



State of
New Mexico
Regulation and
Licensing
Department

Financial Statements
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
 Regulation and Licensing Department
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STATE OF NEW MEXICO
Regulation and Licensing Department
Official Roster
June 30, 2017

<u>Name</u>	<u>Title</u>
Mike Unthank	Superintendent
Alex Sanchez	Deputy Superintendent
Alexis Lotero	Acting ASD Director/ Acting Director Securities Division
Clayton Pelletier	CFO
Sam Dominguez	Acting CIO
Enrique Knell	Director, Boards and Commissions Division
Pat McMurray	Director, Construction Industries Division and Manufactured Housing Division
Christopher Moya	Acting Director Financial Institution Division
Mary Kay Root	Director, Alcohol and Gaming Division

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson
New Mexico State Auditor
Mike Unthank, Superintendent
State of New Mexico Regulation and Licensing Department
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the New Mexico Regulation and Licensing Department (the "Department"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department'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 misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of 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 Department'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 Department'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 financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining funds of the Department as of June 30, 2017, and the respective changes in financial position thereof, and the respective budgetary comparison of the general fund and the major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the Department. 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 14 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's basic financial statements and the budgetary comparisons for the general fund and major special revenue funds. The introductory section, combining and individual fund financial statements and Supporting Schedules I through II required by 2.2.2 NMAC are presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017 on our consideration of the Department'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 Department's internal control over financial reporting and compliance.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
December 6, 2017

STATE OF NEW MEXICO
REGULATION AND LICENSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
For the Year Ended June 30, 2017

The Regulation and Licensing Department's management's discussion and analysis provides an overview of the financial activities for the fiscal year ended June 30, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

USING THE FINANCIAL STATEMENTS

The financial statements consist of four sections. The first section is the Introductory Section. The second is the Financial Section, which includes the management's discussion and analysis (this section) and the basic financial statements. The third section is the Supplementary Information Section which includes the individual fund statements. The fourth section is the Compliance section which consists of the report on internal controls and schedules of prior and current year findings.

The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Department as a whole and present a longer-term view of the Department's finances. The fund financial statements follow. For governmental activities, these statements tell how these services were financed for the reporting period. Fund financial statements report the Department's operations in more detail than the government-wide statements by providing information about the Department's most significant funds, which are the General Fund, Mortgage Regulatory Fund, Board of Pharmacy Fund, and Real Estate Commission Fund.

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Regulation and Licensing Department's finances is, "Is the Department as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Department as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Department's net position and changes in them. The net position, which is the difference between assets and liabilities, can be used as a one way to measure the Department's financial health or financial position. Over time, increases or decreases in the Department's net position are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors must also be considered, such as changes in the revenue projections of the State in general and the size of the licensing pools, to assess the overall health of the Department. In the Statement of Net Position and the Statement of Activities, the Department presents Governmental activities. All of the Department's activities are reported here. Appropriations from the State General Fund and licensing fees finance most of the Department's activities.

STATE OF NEW MEXICO
REGULATION AND LICENSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
For the Year Ended June 30, 2017

As disclosed in Note 12, the State of New Mexico implemented GASB 68. Accounting and Financial Reporting for Pensions only in the Statewide Comprehensive Annual Financial Report (CAFR) and did not impact the Department's financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about the Department's General Fund, Mortgage Regulatory Fund, Board of Pharmacy Fund, and Real Estate Commission Fund, and a summary of all the non-major funds. The Department's funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The fund statements provide a detailed view of the Department's operations and the services it provides. Governmental fund information is an indicator of whether there are more or fewer financial resources that can be spent in the future to finance the Department's programs.

The Department as Fiduciary

The Department is the fiduciary over assets which are collected on behalf of the State General Fund. The Department's fiduciary activities are reported in separate Statement of Changes in Assets and Liabilities. We exclude these activities from the Department's other financial statements because the Department cannot use these assets to finance its operations.

THE DEPARTMENT AS A WHOLE

The Department's net position decreased by \$14,687,487 (including a current year restatement) from \$23,668,061 to \$8,980,574. Our analysis below focuses on the net position and changes in net position of the Department's governmental activities.

	Statement of Net Position	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Assets		
Current and other assets	\$ 19,878,838	\$ 32,940,339
Capital assets	<u>1,077,505</u>	<u>1,515,639</u>
Total assets	<u>20,956,343</u>	<u>34,455,978</u>
Liabilities		
Current liabilities	11,975,769	10,787,917
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>11,975,769</u>	<u>10,787,917</u>
Net position		
Net investment in capital assets	1,077,505	1,515,639
Restricted	8,957,843	22,946,698
Unrestricted (deficit)	<u>(1,054,774)</u>	<u>(794,276)</u>
Total net position	<u>\$ 8,980,574</u>	<u>\$ 23,668,061</u>

STATE OF NEW MEXICO
REGULATION AND LICENSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
For the Year Ended June 30, 2017

The Department realized a 62% decrease in net position over during the fiscal year 2017. The decrease was due to HB 311 which appropriated \$ 7,808,700, SB2 which appropriated \$ 8,147,200 and SB 462 which appropriated \$ 159,245. These funds were all transferred to the State General Fund during fiscal year 2017.

Statement of Activities

	For the year ended <u>June 30, 2017</u>	For the year ended <u>June 30, 2016</u>
Government Activities:		
Operating grants and charges for services	\$ 12,856,766	\$ 12,467,503
State General Fund appropriation	12,343,300	13,376,100
Net transfers out	(16,090,145)	(4,597,008)
Reversions	(68,458)	(491,225)
Others	<u>56,682</u>	<u>34,197</u>
Total revenue	<u>9,098,145</u>	<u>20,789,567</u>
 Program expense	 <u>22,968,032</u>	 <u>22,700,107</u>
 Change in net position	 (13,869,887)	 (1,910,540)
 Net position, beginning of year	 23,668,061	 26,385,994
Restatement	<u>(817,600)</u>	<u>(807,393)</u>
Net position, end of year	<u>\$ 8,980,574</u>	<u>\$ 23,668,061</u>

The Department's total program revenues and transfers (net) decreased 56% or \$11,691,422. The decrease in general revenues and transfers is primarily due to HB 311 which appropriated \$7,808,700, SB2 which appropriated \$ 8,147,200 and SB 462 which appropriated \$ 159,245. The total program expense increased by \$267,925 or about 1%. The Department continues to identify ways to reduce expenses.

THE DEPARTMENT'S FUNDS

Budgetary Highlights

Over the course of the year, the Regulation and Licensing Department adjusted the budget in accordance with the General Appropriation Act. Budget adjustments allowed fall into two categories: transfers between categories and budget increases of up to 5% in the special revenue funds. During the 2017 fiscal year, the Department's General Fund was reduced by 9.3%.

STATE OF NEW MEXICO
REGULATION AND LICENSING DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
For the Year Ended June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the Department had \$1,077,505 invested in capital assets, net of accumulated depreciation, including vehicles, data processing equipment and system software licenses. This amount represents a net decrease of \$438,134 or 29% over last year.

Long-Term Liabilities

The Department's obligations include accrued vacation pay and sick leave. The Department has determined that all the compensated absences for FY 2017 were current liabilities.

CURRENTLY KNOWN FACTS THAT ARE EXPECTED TO HAVE A MATERIAL EFFECT ON FINANCIAL POSITION (NET POSITION) OR RESULTS OF OPERATIONS (REVENUES, EXPENSES, AND OTHER CHANGES IN NET POSITION)

There are no subsequent events known at the time of this analysis that would materially effect the Financial Position or Results of Operations of the Department.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

The Department's financial statements are designed to provide users with a general overview of the Department's finances and to show the Department's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Department's Chief Financial Officer at (505) 476-4526 or the Administrative Services Division Director at (505) 476-4523 or at the Department's Administrative Services Division office located in the Toney Anaya Building, 2550 Cerrillos Road, Santa Fe, NM 87505.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Net Position
 June 30, 2017

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current assets:	
Investment in State Treasurer's General Fund Investment Pool	\$ 19,758,415
Accounts receivable	1,553
Prepaid postage	29,946
Due from other state agencies	46,570
Due from federal agencies	42,354
Total current assets	<u>19,878,838</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,077,505</u>
Total noncurrent assets	<u>1,077,505</u>
<i>Total assets</i>	<u><u>\$ 20,956,343</u></u>
 Liabilities	
Current liabilities:	
Accounts payable	\$ 339,693
Accrued salaries payable	683,312
Unearned revenue	9,912,970
Due to local governments	75,695
Compensated absences	964,099
Total current liabilities	<u>11,975,769</u>
<i>Total liabilities</i>	<u>11,975,769</u>
 Net position	
Net investment in capital assets	1,077,505
Restricted for special appropriations	8,957,843
Unrestricted	<u>(1,054,774)</u>
<i>Total net position</i>	<u>8,980,574</u>
<i>Total liabilities and net position</i>	<u><u>\$ 20,956,343</u></u>

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

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Activities
 For the Year Ended June 30, 2017

Exhibit A-2

	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
Expenses	Charges for Services	Operating Grants	Governmental Activities
Expenses			
General government:			
Personnel services and employee benefits	\$ 18,822,003	\$ 10,484,873	\$ 51,082
Contractual services	881,547	491,069	2,392
In-state travel	214,186	119,313	581
Maintenance and repairs	12,619	7,029	34
Supplies and materials	211,152	117,623	573
Operating costs	2,643,007	1,472,297	7,173
Other costs	166,088	92,520	451
Out-of-state travel	17,430	9,709	47
	\$ 22,968,032	\$ 12,794,433	\$ 62,333
<i>Total governmental activities</i>			(10,111,266)
General revenues			
Transfers in-interagency			25,000
Transfers out-interagency			(16,115,145)
State general fund appropriation			12,343,300
Reversions to state general fund			(68,458)
Interest and investment earnings			56,682
			(3,758,621)
<i>Total general revenues</i>			
Change in net position			(13,869,887)
Net position, beginning			23,668,061
Net position, restatement (note 16)			(817,600)
Net position, beginning as restated			22,850,461
<i>Net position, ending</i>			\$ 8,980,574

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

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Balance Sheet
 Governmental Funds
 June 30, 2017

	Combined General Fund	10660 Mortgage Regulatory Fund	46400 Board of Pharmacy
Assets			
Investment in State General Fund Investment Pool	\$ 680,948	\$ 4,064,963	\$ 2,297,959
Accounts receivable	596	-	-
Prepaid postage	986	489	3,524
Due from other state agencies	-	-	46,570
Due from federal government	-	-	42,354
<i>Total assets</i>	<u>\$ 682,530</u>	<u>\$ 4,065,452</u>	<u>\$ 2,390,407</u>
Liabilities and fund balances			
<i>Liabilities</i>			
Accounts payable	\$ 244,940	\$ 4,661	\$ 21,494
Accrued payroll	528,265	34,274	55,156
Unearned revenues	-	904,716	2,178,489
Due to local governments	-	-	-
<i>Total liabilities</i>	<u>773,205</u>	<u>943,651</u>	<u>2,255,139</u>
<i>Fund balances</i>			
Nonspendable:			
Prepaid	986	489	3,524
Spendable:			
Restricted	-	3,121,312	131,744
Unassigned	(91,661)	-	-
<i>Total fund balances</i>	<u>(90,675)</u>	<u>3,121,801</u>	<u>135,268</u>
<i>Total liabilities and fund balances</i>	<u>\$ 682,530</u>	<u>\$ 4,065,452</u>	<u>\$ 2,390,407</u>

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

46700 Real Estate Commission	Other Governmental Funds	Total Governmental Funds
\$ 1,509,529	\$ 11,205,016	\$ 19,758,415
-	957	1,553
3,706	21,241	29,946
-	-	46,570
-	-	42,354
<u>\$ 1,513,235</u>	<u>\$ 11,227,214</u>	<u>\$ 19,878,838</u>
\$ 9,910	\$ 58,688	\$ 339,693
21,999	43,618	683,312
1,595,474	5,234,291	9,912,970
-	75,695	75,695
<u>1,627,383</u>	<u>5,412,292</u>	<u>11,011,670</u>
3,706	21,241	29,946
-	5,922,326	9,175,382
<u>(117,854)</u>	<u>(128,645)</u>	<u>(338,160)</u>
<u>(114,148)</u>	<u>5,814,922</u>	<u>8,867,168</u>
<u>\$ 1,513,235</u>	<u>\$ 11,227,214</u>	<u>\$ 19,878,838</u>

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

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STATE OF NEW MEXICO
Regulation and Licensing Department
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2017

Exhibit B-1
Page 2 of 2

Total fund balance for the governmental funds	\$ 8,867,168
Amounts reported for governmental activities in the Statement of Net Position is different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and therefore are not reported in the funds.	1,077,505
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(964,099)</u>
<i>Total net position</i>	<u><u>\$ 8,980,574</u></u>

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

STATE OF NEW MEXICO
Regulation and Licensing Department
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	Combined General Fund	10660 Mortgage Regulatory Fund	46400 Board of Pharmacy
<i>Revenues</i>			
License fees	\$ -	\$ 2,170,655	\$ 1,967,021
Services	440,129	-	72,755
Printing and reproduction	-	-	10,871
Publications	-	-	-
Federal sources	-	-	42,372
Interest on investments	-	21,563	-
Other revenues	-	193,848	22,017
<i>Total revenues</i>	<u>440,129</u>	<u>2,386,066</u>	<u>2,115,036</u>
<i>Expenditures</i>			
Current:			
Personnel services and employee benefits	15,033,576	712,578	1,352,381
Contractual services	606,087	326	161,469
In-state travel	82,047	4,624	16,594
Maintenance and repairs	10,726	512	16
Supplies and materials	142,009	16,572	11,905
Operating costs	1,664,796	43,180	153,978
Other costs	86,133	-	6,370
Out-of-state travel	-	1,153	4,545
Capital outlay	34,179	-	-
<i>Total expenditures</i>	<u>17,659,553</u>	<u>778,945</u>	<u>1,707,258</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(17,219,424)</u>	<u>1,607,121</u>	<u>407,778</u>
<i>Other financing sources</i>			
Transfers in-interagency	-	-	-
Transfers out-interagency	-	(1,500,000)	(1,557,645)
Transfers in-interfund	4,865,187	-	-
Transfers out-interfund	-	(434,918)	(272,509)
State general fund appropriation	12,317,200	-	-
Reversions to state general fund	(68,458)	-	-
<i>Total other financing sources</i>	<u>17,113,929</u>	<u>(1,934,918)</u>	<u>(1,830,154)</u>
<i>Net change in fund balance</i>	<u>(105,495)</u>	<u>(327,797)</u>	<u>(1,422,376)</u>
Fund balance, beginning of year	14,820	4,267,198	1,557,644
Fund balance, restatement (note 16)	-	(817,600)	-
Fund balance, beginning, as restated	<u>14,820</u>	<u>3,449,598</u>	<u>1,557,644</u>
<i>Fund balance, end of year</i>	<u>\$ (90,675)</u>	<u>\$ 3,121,801</u>	<u>\$ 135,268</u>

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

46700 Real Estate Commission	Other Governmental Funds	Total Governmental Funds
\$ 664,132	\$ 5,977,336	\$ 10,779,144
3,675	556,246	1,072,805
40,604	62,837	114,312
-	1,225	1,225
-	19,961	62,333
-	35,119	56,682
64,031	547,051	826,947
<u>772,442</u>	<u>7,199,775</u>	<u>12,913,448</u>
560,322	1,042,326	18,701,183
2,604	111,061	881,547
20,747	90,174	214,186
16	1,349	12,619
4,220	36,446	211,152
55,832	252,908	2,170,694
9,948	63,637	166,088
-	11,732	17,430
-	-	34,179
<u>653,689</u>	<u>1,609,633</u>	<u>22,409,078</u>
<u>118,753</u>	<u>5,590,142</u>	<u>(9,495,630)</u>
-	25,000	25,000
(621,400)	(12,436,100)	(16,115,145)
-	-	4,865,187
(180,131)	(3,977,629)	(4,865,187)
-	26,100	12,343,300
-	-	(68,458)
<u>(801,531)</u>	<u>(16,362,629)</u>	<u>(3,815,303)</u>
<u>(682,778)</u>	<u>(10,772,487)</u>	<u>(13,310,933)</u>
568,630	16,587,409	22,995,701
-	-	(817,600)
<u>568,630</u>	<u>16,587,409</u>	<u>22,178,101</u>
<u>\$ (114,148)</u>	<u>\$ 5,814,922</u>	<u>\$ 8,867,168</u>

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

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STATE OF NEW MEXICO
Regulation and Licensing Department
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Exhibit B-2
Page 2 of 2

Net change in fund balance - governmental funds	\$ (13,310,933)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	34,179
Depreciation expense	(472,313)
Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:	
Increase in compensated absences	<u>(120,820)</u>
<i>Change in net position</i>	<u><u>\$ (13,869,887)</u></u>

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

STATE OF NEW MEXICO
Regulation and Licensing Department
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Combined General Fund
For the Year Ended June 30, 2017

Exhibit C-1

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
General fund appropriations	\$ 13,061,700	\$ 12,343,300	\$ 12,317,200	\$ (26,100)
Trades and professions licenses	-	-	-	-
Other licenses and permits	-	-	-	-
Registration for trades and professions licenses	3,300	3,300	-	(3,300)
Other registration fees	-	-	-	-
Trades and professions examination fees	-	-	-	-
Other exam fees	-	-	-	-
House trailer inspection fees	-	-	-	-
Other services	191,700	191,700	440,129	248,429
Manuals and codes	-	-	-	-
Interest	-	-	-	-
Other publications	-	-	-	-
Printing & Reproduction	-	-	-	-
Court fines and forfeitures	-	-	-	-
Other penalties	100	100	-	(100)
Federal grants	180,000	180,000	-	(180,000)
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	<u>13,436,800</u>	<u>12,718,400</u>	<u>12,757,329</u>	<u>38,929</u>
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	15,959,700	15,752,100	15,033,576	718,524
Contractual services	1,118,500	638,470	606,087	32,383
Other	2,246,000	2,195,230	2,019,890	175,340
<i>Total expenditures</i>	<u>19,324,200</u>	<u>18,585,800</u>	<u>17,659,553</u>	<u>926,247</u>
<i>Other financing sources (uses)</i>				
Other financing sources	5,886,900	5,896,900	4,865,187	(1,031,713)
Other financing uses	(65,000)	(65,000)	(68,458)	(3,458)
<i>Total other financing sources (uses)</i>	<u>5,821,900</u>	<u>5,831,900</u>	<u>4,796,729</u>	<u>(1,035,171)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ (65,500)</u>	<u>\$ (35,500)</u>	<u>\$ (105,495)</u>	<u>\$ (69,995)</u>

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

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 Mortgage Regulatory Fund (10660)
 For the Year Ended June 30, 2017

Exhibit C-2

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
General fund appropriations	\$ -	\$ -	\$ -	\$ -
Trades and professions licenses	617,300	617,300	1,722,316	1,105,016
Other licenses and permits	-	-	-	-
Registration for trades and professions licenses	-	-	-	-
Other registration fees	304,900	304,900	439,839	134,939
Trades and professions examination fees	-	-	8,500	8,500
Other exam fees	191,500	191,500	192,952	1,452
House trailer inspection fees	-	-	-	-
Other services	-	-	-	-
Manuals and codes	-	-	-	-
Interest	-	-	21,563	21,563
Other publications	-	-	-	-
Printing & Reproduction	-	-	-	-
Court fines and forfeitures	-	-	-	-
Other penalties	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous revenue	-	-	896	896
<i>Total revenues</i>	<u>1,113,700</u>	<u>1,113,700</u>	<u>2,386,066</u>	<u>1,272,366</u>
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	797,200	797,200	712,578	84,622
Contractual services	15,000	15,000	326	14,674
Other	204,300	204,300	66,041	138,259
<i>Total expenditures</i>	<u>1,016,500</u>	<u>1,016,500</u>	<u>778,945</u>	<u>237,555</u>
<i>Other financing sources (uses)</i>				
Other financing sources	-	-	-	-
Other financing uses	(97,200)	(97,200)	(1,934,918)	(1,837,718)
<i>Total other financing sources (uses)</i>	<u>(97,200)</u>	<u>(97,200)</u>	<u>(1,934,918)</u>	<u>(1,837,718)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (327,797)</u>	<u>\$ (327,797)</u>

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

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 Board of Pharmacy (46400)
 For the Year Ended June 30, 2017

Exhibit C-3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances Favorable (Unfavorable) Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues</i>				
General fund appropriations	\$ -	\$ -	\$ -	\$ -
Trades and professions licenses	-	-	1,949,361	1,949,361
Other licenses and permits	-	-	-	-
Registration for trades and professions licenses	1,962,200	1,962,200	17,660	(1,944,540)
Other registration fees	-	-	-	-
Trades and professions examination fees	-	-	-	-
Other exam fees	-	-	60	60
House trailer inspection fees	-	-	-	-
Other services	25,000	25,000	73,055	48,055
Manuals and codes	-	-	-	-
Interest	-	-	-	-
Other publications	-	-	-	-
Printing & Reproduction	-	-	10,871	10,871
Court fines and forfeitures	-	-	-	-
Other penalties	37,800	37,800	21,507	(16,293)
Federal grants	-	129,724	42,372	(87,352)
Miscellaneous revenue	-	-	150	150
<i>Total revenues</i>	<u>2,025,000</u>	<u>2,154,724</u>	<u>2,115,036</u>	<u>(39,688)</u>
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	1,371,800	1,371,800	1,352,381	19,419
Contractual services	135,900	248,732	161,469	87,263
Other	307,700	316,592	193,408	123,184
<i>Total expenditures</i>	<u>1,815,400</u>	<u>1,937,124</u>	<u>1,707,258</u>	<u>229,866</u>
<i>Other financing sources (uses)</i>				
Other financing sources	-	-	-	-
Other financing uses	(289,900)	(289,000)	(1,830,154)	(1,541,154)
<i>Total other financing sources (uses)</i>	<u>(289,900)</u>	<u>(289,000)</u>	<u>(1,830,154)</u>	<u>(1,541,154)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ (80,300)</u>	<u>\$ (71,400)</u>	<u>\$ (1,422,376)</u>	<u>\$ (1,350,976)</u>

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

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 Real Estate Commission (46700)
 For the Year Ended June 30, 2017

Exhibit C-4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
<i>Revenues</i>				
General fund appropriations	\$ -	\$ -	\$ -	\$ -
Trades and professions licenses	183,300	183,300	654,252	470,952
Other licenses and permits	-	-	-	-
Registration for trades and professions licenses	614,500	614,500	600	(613,900)
Other registration fees	35,000	35,000	-	(35,000)
Trades and professions examination fees	5,000	5,000	9,280	4,280
Other exam fees	-	-	-	-
House trailer inspection fees	-	-	-	-
Other services	4,000	4,000	3,675	(325)
Manuals and codes	18,000	18,000	-	(18,000)
Interest	-	-	-	-
Other publications	-	-	-	-
Printing & Reproduction	-	-	40,604	40,604
Court fines and forfeitures	73,800	73,800	-	(73,800)
Other penalties	-	-	62,260	62,260
Federal grants	-	-	-	-
Miscellaneous revenue	3,000	3,000	1,771	(1,229)
<i>Total revenues</i>	<u>936,600</u>	<u>936,600</u>	<u>772,442</u>	<u>(164,158)</u>
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	594,800	594,800	560,322	34,478
Contractual services	8,000	8,000	2,604	5,396
Other	142,600	142,600	90,763	51,837
<i>Total expenditures</i>	<u>745,400</u>	<u>745,400</u>	<u>653,689</u>	<u>91,711</u>
<i>Other financing sources (uses)</i>				
Other financing sources	-	-	-	-
Other financing uses	(191,200)	(191,200)	(801,531)	(610,331)
<i>Total other financing sources (uses)</i>	<u>(191,200)</u>	<u>(191,200)</u>	<u>(801,531)</u>	<u>(610,331)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (682,778)</u>	<u>\$ (682,778)</u>

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

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STATE OF NEW MEXICO
Regulation and Licensing Department
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2017

Exhibit D-1

<i>Assets</i>	
Investment in State General Fund Investment Pool	<u>\$ 564,313</u>
<i>Total assets</i>	<u><u>\$ 564,313</u></u>
<i>Liabilities</i>	
Other liabilities	\$ 564,264
Due to State General Fund	<u>49</u>
<i>Total liabilities</i>	<u><u>\$ 564,313</u></u>

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

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 1. Definition of Reporting Entity

The State of New Mexico and Licensing Department (the Department) was created July 1, 1983, by the Regulation and Licensing Department Act (Laws of 1983, Chapter 297, Section 19 through 29). The Act provided that the administration of professional and occupational licensing functions of the executive branch of state government may be consolidated under the supervision of the Department upon executive order issued by the Governor. This consolidation was completed during the fiscal year ended June 30, 1987.

The mission of the Department is to enforce applicable laws, rules, regulation and codes and administer them in a manner that affects a balanced approach to public safety, financial welfare and the development of the regulated industries. The Department consists of the Office of the Superintendent and six divisions: the Administrative Services Division, the Construction Industries Division, the Manufactured Housing Division, the Financial Institutions Division, the Securities Division and the Alcohol and Gaming Division.

The Regulation and Licensing Act (Laws of 1983, Chapter 297, Section 30) provides for the administration of professional and occupational licensing functions of the executive branch of state government under the supervision of the Regulation and Licensing Department. The department is responsible for overseeing executive and financial services to 42 boards and commissions. Each of the boards and commissions has Department employees assigned as staff which are responsible for licensing of individuals and for maintaining licensing files containing historical, continuing education and disciplinary information on each licensee, thereby providing daily accessibility to the public, licensees, legislators and board members. Additionally, the staff is responsible for the daily execution of board operations, including all licensing and examination functions, preparing minutes of board meetings, responding to inquiries, taking actions as required by the boards they serve, and coordinating actions with appropriate officials and agencies.

Complaints received are reviewed by the boards, referred for investigation when appropriate, and returned to the specific licensing boards for a determination of disciplinary action. Inspections are performed on sites or persons who distribute, manufacture, or sell prescription drugs, cosmetology establishments, barber establishments, funeral homes and real estate offices in order to ensure compliance with statutes, regulations and minimum standards of sanitation, where applicable.

The Administrative Services Division (ASD) provides the Department with fiscal personnel, management information systems, and other support services and acts as liaison with the Department of Finance and Administration, the General Services Department, the State Personnel Office, the Office of the State Auditor, the State Treasurer, the Commission of Public Records, and other general control agencies to ensure compliance with state laws and regulation.

The Construction Industries Division (CID) administers examinations, licensing, certification, regulation, inspection, and supervision of individuals and businesses in the contracting and construction industries. The Division is required by law to "promote the general welfare of the people of New Mexico by providing for the protection of life and property by adopting and enforcing codes and standards for construction, alteration, installation, connection, demolition and repair work" pursuant to NMSA 1978 Compilation (1989 amendment). Section 60-13-1.1. CID also administers the Employee Leasing, Carnival Ride Insurance and Hoisting Operators Safety Acts pursuant to NMSA 1978, Sections 60-13A, 57-25 and 60-15, respectively.

The Manufactured Housing Division (MHD) supervises and regulates the manufactured housing industry within the state, with the exception of manufactured units used for commercial purposes that are regulated by the Construction Industries Division.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 1. Definition of Reporting Entity (continued)

The Manufactured Housing Act (NMSA 1978, 1983 Supplement, Section 60-14-20 through 60-14-20) provides that its purpose is "to insure the purchasers and users of manufactured homes and essential conditions of health and safety which are their right and to provide that the business practices of the industry are fair and orderly among the members of the industry with due regard to the ultimate consumers in this important area of human shelter".

The Financial Institutions Division (FID) is responsible for administering the statutory requirements of the Banking Act, the Trust Company Act, the Collection Agency Regulatory Act, the Endowed Care Cemetery Act, the New Mexico Small Loan Act, the Mortgage Loan Company and Broker Act, the Credit Union Regulatory Act, the Motor Vehicle Sales Finance Company Act, the Escrow Company Act, the Negotiable Check, Drafts and Money Order Act, the Retail Installment Sales Act, and the Savings and Loan Act. Additionally, the Director, by statute, is an ex-officio voting member of the New Mexico Mortgage Finance Authority. The Division provides general supervision of all state-chartered financial institutions and regulated industries, with a primary focus to ensure the existence of safe and sound financial practices within the regulated entities.

The Securities Division is responsible for administering the New Mexico Securities Act of 1986 and the Model State Commodity Code. Pursuant to those laws, the Division registers securities offerings, licenses securities sales representatives, broker-dealers, investment advisers and investment adviser representatives, and takes administrative civil enforcement action when necessary. The Division also administers the Securities Enforcement and Investor Education Fund, which is funded by administrative assessments levied against companies or individuals found to have violated the Securities Act.

The Alcohol and Gaming Division is the licensing and regulatory authority for the Liquor Control Act. The Division licenses and regulates the sales, services and public consumption of alcoholic beverages so as to protect the public health, safety and morals of each community. The Division is also charged with the ultimate disposition of any administrative charges filed against a licensee by the New Mexico Department of Public Safety Special Investigations Division. The Division is funded by an appropriation from the State General Fund. All fees from licenses, citations, and other administrative charges are transferred to the State General Fund.

NOTE 2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Department is presented to assist in the understanding of the Department's financial statements. The financial statements and notes are the representation of the Department's management who is responsible for their integrity and objectivity. The financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to agencies of the government. 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 Department's accounting policies are described below.

During the year ended June 30, 2017, the Department adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (partial), No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73* (partial). These six Statements are required to be implemented as of June 30, 2017, if applicable.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the Department, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the Department's financial statements directly; however, the effects on the Department's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The Department's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 clarified and adjusted several items from GASB 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

Financial Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. The basic, but not the only, 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.

GASB 80 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR).

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - 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 Department, the designation of management, the ability to significantly influence operations and accountability for fiscal matters.

The other 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 Department is able to exercise oversight responsibilities. Based upon the application of these criteria, the Department does not have any component units.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Department's estimates include the useful lives of depreciable assets, accrued compensated absences, and the licensing periods used to determine unearned revenues.

Basic Financial Statements - Government-wide Statements

The Department's basic financial statements include both information on a government-wide basis and information presented on a fund basis. Government-wide financial statements include two basic financial statements: a statement of net position and a statement of activities. These statements do not include the fiduciary activities as they do not represent resources available to fund the Department's programs.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental funds or business-type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Department does not have any business-type activities at year end June 30, 2017.

The Department's net position is reported in three parts: net investment in capital assets; restricted net position and unrestricted net position. When applicable, the effect of interfund activity is removed from the statement of net position in order to avoid a grossing-up effect on assets and liabilities within the statements.

The objective of the statement of activities is to report the relative financial burden of each of the reporting government's functions on its taxpayers. The format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees or intergovernmental aid.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity.

The net cost by function is normally covered by general revenues (intergovernmental revenues or other revenue, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems. The Department's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first.

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the current fiscal period.

The Department's only fiduciary funds are agency funds. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements

Basic Financial Statements - Fund Financial Statements

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. The presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of government-wide presentation.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. The General Fund is required to be a major fund. The Department's fiduciary funds are not included in the government-wide financial statements.

The financial transactions of the Department are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses.

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The reporting model under GASB 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combines) for the determination of major funds.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

The following fund types are used by the Department:

Governmental Funds - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and, other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as government fund type expenditures of fund liabilities.

The *General Fund* (SHARE Fund # 42000-43300) is the general operating fund of the Department and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund includes the *Boards & Commissions Flow-through Fund* (SHARE Fund # 42000-50150).

The *Mortgage Regulatory Fund* (SHARE Fund # 42000-10660) is a special revenue fund to account for application, licensing, renewal, examination, investigation and any other fees received that are associated with the costs of administering the New Mexico Mortgage Loan Originator Licensing Act, fees specified in Subsection E of Section 58-21 NMSA 1978, and any money that is appropriated or donated or that otherwise accrues to the fund. Income from the investment of the fund shall be credited to the fund. The Fund is created as a non-reverting fund in the state treasury and shall be administered by the Financial Institutions Division in accordance with the provisions of Section 9-16-15 NMSA 1978.

The *Board of Pharmacy Fund* (SHARE Fund # 42000-46400) is a special revenue fund. The Board of Pharmacy is authorized under 61-11-6(A)(1) NMSA 1978 to adopt, regularly review and revise rules and regulations necessary to carry out the provisions of the Pharmacy Act, 61-11-1, 61-11-2, 61-11-4 to 61-11-28 NMSA 1978. Section 61-11-6(A)(3) directs the board to provide for the issuance and renewal of licenses for pharmacists. Sections 61-11-6(A)(12), (13) and (14) NMSA 1978 authorize the board to employ and define the duties of an executive officer, inspectors, and qualified employees. Fees are specified under Section 61-11-12 NMSA 1978.

The *Real Estate Commission Fund* (SHARE Fund # 42000-46700) is a special revenue fund. The New Mexico Real Estate Commission is authorized under 61-29, NMSA 1978 to account for the issuance, renewal, and transfer of real estate broker's licenses, Establishment and enforcement of real estate broker pre-licensing and continuing education requirements, certification of providers of real estate broker education, investigation and adjudication of consumer and real estate broker complaints about potential and actual violations of the Real Estate License Law and Commission Rules, and education of consumers and real estate brokers about the Real Estate License Law and Commission Rules. Fees are specified under Section 61-29-8 NMSA 1978.

Measurement Focus, Basis of Accounting and Financial Reporting Presentation

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place.

All governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period ("available" meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days).

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. However, in the government-wide financial statements, both current and long-term are accrued. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and deferred inflow by the recipient.

Budgets and Budgetary Accounting

The Department prepares budgets for its governmental funds, which are subject to approval by the New Mexico Department of Finance and Administration (DFA), based upon the appropriations made by the State Legislature. Budgets are controlled at the appropriation unit level (personal services, contractual services, etc.), and amendments affecting a category are approved by DFA and the Legislative Finance Committee (LFC). Expenditures may not exceed appropriations at this level.

The Department's budget is appropriated by program code. Each program code includes the operations of the Department's divisions accounted for in the General Fund and, in some cases, related special revenue funds. The budgetary presentations in the accompanying financial statements are presented by fund and by program code in order to provide information that demonstrates accountability at the program code level. The structure of this presentation is as follows:

Program Code P599-Construction Industries and Manufactured Housing. This program includes the Construction Industries and Manufactured Housing Division's activities accounted for in the Department's General Fund (SHARE Fund # 42000-43300) along with the Carnival Ride Insurance Bureau Fund (SHARE Fund # 42000-64300), Hoisting and Safety Act Fund (SHARE Fund # 42000-21100), Construction Publication Fund (SHARE Fund # 42000-37300) and the Federal Manufactured Housing Fund (SHARE Fund # 4200- 47200). The Department allocates the budget under this program code to the various funds.

Only the General Fund (SHARE Fund #42000-43300) is allocated State General Fund appropriations, which are reverting. The remaining funds are special revenue funds with restricted resources and are thus non-reverting funds.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

Program Code P600-Financial Institutions and Securities Enforcement. This program includes the Financial Institutions Division's activities accounted for in the General Fund (SHARE Fund #42000-43300), along with the Mortgage Regulatory Fund (SHARE Fund #42000-10660), and FID Settlement Proceeds (SHARE Fund #42000-11550). The Department allocates the budget under this program code to the various funds. Only the General Fund (SHARE Fund #42000-43300) is allocated State General Fund appropriations, which are reverting. The remaining funds are special revenue funds with restricted resources and are thus non-reverting funds.

The only activity in the FID Settlement Proceeds (SHARE Fund #42000-11550) is the transfer of funds to the General Fund (SHARE Fund #42000-43300). Since this activity is within the program code, it is not subject to a separate budget.

Program Code P601-Alcohol and Gaming. This program includes only the activities of the Alcohol and Gaming Division accounted for in the General Fund (SHARE Fund #42000-43300). Unexpended balances in this program are subject to reversion to the State General Fund.

Program Code P602-Program Support. This program includes the activities of the Office of the Superintendent, the Administrative Services Division and Information Technology accounted for in the General Fund (SHARE Fund #42000-43300). Unexpended balances in these program are subject to reversion to the State General Fund.

Program Code P617-Securities. This program includes only the activities of the Securities Division accounted for in the General Fund (SHARE Fund #42000-43300) along with the Securities Enforcement and Education Fund (SHARE Fund #42000-04400). The Department allocates the budget under this program code to the two funds. Only the General Fund (SHARE Fund #42000-43300) is allocated State General Fund appropriations, which are reverting. The other fund is a special revenue fund with restricted resources, and is thus a non-reverting fund.

Boards and Commissions. The remaining special revenue funds, used primarily to account for the Boards and Commissions, have individual budgets. With the exception of the Animal Shelter Services (SHARE Fund #42000-20120) which receives a State General Fund appropriation, none of these funds are subject to reversion.

The unexpended balances of the State General Fund appropriation to the Department are to be reverted to the State General Fund at the end of each fiscal year. The Department also receives funding from various special and supplemental appropriations. The language of a particular appropriation determines when it lapses and whether or not unexpended balances revert to the State General Fund.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Department's financial statements include the expected useful lives of capital assets and the current portion of accrued compensated absences.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets being capitalized included computer software license rights purchased. Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, is \$5,000 which is a change in policy effective July 1, 2005. However, all capital outlay purchases may not necessarily be capitalized. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. The Department does not capitalize any interest in regards to its capital assets.

Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department's estimated the useful lives on fixed assets is as follows:

Data processing equipment	5-7 years
Software license rights	5-10 years
Automotive	5 years

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund and the Special Revenue Funds. Encumbrances not recorded as vouchers payable at year end lapse.

Accrued Expenses

Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable FICA and Medicare liabilities.

Accrued Compensated Absences

Qualified employees are entitled to accumulate annual leave at various rates depending upon their length of service. A maximum of thirty (30) working days (240 hours) of such accumulated annual leave may be carried forward into the beginning of a calendar leave year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of thirty days. Qualified employees are entitled to accumulate sick leave at 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. The Department's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Notes to Financial Statements
 June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

Qualified employees accumulate maximum annual leave as follows:

<u>Years of Service</u>		<u>Accrual Rate</u>
<u>At Least</u>	<u>Less Than</u>	<u>Per Pay Period (in hours)</u>
0	3	3.08
3	7	3.69
7	11	4.61
11	15	5.54
15	Beyond	6.15

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities.

Unearned Revenue

Amounts received prior to the time they are considered available to pay current liabilities are recorded as unearned revenue and recognized as revenue using the modified accrual basis of accounting. Such revenue sources include collections received by various funds for licenses and permits prior to their effective license period as of the end of the fiscal year. Funds issue licenses and permits with a one year to three year renewal period (depending on applicable state statute). License and permit revenue is recognized ratably over the license period. License revenue received prior to year-end but not recognized during the year is “unearned” at year-end. At June 30, 2017, the Department considered revenues totaling \$9,912,970 to be unearned.

Pensions

The Department, 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 inflow and outflow 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 the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position, have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position/Fund Balances

In the government-wide financial statements, net position consists of three components: net investment in capital assets; restricted; and unrestricted. The Department has no debt related to capital assets; therefore, net investment in capital assets equal the capital assets, net of accumulated depreciation.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

Net position is reported as restricted when constraints placed on net position use are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be only for the specific purposes stipulated in the legislation. Details of the related restrictions of net position may be seen on the Statement of Net Position.

Legal enforceability means the government can be impelled by an external party - such as citizens, public interest groups or the judiciary - to use resources for the purposes specified by the legislation.

These resources remaining in net position were received or earned with the explicit understanding between the Department and the resource provider (grantor, contributor, other government or enabling legislation) that the funds would be used for a specific purpose.

Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, committed, assigned or unassigned. Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

A summary of the nature and purpose of these reserves by fund type at year end, follows:

Nonspendable - Postage - This reserve was created for prepaid postage on hand at year end. At year end, postage remaining in the meter is recorded as a prepaid asset with an offsetting reserve of fund balance in the governmental funds balance sheet. At June 30, 2017, nonspendable fund balance consists of \$29,946 in prepaid postage.

Restricted - This reserve consists of liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use. At June 30, 2017 restricted fund balance on the governmental funds balance sheet is \$9,175,382. The details of these fund balance items are located on pages 38 and 62 through 65.

Committed - Committed for Multi-Year Appropriations. This reserve was created for multi-year appropriations for which the Department has received funds for projects which extend into future years.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 2. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2017.

Interfund Balances and Transactions

Interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Revenues, Expenditures, and Expenses

Revenues are recognized as follows:

1. Special and capital outlay appropriations require project and draw down approval from the New Mexico Department of Finance and Administration (DFA) Board of Finance. The Department considers this part of the eligibility requirements and does not recognize the revenues and receivables until the approval is obtained.
2. Federal and other grant revenues are recognized when the applicable eligibility criteria, including time requirements, are met and the resources are available. Resources received for which applicable eligibility criteria have not been met are reflected as deferred inflows of resources in the accompanying financial statements.
3. Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded, as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and not when susceptible to accrual.

NOTE 3. Stewardship, Compliance, and Accountability

Budgetary Information

The Department uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. No later than September 1, the Department prepares a budget appropriation request by category to be presented to the next Legislature.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 3. Stewardship, Compliance, and Accountability (continued)

2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request, which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The Department submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the Department and the Director of the DFA Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is at the appropriation unit level within activities (personnel services and benefits, contractual services, P-Code, Z-Code, etc.).
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principle generally accepted in the United States of America. This change was implemented with the Laws of 2004, Chapter 114, Section 3 Paragraph N and Paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA. 1978. Those accounts payable must be paid out of the next year's budget.
13. The Department has been designated as a "reverting agency" by the New Mexico state legislature and, therefore, pursuant to the Laws of 2004, Chapter 114, Section 2(E), "unencumbered balances in agency accounts remaining at the end of the fiscal year 2017 shall revert to the State General Fund by September 30, 2017, unless otherwise indicated in the General Appropriations Act of 2004 or otherwise provided by law" to the extent noted above.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 3. Stewardship, Compliance, and Accountability (continued)

14. Each year the Legislature approves multiple appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with the budgeting methodology.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

NOTE 4. State General Fund Investment Pool

The Department does not have a separate bank account. For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Public Schools Facilities Department, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Notes to Financial Statements
 June 30, 2017

NOTE 4. State General Fund Investment Pool (continued)

In FY 2012, management of DFA recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool; that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the Department's investments consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Detail of pledged collateral specific to this agency is unavailable because the bank comingles 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 Department does not have a separate bank account. The following is a summary of the Department's investment account of the State General Fund Investment Pool held by the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA):

Fund Type	Type of Account	Reconciled Balance
Governmental	Investment	\$ 19,758,415
Fiduciary	Investment	564,313
Total share of State General Fund Investment Pool		\$ 20,322,728

NOTE 5. Accounts Receivable

Receivables as of June 30, 2017 for the Department were as follows:

	43300/50150 General Fund	Nonmajor Funds	Total
Accounts receivable	\$ 596	\$ 957	\$ 1,553
	\$ 596	\$ 957	\$ 1,553

Management considers all accounts receivable to be fully collectible as of June 30, 2017.

STATE OF NEW MEXICO
Regulation and Licensing Department
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June 30, 2017

NOTE 6. Due to State General Fund

Unexpended cash balances of the Department's General Fund are subject to reversion to the State's General Fund unless they are multi-year appropriations or the appropriation periods are specifically extended by act of the legislature. Stale dated checks are also due to be returned to the State General Fund. 2017 reversions recorded in SHARE Fund #42000-43300 totaled \$65,458. No amount was payable to the State at June 30, 2017.

NOTE 7. Due from/Due to Other Funds

Due to and due from other funds represent interfund receivables and payables arising from interdepartmental transactions related to administrative costs allocated and are expected to be repaid within one year. These amounts have been eliminated on the government-wide statements. There were no interfund due to or from balances at June 30, 2017.

NOTE 8. Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Capital assets being depreciated:				
System software license	\$ 1,387,402	\$ -	\$ -	\$ 1,387,402
Machinery and equipment	178,595	-	-	178,595
Data processing equipment	808,748	34,179	-	842,927
Automotive	<u>259,756</u>	<u>-</u>	<u>(19,043)</u>	<u>240,713</u>
Total capital assets being depreciated	<u>2,634,501</u>	<u>34,179</u>	<u>(19,043)</u>	<u>2,649,637</u>
Less accumulated depreciation:				
System software license	416,041	2,238	-	418,279
Machinery and equipment	176,355	137,616	-	313,971
Data processing equipment	438,610	284,316	-	722,926
Automotive	<u>87,856</u>	<u>48,143</u>	<u>(19,043)</u>	<u>116,956</u>
Total accumulated depreciation	<u>1,118,862</u>	<u>472,313</u>	<u>(19,043)</u>	<u>1,572,132</u>
Capital assets, net of accumulated depreciation	<u>\$ 1,515,639</u>	<u>\$ (438,134)</u>	<u>\$ -</u>	<u>\$ 1,077,505</u>

Depreciation expense for the year ended June 30, 2017 was \$472,313. All depreciation expense was allocated to the Department's general governmental function.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Notes to Financial Statements
 June 30, 2017

NOTE 9. Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>	<u>Due within one Year</u>
Compensated absences	\$ 843,279	\$ 1,446,993	\$ 1,326,173	\$ 964,099	\$ 964,099

Compensated absences payable - The liability at June 30, 2017 has been recorded in the basic financial statements and represents the Department's commitment to fund accrued vacation, sick leave and personal time off costs from future operations. The compensated absence liability of the governmental funds are expected to be liquidated by the General Fund.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 10. Interfund Transfers

Operating transfers are for the allocation of administrative and payroll costs and consist of the following:

<u>Fund Name</u>	<u>SHARE Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Mortgage Regulatory Fund	10660	\$ -	\$ 434,918
Signed Language Interpretation Practice	20110	-	63,763
Animal Sheltering Services	20120	-	58,224
Hoisting & Safety Act	21100	-	5,562
General Fund	43300	2,186,744	-
Barber & Cosmetology	43900	-	856,008
Securities Education & Training	04400	-	83,183
Body Art Safe Practices	44010	-	76,107
Athletic Commission	44100	-	105,409
Massage Therapy	44200	-	205,095
Counselors & Therapy	44400	-	300,630
Chiropractors	44600	-	115,737
Dental Health Care	44700	-	326,332
Nutrition & Dietetics	44800	-	12,293
Nursing Home Administration	44900	-	20,566
Occupational Therapy	45000	-	62,445
Optometry	45100	-	62,138
Osteopath Examiner	45200	-	115,670
Podiatry	45300	-	29,029
Psychology	45400	-	121,969
Physical Therapy	45500	-	88,120
Thanatopractice	45600	-	108,919
Interior Design	45700	-	6,797
Private Investigators	45900	-	216,150
Landscape Architects	46000	-	8,512
Pharmacy	46400	-	272,509
Real Estate Appraisers	46500	-	254,125
Accountancy	46600	-	78,609
Real Estate Commission	46700	-	180,131
Social Workers	46900	-	219,441
Acupuncture	47100	-	158,866
Federal Manufactured Housing	47200	-	12,177
Speech & Language	47300	-	99,000
Respiratory Care Advisory	47400	-	86,135
Athletic Trainers	47500	-	16,313
Boards and Commissions Flow-through	50150	2,678,443	-
Carnival Ride Insurance Bureau	64300	-	4,305
		<u>\$ 4,865,187</u>	<u>\$ 4,865,187</u>

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 11. Transfers to/from Other State Agencies

Transfers to and from other state agencies for the year ended June 30, 2017 are routine in nature and are consistent with the activities of the fund making the transfer. Transfers to other state agencies consist of the following:

<u>Department Fund Name</u>	<u>From SHARE Fund No.</u>	<u>To Business Unit</u>	<u>To SHARE Fund No.</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	43300	34101	85300	Reversions	\$ 68,458
Interior Design	45700	34101	85300	Transfer per Senate Bill 462 L17 1SS C1 S3-C (6), (7), (9)	17,500
Dental Health Care	44700	34101	85300	Transfer per Senate Bill 462 L17 1SS C1 S3-C (6), (7), (9)	50,000
Board of Pharmacy	46400	34101	85300	Transfer per Senate Bill 462 L17 1SS C1 S3-C (6), (7), (9)	91,745
Landscape Architects	46000	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-36	18,900
Athletic Trainers	47500	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-37	32,500
Optometry	45100	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-38	35,800
Nursing Home Administrators	44900	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-39	56,300
Osteopathic Examiners	45200	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-40	57,200
Nutrition and Dietetics	44800	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-41	60,500
Thanatopractice	45600	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-42	104,100
Respiratory Care Advisory	47400	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-43	114,500
Psychologist Examiners	45400	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-44	157,800
Occupational Therapy	45000	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-45	161,500
Athletic Commission	44100	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-46	172,700

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 11. Transfers to/from Other State Agencies (continued)

<u>Department Fund Name</u>	<u>From SHARE Fund No.</u>	<u>To Business Unit</u>	<u>To SHARE Fund No.</u>	<u>Purpose</u>	<u>Amount</u>
Chiropractic Examiners	44600	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-47	181,500
Body Art Practitioners	44010	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-48	249,500
Acupuncture	47100	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-49	249,500
Speech, Language and Audiology	47300	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-50	283,400
Social Workers	46900	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-51	304,000
Massage Therapist	44200	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-52	327,100
Physical Therapists	45500	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-53	329,700
Real Estate Appraisers	46500	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-54	417,600
Counselors and Therapists	44400	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-55	563,200
Dental Health Care	44700	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-56	598,800
Real Estate Commission	46700	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-57	621,400
Accountancy	46600	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-58	648,100
Barbers and Cosmetologists	43900	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-59	935,700
Board of Pharmacy	46400	34101	85300	Transfer funds per SB 2, Laws 2016, Chapter 4, Section 3A Items 12-60	1,465,900
Interior Design	45700	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-27	39,400
Impaired Dentists	87600	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-32	65,200

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 11. Transfers to/from Other State Agencies (continued)

Department Fund Name	From SHARE Fund No.	To Business Unit	To SHARE Fund No.	Purpose	Amount
Respiratory Care Advisory	47400	34101	85300	Transfer per HB 311 - L16- 2S-C12 S002-A-30	72,200
Athletic Trainers	47500	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-31	85,700
Acupuncture	47100	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-33	100,000
Social Workers	46900	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-35	100,000
Nursing Home Administrators	44900	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-20	102,400
CID Revolving Fund	37300	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-14	105,200
Podiatry	45300	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-24	109,200
Nutrition and Dietetics	44800	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-19	116,800
Athletic Commission	44100	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-16	153,400
Landscape Architects	46000	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-28	175,200
Thantopractice	45600	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-26	204,900
Real Estate Recovery	29700	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-13	242,600
Speech, Language and Audiology	47300	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-29	251,200
Psychologist Examiners	45400	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-34	300,000
Optometry	45100	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-22	300,700
Occupational Therapy	45000	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-21	316,600
Counselors and Therapists	44400	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-17	319,400
Osteopathic Examiners	45200	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-23	526,400
Chiropractic Examiners	44600	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-18	538,500
Physical Therapists	45500	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-25	635,100
Barbers and Cosmetologists	43900	34101	85300	Transfer per HB 311 - L16 C12 S002-A-15	1,448,600
Mortgage Regulatory	10660	34101	85300	Transfer per HB 311 - L16 2S C12 S002-A-7	1,500,000
Total transfers to other state agencies					<u>\$ 16,183,603</u>

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 12. Pension Plan – Public Employees Retirement Association

General Information about the Pension Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2017. The Department, 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 including schedules of required supplementary information and related notes 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. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the Department's governmental funds and therefore not reported in the Department's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow 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 the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan

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

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

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Notes to Financial Statements
 June 30, 2017

NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 Department that establishes 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 plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, 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, 2014, 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 Department in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$276,535, \$244,800 and \$236,410, respectively, which equal the required contributions for each year.

NOTE 14. Commitment and Contingencies

Equipment Operating Leases

The Department leases equipment under operating lease agreements that range in term from 36 to 48 month leases. Rent expense under these equipment leases totaled \$66,838 for the year ended June 30, 2017.

The following is a schedule by years of future minimum lease rental payments required under equipment leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2018	\$ 27,750
2019	27,127
2020	<u>27,127</u>
	<u>\$ 82,004</u>

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Notes to Financial Statements
 June 30, 2017

NOTE 14. Commitment and Contingencies (continued)

Building Operating Leases

The Department has a building lease agreement to provide office space for the Construction Industries Division located in Las Cruces. The Department has also entered into a lease agreements to provide office space for the Boards and Commissions and Construction Industries Division located in Albuquerque. Total rental expenditures for the year ended June 30, 2017 for operating leases were \$332,458.

The following is a schedule by years of future minimum lease rental payments required under building leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017.

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 398,821
2019	403,453
2020	408,223
2021	403,282
2022	408,343
2023	407,100
2024	412,469
2025	418,000
2026	<u>423,696</u>
	<u><u>\$ 3,683,387</u></u>

Vehicle Operating Leases

The Department leases vehicles under operating lease agreements in term for 60 months. Rent expense under these vehicle leases totaled \$369,755 for the year ended June 30, 2017.

The following is a schedule by years of future minimum lease rental payments required under vehicle leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2017.

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 369,755
2019	369,755
2020	369,755
2021	<u>369,755</u>
	<u><u>\$ 1,479,020</u></u>

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Notes to Financial Statements
 June 30, 2017

NOTE 14. Commitment and Contingencies (continued)

Risk Management

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. The coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2016 through June 30, 2017. There have been no settlements in excess of insurance coverage as of June 30, 2017.

NOTE 15. Concentrations

The Department depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Department is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

NOTE 16. Prior Period Restatement

At June 30, 2017, a prior period restatement was recorded for the Mortgage Regulatory Special Revenue Fund (10660) related to unearned license fee revenues recognized during the fiscal year ended June 30, 2016. The Department has restated fund balance to properly record these revenues in accordance with new department policy for the year ended June 30, 2017.

NOTE 17. Other Required Individual Fund Disclosures

- The following funds displayed deficit fund balances at June 30, 2017:

<u>Fund name</u>	<u>SHARE Fund</u>	<u>Fund Balance</u>
Boards and Commissions Flow-through	50150	\$ (91,833)
Real Estate Commission	46700	(114,148)
Private Investigators and Polygraph	45900	(128,492)

- The Department did not have any funds in which actual expenditures exceeded approved budgetary authority at year end June 30, 2017.
- The Department did not have any funds in which designated cash appropriations were in excess of available budget.

NOTE 18. Restricted Net Position

The government-wide statement of net position reports \$8,957,843 of restricted net position for governmental activities. See pages 38 and 62-65 for descriptions of the related restrictions for special revenue funds.

STATE OF NEW MEXICO
Regulation and Licensing Department
Notes to Financial Statements
June 30, 2017

NOTE 19. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Department does not expect this pronouncement to have a material effect on the financial statements as they do not participate directly in such a plan.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. 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 Department is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the financial statements.

NOTE 20. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 6, 2017, which is the date on which the financial statements were available to be issued. The Department is subject to a desk audit from the Department of Justice related to a federal grant in administered by the Board of Pharmacy.

SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
Regulation and Licensing Department
Nonmajor Special Revenue Fund Descriptions
June 30, 2017

Special Revenue Funds

Securities Enforcement & Investor Education Fund (SHARE Fund 04400). To account for the education and training of New Mexico residents concerning securities laws and investment issues and to support of Division enforcement activity. To fulfill that mandate, the Division Investor Education Program conducts a coordinated community outreach effort designed to reach as many New Mexicans as possible through a variety of communications channels.

The fund was established in accordance with the provisions of Section 58-13C-601 NMSA 1978.

FID Settlement Fund (SHARE Fund 11550). To account for money distributed to the Financial Institutions Division pursuant to the consent judgment in litigation between mortgage lenders and various states, including New Mexico, in 2012 and to account for income from the investment of the fund. Money in the fund is subject to appropriation by the legislature to the Financial Institutions Division to support and improve state financial regulation and supervision as provided in the judgment.

The fund was established as a non-reverting fund under Section 9-16-16 NMSA 1978.

Hoisting Operators Fund (SHARE Fund 21100). To account for fees charged by the Department pursuant to the Hoisting Operators Safety Act.

The fund was established in accordance with the provisions of Section 60-15-15 NMSA 1978.

Financial Institutions Division (FID) Revolving Fund (SHARE Fund 37200). To account for the sales of code books and publications to financial institutions. Receipts from such sales are used to recover related costs.

The fund was established by the Department with the authority of the New Mexico Department of Finance and Administration.

Construction Industries Division (CID) Revolving Fund (SHARE Fund 37300). To account for the sales of code books and publications by the Construction Industries Division of the Department. Collections received from such sales are used to recover related costs incurred.

The fund was established by the Department with the authority of the New Mexico Department of Finance and Administration.

HUD Manufactured Housing Fund (SHARE Fund 47200). To account for the revenue and related expenses for inspections of manufactured housing units shipped into and manufactured in New Mexico. Funding is provided by an agreement with the United States Department of Housing and Urban Development. In addition, inspection services are billed to the manufacturing companies.

Money Services Regulatory Fund (SHARE Fund 50520). To account for the application, licensing, renewal, investigation and any other fees received that are associated with the costs of administering the Uniform Money Services Act and any money that is appropriated or donated or that otherwise accrues to the fund.

The fund was established as a non-reverting fund under Section 58-32-1004 NMSA 1978 and is administered by the financial institutions division of the regulation and licensing department.

STATE OF NEW MEXICO
Regulation and Licensing Department
Nonmajor Special Revenue Fund Descriptions
June 30, 2017

Special Revenue Funds (continued)

Carnival Ride Insurance Fund (SHARE Fund 64300). To account for the per-ride inspection fees collected under the provisions of the Carnival Ride Insurance Act. Each operator of a carnival ride must pay an inspection fee of \$50.00 per ride. This money is restricted to the purpose of fulfilling the provisions of the Carnival Ride Insurance Act.

The fund was established in accordance with provisions of NMSA 1978 Compilation, Section 57-25-3.

Individual Boards and Commissions. Separate SHARE funds have been set up to account for the administration of each individual board and commission established by certain sections of the New Mexico state statutes (as noted in the Funding Authority column below). Each board or commission's revenue is restricted to each board or commission's activity and administration. Without the action of the New Mexico Legislature, excess funds at the end of the fiscal year do not revert to the State General Fund. The detail on the next page summarizes the fund, fund name, and statutory authority for the Department's boards and commissions and other special revenue funds that were in existence at June 30, 2017.

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STATE OF NEW MEXICO
 Regulation and Licensing Department
 Nonmajor Special Revenue Fund Descriptions
 June 30, 2017

SHARE Fund Number	SHARE Fund Name	Funding Authority
04400	Securities Enforcement and Investor Education	58-13B-57
11550	FID Settlement	9-16-16
20110	Sign Language Interpreting Services	61-34-13
20120	Animal Shelter Services	77-1B-4
21100	Hoisting Operators	60-15-1 to 15
29700	Real Estate Recovery	61-29-21
37200	Financial Institutions Revolving Fund	9-16-14
37300	CID Revolving Fund	60-13-8.1
43900	Barbers and Cosmetologists	61-17A-14
44010	Body Art Practitioners	61-17B 1-18
44100	Athletic Commission	60-2A-24
44200	Massage Therapist	61-12C-23
44400	Counselors and Therapists	61-9A-25
44500	Real Estate Education and Training	61-29-19.1
44600	Chiropractic Examiners	61-4-7
44700	Dental Health Care	61-5A-26
44800	Nutrition and Dietetics	61-7A-12
44900	Nursing Home Administrators	61-13-12
45000	Occupational Therapy	61-12A-20
45100	Optometry	61-2-7
45200	Osteopathic Examiners	61-10-6
45300	Podiatry	61-8-7
45400	Psychologist Examiners	61-9-5
45500	Physical Therapists	61-1R-4
45600	Thanatopractice	61-32-26
45700	Interior Design	61-24C-16
45900	Private Investigators and Polygraphers	61-27B-30
46000	Landscape Architects	61-24B-14
46500	Real Estate Appraisers	61-30-18
46600	Accountancy	61-28B-6
46900	Social Workers	61-31-16
47100	Acupuncture	61-14A-18
47200	HUD Manufactured Housing	60-14-1
47300	Speech, Language and Audiology	61-14B-24
47400	Respiratory Care Advisory	61-12B-13
47500	Athletic Trainers	61-14D-18
50520	Money Services Regulatory Fund	58-32-1004
64300	Carnival Ride Insurance	57-25-3
87600	Impaired Dentists Hygienists	61-5B-11

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

Special Revenue

	04400 Sec Enforce. and Investor Education	11550 FID Settlement Fund	20110 Sign Language Interpreting	20120 Animal Shelter Services
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ 1,631,762	\$ 805,027	\$ 104,538	\$ 173,279
Accounts receivable	-	-	-	-
Prepaid postage	2,268	-	5,893	178
<i>Total assets</i>	<u>\$ 1,634,030</u>	<u>\$ 805,027</u>	<u>\$ 110,431</u>	<u>\$ 173,457</u>
<i>Liabilities</i>				
Accounts payable	\$ 7,671	\$ 881	\$ -	\$ 1
Accrued payroll	23,403	-	-	-
Unearned revenues	371,888	-	1,098	7,767
Due to local governments	-	-	-	75,695
<i>Total liabilities</i>	<u>402,962</u>	<u>881</u>	<u>1,098</u>	<u>83,463</u>
<i>Fund balances</i>				
Nonspendable:				
Prepaid	2,268	-	5,893	178
Spendable:				
Restricted	1,228,800	804,146	103,440	89,816
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1,231,068</u>	<u>804,146</u>	<u>109,333</u>	<u>89,994</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,634,030</u>	<u>\$ 805,027</u>	<u>\$ 110,431</u>	<u>\$ 173,457</u>

See independent auditors' report.

Special Revenue

21100 Hoisting Operators	29700 Real Estate Recovery	37200 FID Revolving	37300 CID Revolving	43900 Board of Cosmetologists and Barbers	44010 Body Art Practitioners
\$ 182,035	\$ 50,012	\$ 200	\$ 47,094	\$ 789,444	\$ 153,787
-	-	-	-	-	-
335	-	-	-	1,547	319
<u>\$ 182,370</u>	<u>\$ 50,012</u>	<u>\$ 200</u>	<u>\$ 47,094</u>	<u>\$ 790,991</u>	<u>\$ 154,106</u>
\$ -	\$ -	\$ -	\$ 296	\$ 6,988	\$ 96
1,888	-	-	-	-	-
18,019	-	-	-	481,042	57,118
-	-	-	-	-	-
<u>19,907</u>	<u>-</u>	<u>-</u>	<u>296</u>	<u>488,030</u>	<u>57,214</u>
335	-	-	-	1,547	319
162,128	50,012	200	46,798	301,414	96,573
-	-	-	-	-	-
<u>162,463</u>	<u>50,012</u>	<u>200</u>	<u>46,798</u>	<u>302,961</u>	<u>96,892</u>
<u>\$ 182,370</u>	<u>\$ 50,012</u>	<u>\$ 200</u>	<u>\$ 47,094</u>	<u>\$ 790,991</u>	<u>\$ 154,106</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue			
	44100 Athletic Commission	44200 Massage Therapist	44400 Counselors and Therapists	44500 Real Estate Education and Training
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ 50,702	\$ 234,520	\$ 501,430	\$ 22,703
Accounts receivable	-	-	-	-
Prepaid postage	100	-	1,680	-
	<u>50,802</u>	<u>234,520</u>	<u>503,110</u>	<u>22,703</u>
<i>Total assets</i>	<u>\$ 50,802</u>	<u>\$ 234,520</u>	<u>\$ 503,110</u>	<u>\$ 22,703</u>
<i>Liabilities</i>				
Accounts payable	\$ 2,536	\$ 590	\$ 1,177	\$ -
Accrued payroll	-	-	-	-
Unearned revenues	13,760	160,624	282,998	106
Due to local governments	-	-	-	-
	<u>16,296</u>	<u>161,214</u>	<u>284,175</u>	<u>106</u>
<i>Total liabilities</i>	<u>16,296</u>	<u>161,214</u>	<u>284,175</u>	<u>106</u>
<i>Fund balances</i>				
Nonspendable:				
Prepaid	100	-	1,680	-
Spendable:				
Restricted	34,406	73,306	217,255	22,597
Unassigned	-	-	-	-
	<u>34,506</u>	<u>73,306</u>	<u>218,935</u>	<u>22,597</u>
<i>Total fund balances</i>	<u>34,506</u>	<u>73,306</u>	<u>218,935</u>	<u>22,597</u>
<i>Total liabilities and fund balances</i>	<u>\$ 50,802</u>	<u>\$ 234,520</u>	<u>\$ 503,110</u>	<u>\$ 22,703</u>

See independent auditors' report.

Special Revenue

44600 Chiropractic Examiners	44700 Board of Dental Health Care	44800 Nutrition and Dietetics	44900 Nursing Home Administration	45000 Occupational Therapy	45100 Optometry
\$ 279,691	\$ 1,166,322	\$ 57,535	\$ 54,375	\$ 122,526	\$ 110,739
-	-	-	-	-	-
205	-	38	564	143	147
<u>\$ 279,896</u>	<u>\$ 1,166,322</u>	<u>\$ 57,573</u>	<u>\$ 54,939</u>	<u>\$ 122,669</u>	<u>\$ 110,886</u>
\$ 2,129	\$ 7,878	\$ 133	\$ 118	\$ 54	\$ 1,584
-	-	-	-	-	-
155,300	1,002,803	18,075	25,144	24,125	93,800
-	-	-	-	-	-
<u>157,429</u>	<u>1,010,681</u>	<u>18,208</u>	<u>25,262</u>	<u>24,179</u>	<u>95,384</u>
205	-	38	564	143	147
122,262	155,641	39,327	29,113	98,347	15,355
-	-	-	-	-	-
<u>122,467</u>	<u>155,641</u>	<u>39,365</u>	<u>29,677</u>	<u>98,490</u>	<u>15,502</u>
<u>\$ 279,896</u>	<u>\$ 1,166,322</u>	<u>\$ 57,573</u>	<u>\$ 54,939</u>	<u>\$ 122,669</u>	<u>\$ 110,886</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue			
	45200 Osteopathic Examiners	45300 Podiatry	45400 Psychologist Examiners	45500 Physical Therapist
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ 205,592	\$ 81,945	\$ 522,384	\$ 512,246
Accounts receivable	-	-	-	-
Prepaid postage	133	240	541	212
	<u>133</u>	<u>240</u>	<u>541</u>	<u>212</u>
<i>Total assets</i>	<u>\$ 205,725</u>	<u>\$ 82,185</u>	<u>\$ 522,925</u>	<u>\$ 512,458</u>
<i>Liabilities</i>				
Accounts payable	\$ 1,335	\$ 10	\$ 3,304	\$ 588
Accrued payroll	-	-	-	-
Unearned revenues	163,250	19,600	367,725	262,655
Due to local governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>164,585</u>	<u>19,610</u>	<u>371,029</u>	<u>263,243</u>
<i>Fund balances</i>				
Nonspendable:				
Prepaid	133	240	541	212
Spendable:				
Restricted	41,007	62,335	151,355	249,003
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>41,140</u>	<u>62,575</u>	<u>151,896</u>	<u>249,215</u>
<i>Total liabilities and fund balances</i>	<u>\$ 205,725</u>	<u>\$ 82,185</u>	<u>\$ 522,925</u>	<u>\$ 512,458</u>

See independent auditors' report.

Special Revenue

45600 Thanato- practice	45700 Interior Design	45900 Private Investigators and Polygraph	46000 Landscape Architects	46500 Estate Appraisers	46600 Accountancy
\$ 138,316	\$ 23,472	\$ 154,749	\$ 60,250	\$ 158,540	\$ 472,546
-	-	-	-	957	-
287	274	153	1,292	78	2,737
<u>\$ 138,603</u>	<u>\$ 23,746</u>	<u>\$ 154,902</u>	<u>\$ 61,542</u>	<u>\$ 159,575</u>	<u>\$ 475,283</u>
\$ 1,574	\$ 36	\$ 605	\$ 464	\$ 7,328	\$ 2,960
-	-	-	-	-	11,425
116,000	4,038	282,789	34,601	96,085	234,509
-	-	-	-	-	-
<u>117,574</u>	<u>4,074</u>	<u>283,394</u>	<u>35,065</u>	<u>103,413</u>	<u>248,894</u>
287	274	153	1,292	78	2,737
20,742	19,398	-	25,185	56,084	223,652
-	-	(128,645)	-	-	-
<u>21,029</u>	<u>19,672</u>	<u>(128,492)</u>	<u>26,477</u>	<u>56,162</u>	<u>226,389</u>
<u>\$ 138,603</u>	<u>\$ 23,746</u>	<u>\$ 154,902</u>	<u>\$ 61,542</u>	<u>\$ 159,575</u>	<u>\$ 475,283</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue			
	46900 Social Workers	47100 Acupuncture	47200 HUD Manufactured Housing	47300 Speech Language and Audio
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ 752,420	\$ 56,652	\$ 377,675	\$ 331,545
Accounts receivable	-	-	-	-
Prepaid postage	-	135	-	948
	<u>752,420</u>	<u>56,787</u>	<u>377,675</u>	<u>332,493</u>
<i>Total assets</i>	<u>\$ 752,420</u>	<u>\$ 56,787</u>	<u>\$ 377,675</u>	<u>\$ 332,493</u>
<i>Liabilities</i>				
Accounts payable	\$ 4,344	\$ 804	\$ 1,534	\$ 183
Accrued payroll	-	-	5,014	-
Unearned revenues	546,255	13,694	-	188,112
Due to local governments	-	-	-	-
	<u>550,599</u>	<u>14,498</u>	<u>6,548</u>	<u>188,295</u>
<i>Total liabilities</i>	<u>550,599</u>	<u>14,498</u>	<u>6,548</u>	<u>188,295</u>
<i>Fund balances</i>				
Nonspendable:				
Prepaid	-	135	-	948
Spendable:				
Restricted	201,821	42,154	371,127	143,250
Unassigned	-	-	-	-
	<u>201,821</u>	<u>42,289</u>	<u>371,127</u>	<u>144,198</u>
<i>Total fund balances</i>	<u>201,821</u>	<u>42,289</u>	<u>371,127</u>	<u>144,198</u>
<i>Total liabilities and fund balances</i>	<u>\$ 752,420</u>	<u>\$ 56,787</u>	<u>\$ 377,675</u>	<u>\$ 332,493</u>

See independent auditors' report.

Special Revenue

47400 Respiratory Care Advisory	47500 Athletic Trainers	50520 Money Services Regulatory	64300 Carnival Ride Insurance	87600 Impaired Dentists	Other Governmental Funds
\$ 34,592	\$ 24,832	\$ 552,657	\$ 181,942	\$ 24,940	\$ 11,205,016
-	-	-	-	-	957
365	286	-	143	-	21,241
<u>\$ 34,957</u>	<u>\$ 25,118</u>	<u>\$ 552,657</u>	<u>\$ 182,085</u>	<u>\$ 24,940</u>	<u>\$ 11,227,214</u>
\$ 1,476	\$ 11	\$ -	\$ -	\$ -	58,688
-	-	-	1,888	-	43,618
18,344	4,233	151,159	17,575	-	5,234,291
-	-	-	-	-	75,695
<u>19,820</u>	<u>4,244</u>	<u>151,159</u>	<u>19,463</u>	<u>-</u>	<u>5,412,292</u>
365	286	-	143	-	21,241
14,772	20,588	401,498	162,479	24,940	5,922,326
-	-	-	-	-	(128,645)
<u>15,137</u>	<u>20,874</u>	<u>401,498</u>	<u>162,622</u>	<u>24,940</u>	<u>5,814,922</u>
<u>\$ 34,957</u>	<u>\$ 25,118</u>	<u>\$ 552,657</u>	<u>\$ 182,085</u>	<u>\$ 24,940</u>	<u>\$ 11,227,214</u>

See independent auditors' report.

STATE OF NEW MEXICO
Regulation and Licensing Department
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue			
	04400	11550	20110	20120
	Sec Enforce. and Investor Education	FID Settlement Fund	Sign Language Interpreting	Animal Shelter Services
<i>Revenues</i>				
License fees	\$ 371,888	\$ -	\$ 5,354	\$ 5,005
Services	-	-	-	-
Printing and reproduction	-	-	45	45
Publications	-	-	-	-
Federal sources	-	-	-	-
Interest on investments	6,766	-	785	959
Other revenues	125,100	781	420	2,640
<i>Total revenues</i>	<u>503,754</u>	<u>781</u>	<u>6,604</u>	<u>8,649</u>
<i>Expenditures</i>				
Current:				
Personnel services	509,425	-	-	-
Contractual services	1,441	-	2,479	-
In-state travel	4,179	-	965	365
Maintenance services	47	-	-	-
Supplies and materials	8,058	-	10	-
Operating costs	99,455	3,090	1,208	120
Other costs	4,481	470	341	3
Out-of-state travel	1,500	10,232	-	-
<i>Total expenditures</i>	<u>628,586</u>	<u>13,792</u>	<u>5,003</u>	<u>488</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(124,832)</u>	<u>(13,011)</u>	<u>1,601</u>	<u>8,161</u>
<i>Other financing sources (uses)</i>				
Transfers in-interagency	-	-	25,000	-
Transfers out-interagency	-	-	-	-
Transfers out-interfund	(83,183)	-	(63,763)	(58,224)
State general fund appropriation	-	-	-	26,100
<i>Total other financing sources (uses)</i>	<u>(83,183)</u>	<u>-</u>	<u>(38,763)</u>	<u>(32,124)</u>
<i>Net change in fund balances</i>	(208,015)	(13,011)	(37,162)	(23,963)
<i>Fund balances - beginning of year</i>	<u>1,439,083</u>	<u>817,157</u>	<u>146,495</u>	<u>113,957</u>
<i>Fund balances - end of year</i>	<u>\$ 1,231,068</u>	<u>\$ 804,146</u>	<u>\$ 109,333</u>	<u>\$ 89,994</u>

See independent auditors' report.

Special Revenue

21100 Hoisting Operators	29700 Real Estate Recovery	37200 FID Revolving	37300 CID Revolving	43900 Board of Cosmetologists and Barbers	44010 Body Art Practitioners
\$ 6,206	\$ -	\$ -	\$ -	\$ 923,053	\$ 137,288
-	-	-	-	4,050	-
-	-	-	-	9,480	175
-	-	-	1,225	-	-
-	-	-	-	-	-
1,065	-	-	-	-	1,205
210	-	-	-	166,030	8,072
<u>7,481</u>	<u>-</u>	<u>-</u>	<u>1,225</u>	<u>1,102,613</u>	<u>146,740</u>
45,367	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,882	1,126
-	-	-	-	-	-
-	-	-	-	3,580	848
-	-	-	7,116	15,856	974
-	-	-	-	8,806	191
-	-	-	-	-	-
<u>45,367</u>	<u>-</u>	<u>-</u>	<u>7,116</u>	<u>39,124</u>	<u>3,139</u>
(37,886)	-	-	(5,891)	1,063,489	143,601
-	-	-	-	-	-
-	(242,600)	-	(105,200)	(2,384,300)	(249,500)
(5,562)	-	-	-	(856,008)	(76,107)
-	-	-	-	-	-
<u>(5,562)</u>	<u>(242,600)</u>	<u>-</u>	<u>(105,200)</u>	<u>(3,240,308)</u>	<u>(325,607)</u>
(43,448)	(242,600)	-	(111,091)	(2,176,819)	(182,006)
205,911	292,612	200	157,889	2,479,780	278,898
<u>\$ 162,463</u>	<u>\$ 50,012</u>	<u>\$ 200</u>	<u>\$ 46,798</u>	<u>\$ 302,961</u>	<u>\$ 96,892</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2017

	Special Revenue			
	44100 Athletic Commission	44200 Massage Therapist	44400 Counselors and Therapists	44500 Real Estate Education and Training
<i>Revenues</i>				
License fees	\$ 27,060	\$ 200,576	\$ 378,165	\$ 1,592
Services	107,838	25,855	56,472	4,130
Printing and reproduction	-	2,780	5,503	-
Publications	-	-	-	-
Federal sources	-	-	-	-
Interest on investments	-	-	4,347	205
Other revenues	95	14,700	14,194	-
<i>Total revenues</i>	<u>134,993</u>	<u>243,911</u>	<u>458,681</u>	<u>5,927</u>
<i>Expenditures</i>				
Current:				
Personnel services	-	-	-	-
Contractual services	7,973	-	-	39,245
In-state travel	6,361	1,439	5,364	-
Maintenance services	-	287	597	-
Supplies and materials	2,080	1,523	2,660	-
Operating costs	1,909	4,542	6,763	-
Other costs	115	2,538	5,845	-
Out-of-state travel	-	-	-	-
<i>Total expenditures</i>	<u>18,438</u>	<u>10,329</u>	<u>21,229</u>	<u>39,245</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>116,555</u>	<u>233,582</u>	<u>437,452</u>	<u>(33,318)</u>
<i>Other financing sources (uses)</i>				
Transfers in-interagency	-	-	-	-
Transfers out-interagency	(326,100)	(327,100)	(882,600)	-
Transfers out-interfund	(105,409)	(205,095)	(300,630)	-
State general fund appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(431,509)</u>	<u>(532,195)</u>	<u>(1,183,230)</u>	<u>-</u>
<i>Net change in fund balances</i>	(314,954)	(298,613)	(745,778)	(33,318)
<i>Fund balances - beginning of year</i>	<u>349,460</u>	<u>371,919</u>	<u>964,713</u>	<u>55,915</u>
<i>Fund balances - end of year</i>	<u>\$ 34,506</u>	<u>\$ 73,306</u>	<u>\$ 218,935</u>	<u>\$ 22,597</u>

See independent auditors' report.

Special Revenue

44600 Chiropractic Examiners	44700 Board of Dental Health Care	44800 Nutrition and Dietetics	44900 Nursing Home Administration	45000 Occupational Therapy	45100 Optometry
\$ 193,800	\$ 483,613	\$ 36,513	\$ 40,380	\$ 98,084	\$ 93,025
12,550	350	3,175	6,990	30,675	2,650
1,625	5,902	65	25	2,190	1,449
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
8,950	13,680	300	1,845	3,680	4,875
<u>216,925</u>	<u>503,545</u>	<u>40,053</u>	<u>49,240</u>	<u>134,629</u>	<u>101,999</u>
-	-	-	-	-	-
-	1,400	-	-	-	12,650
1,970	12,125	490	1,962	846	2,678
-	-	-	-	-	-
923	2,411	357	37	156	1,088
2,113	18,373	523	1,834	1,246	1,846
2,525	7,384	397	478	1,467	1,230
-	-	-	-	-	-
<u>7,531</u>	<u>41,693</u>	<u>1,767</u>	<u>4,311</u>	<u>3,715</u>	<u>19,492</u>
209,394	461,852	38,286	44,929	130,914	82,507
-	-	-	-	-	-
(720,000)	(648,800)	(177,300)	(158,700)	(478,100)	(336,500)
(115,737)	(326,332)	(12,293)	(20,566)	(62,445)	(62,138)
-	-	-	-	-	-
<u>(835,737)</u>	<u>(975,132)</u>	<u>(189,593)</u>	<u>(179,266)</u>	<u>(540,545)</u>	<u>(398,638)</u>
(626,343)	(513,280)	(151,307)	(134,337)	(409,631)	(316,131)
748,810	668,921	190,672	164,014	508,121	331,633
<u>\$ 122,467</u>	<u>\$ 155,641</u>	<u>\$ 39,365</u>	<u>\$ 29,677</u>	<u>\$ 98,490</u>	<u>\$ 15,502</u>

See independent auditors' report.

STATE OF NEW MEXICO
Regulation and Licensing Department
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue			
	45200 Osteopathic Examiners	45300 Podiatry	45400 Psychologist Examiners	45500 Physical Therapist
<i>Revenues</i>				
License fees	\$ 164,925	\$ 39,700	\$ 261,624	\$ 237,189
Services	4,395	440	22,980	12,150
Printing and reproduction	1,345	783	3,290	9,375
Publications	-	-	-	-
Federal sources	-	-	-	-
Interest on investments	-	-	-	3,091
Other revenues	6,725	200	2,705	9,227
<i>Total revenues</i>	<u>177,390</u>	<u>41,123</u>	<u>290,599</u>	<u>271,032</u>
<i>Expenditures</i>				
Current:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
In-state travel	1,982	1,177	3,127	1,813
Maintenance services	-	-	190	-
Supplies and materials	377	248	840	965
Operating costs	4,865	1,440	3,370	4,570
Other costs	1,508	626	3,173	2,745
Out-of-state travel	-	-	-	-
<i>Total expenditures</i>	<u>8,732</u>	<u>3,491</u>	<u>10,700</u>	<u>10,093</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>168,658</u>	<u>37,632</u>	<u>279,899</u>	<u>260,939</u>
<i>Other financing sources (uses)</i>				
Transfers in-interagency	-	-	-	-
Transfers out-interagency	(583,600)	(109,200)	(457,800)	(964,800)
Transfers out-interfund	(115,670)	(29,029)	(121,969)	(88,120)
State general fund appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(699,270)</u>	<u>(138,229)</u>	<u>(579,769)</u>	<u>(1,052,920)</u>
<i>Net change in fund balances</i>	(530,612)	(100,597)	(299,870)	(791,981)
<i>Fund balances - beginning of year</i>	<u>571,752</u>	<u>163,172</u>	<u>451,766</u>	<u>1,041,196</u>
<i>Fund balances - end of year</i>	<u>\$ 41,140</u>	<u>\$ 62,575</u>	<u>\$ 151,896</u>	<u>\$ 249,215</u>

See independent auditors' report.

Special Revenue

45600 Thanato- practice	45700 Interior Design	45900 Private Investigators and Polygraph	46000 Landscape Architects	46500 Estate Appraisers	46600 Accountancy
\$ 116,150	\$ 16,300	\$ 264,730	\$ 35,600	\$ 74,783	\$ 485,139
5,800	445	23,000	480	95,440	1,020
5,975	45	-	100	2,657	1,820
-	-	-	-	-	-
-	-	-	-	-	-
844	-	1,155	-	1,822	3,474
3,900	625	6,416	4,800	86,365	22,218
<u>132,669</u>	<u>17,415</u>	<u>295,301</u>	<u>40,980</u>	<u>261,067</u>	<u>513,671</u>
-	-	-	-	-	290,507
-	-	-	-	-	8,913
3,513	585	154	439	11,482	5,834
-	-	-	-	-	20
1,383	12	1,441	7	610	3,910
1,151	131	5,219	7,161	3,639	32,786
1,586	212	-	641	4,415	3,892
-	-	-	-	-	-
<u>7,633</u>	<u>940</u>	<u>6,814</u>	<u>8,248</u>	<u>20,146</u>	<u>345,862</u>
<u>125,036</u>	<u>16,475</u>	<u>288,487</u>	<u>32,732</u>	<u>240,921</u>	<u>167,809</u>
-	-	-	-	-	-
(309,000)	(56,900)	-	(194,100)	(417,600)	(648,100)
(108,919)	(6,797)	(216,150)	(8,512)	(254,125)	(78,609)
-	-	-	-	-	-
<u>(417,919)</u>	<u>(63,697)</u>	<u>(216,150)</u>	<u>(202,612)</u>	<u>(671,725)</u>	<u>(726,709)</u>
(292,883)	(47,222)	72,337	(169,880)	(430,804)	(558,900)
<u>313,912</u>	<u>66,894</u>	<u>(200,829)</u>	<u>196,357</u>	<u>486,966</u>	<u>785,289</u>
<u>\$ 21,029</u>	<u>\$ 19,672</u>	<u>\$ (128,492)</u>	<u>\$ 26,477</u>	<u>\$ 56,162</u>	<u>\$ 226,389</u>

See independent auditors' report.

STATE OF NEW MEXICO
Regulation and Licensing Department
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue			
	46900 Social Workers	47100 Acupuncture	47200 HUD Manufactured Housing	47300 Speech Language and Audio
<i>Revenues</i>				
License fees	\$ 415,230	\$ 182,434	\$ -	\$ 172,685
Services	1,690	1,060	103,681	8,565
Printing and reproduction	5,390	938	-	1,250
Publications	-	-	-	-
Federal sources	-	-	19,961	-
Interest on investments	3,949	1,061	-	2,299
Other revenues	3,675	6,995	-	5,390
<i>Total revenues</i>	<u>429,934</u>	<u>192,488</u>	<u>123,642</u>	<u>190,189</u>
<i>Expenditures</i>				
Current:				
Personnel services	-	-	151,661	-
Contractual services	-	25,410	-	-
In-state travel	3,401	1,665	1,037	2,502
Maintenance services	-	208	-	-
Supplies and materials	1,778	613	-	386
Operating costs	4,879	844	10,416	1,828
Other costs	3,973	1,916	-	2,261
Out-of-state travel	-	-	-	-
<i>Total expenditures</i>	<u>14,031</u>	<u>30,656</u>	<u>163,114</u>	<u>6,977</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>415,903</u>	<u>161,832</u>	<u>(39,472)</u>	<u>183,212</u>
<i>Other financing sources (uses)</i>				
Transfers in-interagency	-	-	-	-
Transfers out-interagency	(404,000)	(349,500)	-	(534,600)
Transfers out-interfund	(219,441)	(158,866)	(12,177)	(99,000)
State general fund appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(623,441)</u>	<u>(508,366)</u>	<u>(12,177)</u>	<u>(633,600)</u>
<i>Net change in fund balances</i>	(207,538)	(346,534)	(51,649)	(450,388)
<i>Fund balances - beginning of year</i>	<u>409,359</u>	<u>388,823</u>	<u>422,776</u>	<u>594,586</u>
<i>Fund balances - end of year</i>	<u>\$ 201,821</u>	<u>\$ 42,289</u>	<u>\$ 371,127</u>	<u>\$ 144,198</u>

See independent auditors' report.

Special Revenue

47400 Respiratory Care Advisory	47500 Athletic Trainers	50520 Money Services Regulatory	64300 Carnival Ride Insurance	87600 Impaired Dentists	Other Governmental Funds
\$ 72,849	\$ 25,226	\$ 393,595	\$ 17,575	\$ -	\$ 5,977,336
14,800	5,565	-	-	-	556,246
210	375	-	-	-	62,837
-	-	-	-	-	1,225
-	-	-	-	-	19,961
-	237	1,855	-	-	35,119
500	300	6,048	-	15,390	547,051
<u>88,359</u>	<u>31,703</u>	<u>401,498</u>	<u>17,575</u>	<u>15,390</u>	<u>7,199,775</u>
-	-	-	45,366	-	1,042,326
-	-	-	-	11,550	111,061
711	-	-	-	-	90,174
-	-	-	-	-	1,349
115	30	-	-	-	36,446
3,443	198	-	-	-	252,908
6	412	-	-	-	63,637
-	-	-	-	-	11,732
<u>4,275</u>	<u>640</u>	<u>-</u>	<u>45,366</u>	<u>11,550</u>	<u>1,609,633</u>
<u>84,084</u>	<u>31,063</u>	<u>401,498</u>	<u>(27,791)</u>	<u>3,840</u>	<u>5,590,142</u>
-	-	-	-	-	25,000
(186,700)	(118,200)	-	-	(65,200)	(12,436,100)
(86,135)	(16,313)	-	(4,305)	-	(3,977,629)
-	-	-	-	-	26,100
<u>(272,835)</u>	<u>(134,513)</u>	<u>-</u>	<u>(4,305)</u>	<u>(65,200)</u>	<u>(16,362,629)</u>
(188,751)	(103,450)	401,498	(32,096)	(61,360)	(10,772,487)
<u>203,888</u>	<u>124,324</u>	<u>-</u>	<u>194,718</u>	<u>86,300</u>	<u>16,587,409</u>
<u>\$ 15,137</u>	<u>\$ 20,874</u>	<u>\$ 401,498</u>	<u>\$ 162,622</u>	<u>\$ 24,940</u>	<u>\$ 5,814,922</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Balance Sheet
 Combining General Fund
 June 30, 2017

Statement A-3

	43300 General Fund	50150 Boards and Commissions Flow-through	Combined General Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Investment in State General Fund Investment Pool	\$ 679,696	\$ 1,252	\$ 680,948
Accounts receivable	596	-	596
Prepaid postage	986	-	986
	<u> </u>	<u> </u>	<u> </u>
<i>Total assets</i>	<u>\$ 681,278</u>	<u>\$ 1,252</u>	<u>\$ 682,530</u>
Liabilities and fund balances			
<i>Liabilities</i>			
Accounts payable	244,940	-	244,940
Accrued payroll	435,180	93,085	528,265
	<u> </u>	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>680,120</u>	<u>93,085</u>	<u>773,205</u>
<i>Fund balances</i>			
Nonspendable:			
Prepaid	986	-	986
Spendable:			
Unassigned	172	(91,833)	(91,661)
	<u> </u>	<u> </u>	<u> </u>
<i>Total fund balances</i>	<u>1,158</u>	<u>(91,833)</u>	<u>(90,675)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 681,278</u>	<u>\$ 1,252</u>	<u>\$ 682,530</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Revenue, Expenditures, and Changes in Fund Balance
 Combining General Fund
 For the Year Ended June 30, 2017

Statement A-4

	43300 General Fund	50150 Boards and Commissions Flow-through	Combined General Fund
<i>Revenues</i>			
Services	\$ 440,129	\$ -	\$ 440,129
<i>Total revenues</i>	<u>440,129</u>	<u>-</u>	<u>440,129</u>
<i>Expenditures</i>			
Current:			
Personnel services and employee benefits	12,263,300	2,770,276	15,033,576
Contractual services	606,087	-	606,087
In-state travel	82,047	-	82,047
Maintenance and repairs	10,726	-	10,726
Supplies and materials	142,009	-	142,009
Operating costs	1,664,796	-	1,664,796
Other costs	86,133	-	86,133
Capital outlay	34,179	-	34,179
<i>Total expenditures</i>	<u>14,889,277</u>	<u>2,770,276</u>	<u>17,659,553</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,449,148)</u>	<u>(2,770,276)</u>	<u>(17,219,424)</u>
<i>Other financing sources</i>			
Transfers in-interfund	2,186,744	2,678,443	4,865,187
State general fund appropriation	12,317,200	-	12,317,200
Reversions to state general fund	(68,458)	-	(68,458)
<i>Total other financing sources</i>	<u>14,435,486</u>	<u>2,678,443</u>	<u>17,113,929</u>
<i>Net change in fund balance</i>	(13,662)	(91,833)	(105,495)
Fund balance, beginning of year	<u>14,820</u>	<u>-</u>	<u>14,820</u>
<i>Fund balance, end of year</i>	<u>\$ 1,158</u>	<u>\$ (91,833)</u>	<u>\$ (90,675)</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 General Fund (43300)
 For the Year Ended June 30, 2017

Statement A-5

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
				<u>Final to Actual</u>
<i>Revenues</i>				
General fund appropriations	\$ 13,061,700	\$ 12,343,300	\$ 12,317,200	\$ (26,100)
Trades and professions licenses	-	-	-	-
Other licenses and permits	-	-	-	-
Registration for trades and professions licenses	3,300	3,300	-	(3,300)
Other registration fees	-	-	-	-
Trades and professions examination fees	-	-	-	-
Other exam fees	-	-	-	-
House trailer inspection fees	-	-	-	-
Other services	191,700	191,700	440,129	248,429
Manuals and codes	-	-	-	-
Interest	-	-	-	-
Other publications	-	-	-	-
Printing & Reproduction	-	-	-	-
Court fines and forfeitures	-	-	-	-
Other penalties	100	100	-	(100)
Federal grants	180,000	180,000	-	(180,000)
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	<u>13,436,800</u>	<u>12,718,400</u>	<u>12,757,329</u>	<u>38,929</u>
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	12,736,200	12,528,600	12,263,300	265,300
Contractual services	1,118,500	638,470	606,087	32,383
Other	2,246,000	2,195,230	2,019,890	175,340
<i>Total expenditures</i>	<u>16,100,700</u>	<u>15,362,300</u>	<u>14,889,277</u>	<u>473,023</u>
<i>Other financing sources (uses)</i>				
Other financing sources	2,663,400	2,673,400	2,186,744	(486,656)
Other financing uses	(65,000)	(65,000)	(68,458)	(3,458)
<i>Total other financing sources</i>	<u>2,598,400</u>	<u>2,608,400</u>	<u>2,118,286</u>	<u>(490,114)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ (65,500)</u>	<u>\$ (35,500)</u>	<u>\$ (13,662)</u>	<u>\$ 21,838</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 General Fund - Boards & Commissions Payroll Flow-Through Fund (50150)
 For the Year Ended June 30, 2017

Statement A-6

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u> <u>Final to Actual</u>
<i>Revenues</i>				
General fund appropriations	\$ -	\$ -	\$ -	\$ -
Trades and professions licenses	-	-	-	-
Other licenses and permits	-	-	-	-
Registration for trades and professions licenses	-	-	-	-
Other registration fees	-	-	-	-
Trades and professions examination fees	-	-	-	-
Other exam fees	-	-	-	-
House trailer inspection fees	-	-	-	-
Other services	-	-	-	-
Manuals and codes	-	-	-	-
Interest	-	-	-	-
Other publications	-	-	-	-
Printing & Reproduction	-	-	-	-
Court fines and forfeitures	-	-	-	-
Other penalties	-	-	-	-
Federal grants	-	-	-	-
Miscellaneous revenue	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
Personnel services and employee benefits	3,223,500	3,223,500	2,770,276	453,224
Contractual services	-	-	-	-
Other	-	-	-	-
<i>Total expenditures</i>	<u>3,223,500</u>	<u>3,223,500</u>	<u>2,770,276</u>	<u>453,224</u>
<i>Other financing sources (uses)</i>				
Other financing sources	3,223,500	3,223,500	2,678,443	(545,057)
Other financing uses	-	-	-	-
<i>Total other financing sources</i>	<u>3,223,500</u>	<u>3,223,500</u>	<u>2,678,443</u>	<u>(545,057)</u>
<i>Excess (deficiency) of revenues over expenditures and other financing resources</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (91,833)</u>	<u>\$ (91,833)</u>

See independent auditors' report.

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
 Regulation and Licensing Department
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2017

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
FID Receipts (43500)				
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ -	\$ 3,482,553	\$ 3,482,553	\$ -
<i>Total Assets</i>	<u>\$ -</u>	<u>\$ 3,482,553</u>	<u>\$ 3,482,553</u>	<u>\$ -</u>
<i>Liabilities</i>				
Other liabilities	\$ -	\$ 1,730	\$ 1,730	\$ -
Due to State General Fund	-	3,480,823	3,480,823	-
<i>Total Liabilities</i>	<u>\$ -</u>	<u>\$ 3,482,553</u>	<u>\$ 3,482,553</u>	<u>\$ -</u>
MHD Receipts (43600)				
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ 102,159	\$ 409,101	\$ 418,914	\$ 92,346
<i>Total Assets</i>	<u>\$ 102,159</u>	<u>\$ 409,101</u>	<u>\$ 418,914</u>	<u>\$ 92,346</u>
<i>Liabilities</i>				
Other liabilities	\$ 101,259	\$ 1,079	\$ 9,992	\$ 92,346
Due to State General Fund	900	408,022	408,922	-
<i>Total Liabilities</i>	<u>\$ 102,159</u>	<u>\$ 409,101</u>	<u>\$ 418,914</u>	<u>\$ 92,346</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2017

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
CID Receipts (43700)				
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ 480,357	\$ 4,728,437	\$ 4,736,827	\$ 471,967
<i>Total Assets</i>	<u>\$ 480,357</u>	<u>\$ 4,728,437</u>	<u>\$ 4,736,827</u>	<u>\$ 471,967</u>
<i>Liabilities</i>				
Other liabilities	\$ 480,254	\$ 761,961	\$ 770,297	\$ 471,918
Due to State General Fund	103	3,966,476	3,966,530	49
<i>Total Liabilities</i>	<u>\$ 480,357</u>	<u>\$ 4,728,437</u>	<u>\$ 4,736,827</u>	<u>\$ 471,967</u>
SEC Receipts (43800)				
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ -	\$ 23,020,437	\$ 23,020,437	\$ -
<i>Total Assets</i>	<u>\$ -</u>	<u>\$ 23,020,437</u>	<u>\$ 23,020,437</u>	<u>\$ -</u>
<i>Liabilities</i>				
Due to State General Fund	\$ -	\$ 23,020,437	\$ 23,020,437	\$ -
<i>Total Liabilities</i>	<u>\$ -</u>	<u>\$ 23,020,437</u>	<u>\$ 23,020,437</u>	<u>\$ -</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2017

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Alcohol and Gaming Receipts (80800)				
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ -	\$ 4,182,343	\$ 4,182,343	\$ -
<i>Total Assets</i>	<u>\$ -</u>	<u>\$ 4,182,343</u>	<u>\$ 4,182,343</u>	<u>\$ -</u>
<i>Liabilities</i>				
Other liabilities	\$ -	\$ 100	\$ 100	\$ -
Due to State General Fund	-	4,182,243	4,182,243	-
<i>Total Liabilities</i>	<u>\$ -</u>	<u>\$ 4,182,343</u>	<u>\$ 4,182,343</u>	<u>\$ -</u>
Total				
<i>Assets</i>				
Investment in State General Fund				
Investment Pool	\$ 582,516	\$ 35,822,871	\$ 35,841,074	\$ 564,313
<i>Total Assets</i>	<u>\$ -</u>	<u>\$ 35,822,871</u>	<u>\$ 35,841,074</u>	<u>\$ 564,313</u>
<i>Liabilities</i>				
Other liabilities	\$ 581,513	\$ 764,870	\$ 782,119	\$ 564,264
Due to State General Fund	1,003	35,058,001	35,058,955	49
<i>Total Liabilities</i>	<u>\$ 582,516</u>	<u>\$ 35,822,871</u>	<u>\$ 35,841,074</u>	<u>\$ 564,313</u>

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Schedule of Deposit Accounts with State General Fund Investment Pool
 For the Year Ended June 30, 2017

Schedule II
 Page 1 of 2

Name of Fund	SHARE Fund Number	Interest Bearing	Balance at June 30, 2017
General Fund			
General Fund	43300	Yes	\$ 679,696
Boards and Commissions Payroll Flow Through	50150	Yes	1,252
Total General Fund			<u>680,948</u>
Special Revenue Funds			
Securities Education	04400	Yes	1,631,762
Mortgage Regulatory	10660	Yes	4,064,963
FID Settlement	11550	Yes	805,027
Sign Language Services	20110	Yes	104,538
Animal Sheltering Services	20120	Yes	173,279
Hoisting Operators	21100	Yes	182,035
Real Estate Recovery	29700	Yes	50,012
FID Revolving Fund	37200	Yes	200
CID Revolving Fund	37300	Yes	47,094
Barber and Cosmetology	43900	Yes	789,444
Body Art Practitioners	44010	Yes	153,787
Athletic Commission	44100	Yes	50,702
Massage Therapists	44200	Yes	234,520
Counselors and Therapists	44400	Yes	501,430
Real Estate Education and Training	44500	Yes	22,703
Chiropractic Examiners	44600	Yes	279,691
Board of Dental Health Care	44700	Yes	1,166,322
Nutrition and Dietetics	44800	Yes	57,535
Nursing Home Administration	44900	Yes	54,375
Occupational Therapy	45000	Yes	122,526
Optometry	45100	Yes	110,739
Osteopathic Examiners	45200	Yes	205,592
Podiatry	45300	Yes	81,945
Psychologist Examiners	45400	Yes	522,384
Physical Therapist	45500	Yes	512,246
Thanatopractice	45600	Yes	138,316
Interior Design	45700	Yes	23,472
Private Investigation & Polygraph	45900	Yes	154,749
Landscape Architects	46000	Yes	60,250
Pharmacy	46400	Yes	2,297,959
Real Estate Appraisers	46500	Yes	158,540
Accountancy	46600	Yes	472,546
Real Estate Commission	46700	Yes	1,509,529
Social Workers	46900	Yes	752,420
Acupuncture	47100	Yes	56,652
HUD Manufactured Housing	47200	Yes	377,675
Speech Language & Audio	47300	Yes	331,545
Respiratory Care Advisory	47400	Yes	34,592

See independent auditors' report.

STATE OF NEW MEXICO
 Regulation and Licensing Department
 Schedule of Deposit Accounts with State General Fund Investment Pool
 For the Year Ended June 30, 2017

Name of Fund	SHARE Fund Number	Interest Bearing	Balance at June 30, 2017
Athletic Trainers	47500	Yes	\$ 24,832
Money Services Regulatory Fund	50520	Yes	552,657
Carnival Ride Insurance	64300	Yes	181,942
Impaired Dentists	87600	Yes	24,940
Total Special Revenue Funds			<u>19,077,467</u>
Total Governmental Funds			<u>\$ 19,758,415</u>
Fiduciary Funds			
FID Receipts Fund	43500	Yes	\$ -
MHD Receipts Fund	43600	Yes	92,346
CID Receipts Fund	43700	Yes	471,967
SEC Receipts Fund	43800	Yes	-
Alcohol and Gaming Receipts Fund	80800	Yes	-
Total Fiduciary Funds			<u>\$ 564,313</u>

See independent auditors' report.

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COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITORS' REPORT

Wayne A. Johnson
New Mexico State Auditor
Mike Unthank, Superintendent
State of New Mexico Regulation and Licensing Department
Santa Fe, New Mexico

We have audited, 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, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the New Mexico Regulation and Licensing Department (the "Department") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) 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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 Department'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. Therefore, material weakness 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 we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2006-006 and 2017-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

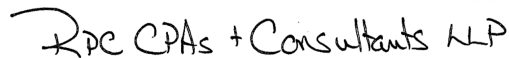
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of section 12-6-5 NMSA 1978 Findings as item NM 2017-002.

Department's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
December 6, 2017

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STATE OF NEW MEXICO
Regulation and Licensing Department
Schedule of Findings and Responses
June 30, 2017

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal Control over Financial Reporting | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None Noted |

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

ES 2006-006 - Approve, Implement and Test Disaster Recovery Plan - Significant Deficiency (Repeated/Modified)

Condition: The Department last updated its Disaster Recovery Plan (DR Plan) in August 2011. The Department has multiple IT databases that are critical to certain activity in the State; including the data to support the issuance of construction permits, and data to support the issuance of professional licenses for approximately thirty (30) boards and commissions. As a result of the critical nature of these databases, the Department has been working for approximately last ten (10) years to enhance its IT back-up process with the ultimate goal of an offsite hot-site for the Department's IT databases and files.

During fiscal year 2016, the Department implemented an offsite hot-site for all of the Department's databases and files (excluding SHARE, which is managed by the New Mexico Department of Information Technology). The hot-site is located in Albuquerque at the New Mexico Gaming Control Board data center. The hot-site is a mirror replication of the Department's data backed up at the State Data Center (primary data center) with asynchronous real-time data replication from the primary data center to the Gaming Control Board data center. The hot-site is part of the Department's disaster recovery processes; however, the DR Plan has not been updated for this material change in the Department's disaster recovery processes. Additionally, there is not a regular testing schedule in place to ensure data replicated to the hot-site can be restored, nor have they ever tested it.

Criteria: Per the State of New Mexico Statewide Guideline "Enterprise IT Security Policy", S-GUIDE- 00.003, "the State of New Mexico shall securely and economically protect its business functions including public access to appropriate information and resources, while maintaining compliance with legal requirements established by existing Federal and State statutes pertaining to confidentiality privacy, accessibility, availability, and integrity. This includes a Disaster Recovery Plan in order to reduce the impact of a major disruption on key business functions and processes."

Effect: The lack of an updated DR Plan and absence of periodic recovery testing may impact the Department's ability to respond and recover its critical data and applications in the event of an unforeseen disaster.

Cause: During fiscal year 2016, the Department made major improvements in its disaster recovery processes. However, management has not yet allocated resources to update the Disaster Recovery Plan and ensure periodic recovery testing of the data that is replicated to the new hot-site.

Recommendation: We recommend the Department clear the finding completely in 2018 by updating and periodically testing the Department's Disaster Recovery Plan.

Management Response: The Agency currently has duplication of all IT services. The Agency has the ability to fail and switch over to a slower version of our current setup. This slower version would not operate at the level the public is used to. However, it will provide all the essential functions the Agency normally provides. An instant fail and switch over solution with full speed capabilities is expensive.

The Agency plans to continue upgrades until we are at full disaster recovery capability as budgeted funds are available. The Network Administrator Supervisor/Security Officer is responsible for the implementation of the Disaster Recovery Plan completion by 9/30/2018.

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)

ES 2017-001 Lack of Internal Controls Surrounding Federal Reimbursements – Significant Deficiency

Condition: We noted the Department was unable to produce adequate expenditure support related grant expenses for a reimbursement in the amount of \$42,354 recorded by the Board of Pharmacy (46400). In addition, this amount has not been received after year end and is under a desk audit by the Department of Justice.

Criteria: The Manual on Model Accounting Practices (MAPs) issued by the New Mexico Department of Finance and Administration, Financial Control Division, section FIN 9.1, D.4, states, “Based upon the required reporting periods of the grantor, state agencies shall run project information reports and create bills to the grantor for the appropriate period. The billing shall be reviewed for accuracy and verification of detail information. Documentation shall be gathered, as required by the grantor, to support the billing. When the preparation of an invoice for billing is required by the Federal grantor, it shall follow the format specified by the Federal grantor. If the Federal grantor allows for direct funding drawdowns without the submission of an invoice, the grantee shall maintain all documentation necessary to support the drawdown request and shall make that documentation available for both Single audit and grantor audit requirements.”

Effect: Federal monies due to the Department could become unavailable due to inadequate support or untimely submissions of requests for reimbursements.

Cause: The Department’s Board of Pharmacy did not properly document amounts expended related to grant revenues and failed to submit requests for reimbursements in a timely manner.

Recommendation: The Department’s Board of Pharmacy should develop a process to track all expenses related to grant revenues and process any requests for reimbursement in a timely manner.

Management Response: Payments were incorrectly categorized as being reimbursable under the federal grant although they were not eligible under the terms of the grant. The employees responsible for managing the grant were not sufficiently experienced or knowledgeable in working with federal grants and are no longer employed with the agency.

The Board of Pharmacy will prepare policies and procedures for handling federal grant program funds in conjunction with the Administrative Services Division. New employees hired by the Board of Pharmacy will be required to possess the requisite experience and training. The agency will ensure additional relevant training is provided.

The PMP director and Executive Director are responsible for the new policies and procedures being finalized by 3/31/2018.

SECTION III – FINDINGD-SECTION 12-6-5 NMSA 1978 FINDINGS

NM 2017-002 – Late Audit Report – Other Noncompliance

Condition: The Department's audited financial statements were not submitted by the regulatory due date of November 1.

Criteria: NMAC 2.2.2.9 A requires that financial statement audits of state agencies are due to the Office of the State Auditor no later than November 1.

Effect: The Department's audit was considered late by the Office of the State Auditor.

Cause: An updated trial balance report was obtained from SHARE in October after the Department had completed year end journal entries. This updated trial balance report was used to complete the financial statement preparation, however, it was determined this trial balance did not tie to the Department's general ledger or the audited workpapers.

Auditors' Recommendations: We recommend that the Department and audit firm work together earlier in the process to ensure the trial balance generated from SHARE is accurate once all entries are made

Agency's Response: The Agency provided the Independent Public Accounting Firm (IPA) with a trial balance that agreed to the balances in SHARE on October 16, 2017. The updated trial balance report used by the IPA to complete the financial statements was not the same trial balance. The Agency does not know the source of this updated trial balance that the IPA used which caused the Audit Report to be late.

The Agency management, including the CFO will work closely with the IPA in future years to ensure the Trial balance that the IPA generates from SHARE is accurate before the financial statements are prepared and does not anticipate a late audit in 2018.

SECTION III – PRIOR YEAR FINDINGS

FS 2006-006 - Approve, Implement and Test Disaster Recovery Plan - Significant Deficiency (Repeated)

FS 2015-001 - Monitoring of Licensing Services Contract - Significant Deficiency (Resolved)

NM 2015-003 - Budgetary Controls - Other Noncompliance (Resolved)

FS 2016-001 Capital Assets Inventory - (Resolved)

FS 2016-002 - Calculation of Unearned Revenue / Restatement - (Resolved)

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STATE OF NEW MEXICO
Regulation and Licensing Department
Other Disclosures
June 30, 2017

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 31, 2017. The following individuals were in attendance.

Representing New Mexico Regulation and Licensing Department:

Mike Unthank	Superintendent
Alex Sanchez	Deputy Superintendent
Alexis Lotero	Acting ASD Director
Anthony Webb	Budget Director
Clayton Pelletier, CPA	Chief Financial Officer

Representing RPC CPAs + Consultants, LLP:

Alan D. "A.J." Bowers, Jr., CPA	Audit Partner
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Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of the Department from the original books and records provided to them by the management of the Department. The responsibility for the financial statements remains with the Department.