(723,614)
Total accumulated depreciation	<u>(59,710,890)</u>	<u>(2,621,935)</u>	<u>7,297,681</u>	<u>-</u>	<u>(55,035,144)</u>
Net capital assets	<u>\$ 40,975,612</u>	<u>(1,431,746)</u>	<u>(374,147)</u>	<u>-</u>	<u>\$ 39,169,719</u>

Depreciation expense for the year ended June 30, 2019, was \$2,621,935. All of the depreciation expense of \$2,621,935 was allocated to the Fair's business type activities.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. DUE TO OTHER STATE AGENCIES AND COMPONENT UNITS

Amounts due to other state agencies consists of the following at June 30, 2019:

	Due To (From)
Department of public safety (Agency 79000, Fund 12805)	\$ 141,904
Fair's proprietary fund (Agency 46000, Fund 19100)	(141,904)
Purpose: Law enforcement services provided on the fair grounds	

NOTE 6. COMPENSATED ABSENCES

Compensated absences consist of accrued vacation, sick leave, and compensatory time payable from future operations. A summary of changes in compensated absences payable for the year ended June 30, 2019, is as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Compensated Absences	\$ 231,088	83,838	(112,478)	202,448	\$ 202,448

NOTE 7. 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, 2019:

Media services and other	\$ 856,637
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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, 2019**

**NOTE 8. 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, 2019, 2018, and 2017 were \$282,045, \$272,918, and \$286,867, respectively, which equal the amount of the required contributions for each fiscal year.

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 CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 9. POST-EMPLOYEE BENEFITS –STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

**NOTE 9. POST-EMPLOYEE BENEFITS –STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Funding Policy (Continued)

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, 2019, 2018, and 2017 were \$32,145, \$31,062 and \$32,125, respectively, which equal the required contributions for each year.

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, 2019.

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

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

**NOTE 9. POST-EMPLOYEE BENEFITS –STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Funding Policy (Continued)

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, 2019 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 10. 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, 2019, the Fair had no claims which the Risk Management Division has returned as not covered that would become the responsibility of the Fair.

NOTE 11. 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 \$141,904 and is included in Other Professional Services and Expenses.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 12. 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)	\$ 2,050,392
Department of Finance and Administration (Agency 34100, fund 50230)	(200,075)
(Agency 34100, fund 11720)	(6,526)
(Agency 34100, fund 11730)	(1,258)
(Agency 34100, fund 20620)	(18,416)
(Agency 34100, fund 20650)	(1,176,585)
(Agency 34100, fund 40220)	(475,724)
(Agency 34100, fund 50120)	(66,869)
(Agency 34100, fund 60910)	(104,939)

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, 2019 is as follows:

Department of Finance and Administration (Agency 34100, fund 50230)	(6,936,400)
Purpose: Infrastructure improvements at the New Mexico State Fair Grounds	

NOTE 13. 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, 2019**

NOTE 14. NEW ACCOUNTING STANDARDS

The Fair adopted the following new accounting standards in the year ended June 30, 2019:

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 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 January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. NMCD will not early implement.

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

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Earlier application is encouraged. This statement is not applicable to the Expo.

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.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 14. NEW ACCOUNTING STANDARDS (CONTINUED)

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.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 30, 2019, the date at which the financials were available to be issued for the year ended June 30, 2019.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES AND EXPENSES BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) PROPRIETARY FUND
Year ended June 30, 2019**

	Budgeted Amounts		YTD Actual	Variance Final vs Actual Favorable (Unfavorable)
	Original	Final		
Revenues				
Total revenues	\$ 10,713,200	17,684,400	17,233,692	\$ (450,708)
Expenditures				
Personnel services	4,407,500	10,159,751	5,819,109	4,340,642
Contractual services	2,960,400	3,200,400	3,137,133	63,267
Other costs	3,345,300	4,324,249	3,685,936	638,313
Total expenditures	10,713,200	17,684,400	12,642,178	5,042,222
Excess (deficiency) of revenues over expenditures	-	-	4,591,514	4,591,514
Reconciliation to GAAP Basis				
Depreciation and amortization expenses			\$ (2,621,935)	
Plus in-kind contributions treated as revenue			856,637	
Less in-kind contributions treated as expense			(856,637)	
Other financing sources			1,107,165	
Miscellaneous revenues, not budgeted			(3)	
Change in net position			\$ 3,076,741	

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES, EXPENDITURES BUDGET AND ACTUAL
MAJOR FUNDS CAPITAL PROJECT – FUND 93100
Year ended June 30, 2019**

	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
General fund appropriation	\$ 6,936,400	6,936,400	6,936,400	\$ -
Federal grants	-	-	-	-
Others state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	-	-	-	-
Total revenues	<u>\$ 6,936,400</u>	<u>6,936,400</u>	<u>6,936,400</u>	<u>\$ -</u>
Expenditures				
Personnel services	\$ 6,936,400	6,936,400	-	\$ 6,936,400
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>\$ 6,936,400</u>	<u>6,936,400</u>	<u>-</u>	<u>\$ 6,936,400</u>
Excess (deficiency) of revenue over expenditures			6,936,400	
Reconciliation of budgetary basis to GAAP basis financial statements:				
Reversions			<u>-</u>	
Net change in fund balance			<u>\$ 6,936,400</u>	

The operations of the fund are limited to recording certain rental income for the year.

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - MAJOR FUNDS
CAPITAL PROJECT – FUND 89200
Year ended June 30, 2019**

	Original Budget	Approved Final Budget	Actual	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
General fund appropriation	\$ 2,050,391	2,050,391	2,050,391	\$ -
Federal grants	-	-	-	-
Others state funds	-	-	-	-
Other financing sources	-	-	-	-
Building and lease income	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 2,050,391</u>	<u>2,050,391</u>	<u>2,050,391</u>	<u>\$ -</u>
Expenditures				
Personnel services	\$ -	-	-	\$ -
Contractual services	-	-	-	-
Other	2,050,391	2,050,391	2,050,391	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 2,050,391</u>	<u>2,050,391</u>	<u>2,050,391</u>	<u>\$ -</u>
Excess (deficiency) of revenue over expenditures			-	
Reconciliation of budgetary basis to GAAP basis financial statements:				
Reversions			<u> </u>	
Net change in fund balance			<u>\$ -</u>	

The operations of the fund are limited to recording certain rental income for the year.

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2019**

<u>Depository/Account Name</u>	<u>Account Type</u>	<u>Depository Balance</u>	<u>Reconciled Balance</u>
Wells Fargo:			
Operating account	Checking	\$ 1,376,327	1,353,602
Change Fund account	Checking	80,000	80,000
SHARE - Interest in SGFIP account	Checking	8,434,981	8,434,981
Total cash accounts		<u>9,891,308</u>	<u>9,868,583</u>
Petty cash and cash drawers		<u>-</u>	<u>2,000</u>
Total cash and cash equivalents		<u><u>\$ 9,891,308</u></u>	<u><u>9,870,583</u></u>
Shown on the Statement of Net Position as:			
Investments in SGFIP			8,434,981
Other unrestricted cash and equivalents			110,161
Restricted cash and equivalents			1,325,441
			<u><u>\$ 9,870,583</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF SPECIAL APPROPRIATIONS
June 30, 2019**

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations	Prior Year Expenditures	Current Year Expenditures	Available Balance
To plan, design, renovate, construct and equip infrastructure improvements at the New Mexico State Fair Grounds	Laws 2019, Chapter 277, Section 27	6/30/2023	93100	\$ 4,500,000	-	-	\$ 4,500,000
To plan, design, construct, purchase, furnish and equip a multipurpose facility, including a kitchen at AAPAC	Laws 2019, Chapter 277, Section 27	6/30/2023	93100	495,000	-	-	495,000
To plan, design, construct, furnish, equip and install secure booths at the AAP	Laws 2019, Chapter 277, Section 27	6/30/2023	93100	158,400	-	-	158,400
To plan, design, purchase and install exhibits and artifacts, and to equip and furnish the AAPAC	Laws 2019, Chapter 277, Section 27	6/30/2021	93100	100,000	-	-	100,000
To plan, design and construct a kitchen addition at the AAPAC	Laws 2019, Chapter 277, Section 27	6/30/2023	93100	1,683,000	-	-	1,683,000
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	-	1,176,585	\$323,415
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	973,553	475,873	50,575

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)
June 30, 2019**

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations	Prior Year Expenditures	Current Year Expenditures	Available Balance
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	48,943	18,416	12,641
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 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	53,474	6,526	-

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)
June 30, 2019**

<u>Description</u>	<u>Authority</u>	<u>Appropriation Period</u>	<u>SHARE Fund</u>	<u>Total Appropriations</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Available Balance</u>
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	21,053	54,301	3,435
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	78,789	-	-
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	28,151	50,638	-
				<u>\$ 12,840,767</u>	<u>3,448,888</u>	<u>1,982,414</u>	<u>\$ 7,409,465</u>

COMPLIANCE SECTION



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

**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 Auditors' Report

State of New Mexico State Fair Commission
and
Mr. Brian Colón Esq., 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, 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, 2019 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 30, 2019.

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.

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.

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 30, 2019

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019**

SECTION 1 – SUMMARY OF AUDITOR RESULTS

Type of report issued:	Unmodified
Internal Controls over Financial Reporting:	
Material weaknesses reported?	No
Significant deficiencies reported?	No
Noncompliance material to the financial statements noted?	No

SECTION 2 - CURRENT YEAR FINDINGS AND RESPONSES

None

SECTION 3 – PRIOR YEAR AUDIT FINDINGS

FS 2009-002	No Approval Over Annual Inventory - Compliance and Other Matters	Resolved
FS 2015-001	Outstanding Liability - Significant Deficiency	Resolved
FS 2017-001	Exceeded Budget Authority - Significant Deficiency	Resolved

**STATE OF NEW MEXICO
STATE FAIR COMMISSION
EXIT CONFERENCE
June 30, 2019**

The contents of this report were discussed on October 25, 2019. The following individuals were in attendance.

State Fair Commission

Dan Mourning, General Manager
Eric Serna, Chairman
Bill Nordin, CFO
Dupuy Bateman, Consultant
Antoinette Kulinna, Chief Procurement Officer

Ricci & Company, LLC

Mark Santiago, CPA, Audit Senior Manager
Esther Alejo, Senior Auditor
Bethy Bai, Senior Auditor
Raisa Tareen, Staff Auditor
Johana Burciaga, Staff Auditor

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.