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A large, light green circle on the left side of the page, partially overlapping a larger grey circle in the background.

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**STATE OF NEW MEXICO
REGULATION AND LICENSING
DEPARTMENT**

**FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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State of New Mexico
Regulation and Licensing Department

OFFICIAL ROSTER

June 30, 2018

Regulation and Licensing Department

Robert "Mike" Unthank	Superintendent
Pat McMurray	Deputy Superintendent
Alexis Lotero	Acting ASD Director
Clayton Pelletier	CFO
Michelle Langehennig	CIO
Rick Martinez	Budget Director
Kathy Ortiz	Deputy Director, Boards and Commissions Division (Santa Fe)
Wayne Ciddio	Deputy Director, Boards and Commissions Division (Albuquerque)
Martin Romero	Acting Director, Construction Industries Division and Manufactured Housing Division
Christopher Moya	Acting Director Financial Institution Division
Debra Lopez	Acting Director, Alcohol and Gaming Division
Ben Schrope	Acting Director, Securities Division

INDEPENDENT AUDITORS' REPORT

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

Report on the 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, 2018, 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 misstatement, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 presentation of the financial statements.

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

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, 2018, and the respective changes in financial position thereof, and the respective budgetary comparisons 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

Reporting Entity

As discussed in Note A, 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, 2018, 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.

Pension Accounting and Reporting

As discussed in Note L, the State of New Mexico, as a single employer, follows Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions (OPEB)*, in the June 30, 2018, CAFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Department's governmental funds. All other required footnotes and other disclosures required by the GASB are included in the State of New Mexico CAFR for June 30, 2018. Our opinion is not modified with respect to this matter.

Postemployment Benefits Other Than Pensions Accounting and Reporting

As discussed in Note M, the State of New Mexico, as a single employer, has implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, in the June 30, 2018, CAFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Department's governmental funds. All other required footnotes and other disclosures required by the GASB are included in the State of New Mexico CAFR for June 30, 2018. Our opinion is not modified with respect to this matter.

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 5 through 8 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 which 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.

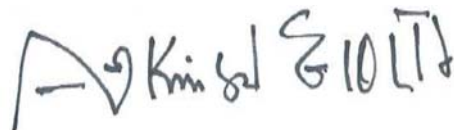
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining and individual nonmajor fund financial statements, the Schedule of Changes in Assets and Liabilities – Agency Funds, and the schedules required by 2.2.2 NMAC as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the Schedule of Changes in Assets and Liabilities – Agency Funds and the schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the Schedule of Changes in Assets and Liabilities – Agency Funds and the schedules required by 2.2.2 NMAC as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, 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 result of that testing, and not to provide an opinion on 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.

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2018

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, 2018. 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 which includes the individual nonmajor 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 the 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 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) – CONTINUED

June 30, 2018

As disclosed in Note M, the State of New Mexico implemented GASB 75. Accounting and Financial Reporting for Postemployment Benefits other than 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, 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 increased by \$3,330,754 from \$8,980,574 to \$12,311,328. Our analysis below focuses on the net position and changes in net position of the Department's governmental activities.

Statement of Net Position

	June 30, 2018	June 30, 2017
ASSETS		
Current and other assets	\$ 24,229,410	\$ 19,878,838
Capital assets	572,480	1,077,505
Total assets	24,801,890	20,956,343
LIABILITIES		
Current Liabilities	12,490,562	11,975,769
Long-term liabilities	-	-
Total liabilities	12,490,562	11,975,769
NET POSITION		
Net investment in capital assets	572,480	1,077,505
Restricted	12,772,920	8,957,843
Unrestricted (deficit)	(1,034,072)	(1,054,774)
Total net position	\$ 12,311,328	\$ 8,980,574

State of New Mexico
Regulation and Licensing Department

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

The Department realized a 37% increase in net position from fiscal year 2017. The increase was due mainly to the transfer of vehicles to the General Services Department for a net book value of (\$224,909) and Special Revenue Funds' revenues exceeded expenditures by \$3,754,345 and reversions to the State General fund of (\$176,785).

Statement of Activities
For the Year Ended June 30,

	2018	2017
GOVERNMENT ACTIVITIES		
Operating grants and charges for services	\$ 14,205,603	\$ 12,856,766
State General Fund appropriation	12,027,900	12,343,300
Net transfers out	(199,909)	(16,090,145)
Reversions	(176,785)	(68,458)
Others	102,392	56,682
Total revenue	25,959,201	9,098,145
 PROGRAM EXPENSE	 22,628,447	 22,968,032
Change in net position	3,330,754	(13,869,887)
Net position, beginning of year	8,980,574	23,668,061
Restatement	-	(817,600)
Net position end of year	\$ 12,311,328	\$ 8,980,574

The Department's total general revenues and transfers (net) increased 185% or \$16,861,056. The increase in revenues is primarily related increases in revenues from licenses and permits and reductions in the state allocation of transfers out of the Department for use by other state agencies. Transfers out in fiscal year 2018 totaled \$224,909 a decrease of \$15,890,236 from fiscal year 2017. The total program expense decreased by \$339,585 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 2018 fiscal year, the Department's General Fund was reduced by 3%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED

June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the Department had \$572,480 invested in capital assets, net of accumulated depreciation, including data processing equipment and system software licenses. This amount represents a net decrease of \$505,025 or 47% 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 FY2018 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)

HB02 19 Section 15 provides for the transfer of all personnel, appropriations, money records, equipment, supplies and other property of the Animal Sheltering Board (Fund 20120) to the Board of Veterinary Medicine during Fiscal Year ended June 30, 2019. The General Appropriation Act of 2018 (HB2) provides for a \$1,000,000 transfer to the Office of the Attorney General from the Mortgage Regulatory Fund (10660).

There are no other subsequent events known at the time of this analysis that would materially affect 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.

State of New Mexico
Regulation and Licensing Department

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Investment in State General Fund	
Investment Pool	\$ 24,228,564
Accounts receivable	846
Total current assets	24,229,410
Noncurrent assets:	
Capital assets, net of accumulated depreciation	572,480
Total noncurrent assets	572,480
Total assets	\$ 24,801,890
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 541,009
Accrued payroll	680,858
Unearned revenue	10,204,701
Due to local governments	121,071
Compensated absences	942,923
Total current liabilities	12,490,562
Total liabilities	12,490,562
NET POSITION	
Net investment in capital assets	572,480
Restricted	12,772,920
Unrestricted	(1,034,072)
Total net position	12,311,328
Total liabilities and net position	\$ 24,801,890

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

		Program Revenues		
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position Governmental Activities
EXPENSES				
General government:				
Personnel services and employee benefits	\$ 18,305,053	\$ 11,345,516	\$ 145,963	\$ (6,813,574)
Contractual services	858,390	532,032	6,845	(319,513)
In-state travel	208,041	128,944	1,659	(77,438)
Maintenance and repairs	62,814	38,932	501	(23,381)
Supplies and materials	282,579	175,143	2,253	(105,183)
Operating costs	2,644,538	1,639,091	21,087	(984,360)
Other costs	231,926	143,748	1,849	(86,328)
Out-of-state travel	35,106	21,759	280	(13,067)
	<u>\$ 22,628,447</u>	<u>\$ 14,025,166</u>	<u>\$ 180,437</u>	<u>(8,422,844)</u>
GENERAL REVENUES				
Transfer in-interagency				25,000
Transfer out-interagency				(224,909)
Transfers in-interfund				4,949,154
Transfers out-interfund				(4,949,154)
State general fund appropriation				12,027,900
Reversions to State General Fund				(176,785)
Interest and investment earnings				102,392
				<u>11,753,598</u>
Change in net position				3,330,754
Net position, beginning				8,980,574
Net position, ending				<u>\$ 12,311,328</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018

	<u>43300 & 50150</u>	<u>10660</u>	<u>46400</u>	<u>46700</u>	<u>Nonmajor</u>	<u>Total</u>
	Combined	Mortgage	46400	46700	Governmental	Governmental
	General	Regulatory	Board of	Real Estate	Funds	Funds
	Fund	Fund	Pharmacy	Commission		
ASSETS						
Investment in State General Fund Investment Pool	\$ 858,858	\$ 5,882,921	\$ 2,704,664	\$ 1,626,660	\$ 13,155,461	\$ 24,228,564
Accounts receivable	846	-	-	-	-	846
	<u>859,704</u>	<u>5,882,921</u>	<u>2,704,664</u>	<u>1,626,660</u>	<u>13,155,461</u>	<u>24,229,410</u>
Total assets	<u>\$ 859,704</u>	<u>\$ 5,882,921</u>	<u>\$ 2,704,664</u>	<u>\$ 1,626,660</u>	<u>\$ 13,155,461</u>	<u>\$ 24,229,410</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 367,975	\$ 15,983	\$ 29,719	\$ 8,315	\$ 119,017	\$ 541,009
Accrued payroll	522,151	27,623	45,145	22,592	63,347	680,858
Unearned revenues	-	963,800	2,159,125	1,619,206	5,462,570	10,204,701
Due to local governments	-	-	-	-	121,071	121,071
	<u>890,126</u>	<u>1,007,406</u>	<u>2,233,989</u>	<u>1,650,113</u>	<u>5,766,005</u>	<u>11,547,639</u>
Total Liabilities	<u>\$ 890,126</u>	<u>\$ 1,007,406</u>	<u>\$ 2,233,989</u>	<u>\$ 1,650,113</u>	<u>\$ 5,766,005</u>	<u>\$ 11,547,639</u>
Fund balances						
Nonspendable:						
Spendable:						
Restricted	60,000	4,875,515	470,675	-	7,426,730	12,832,920
Unassigned	(90,422)	-	-	(23,453)	(37,274)	(151,149)
	<u>(30,422)</u>	<u>4,875,515</u>	<u>470,675</u>	<u>(23,453)</u>	<u>7,389,456</u>	<u>12,681,771</u>
Total fund balances	<u>(30,422)</u>	<u>4,875,515</u>	<u>470,675</u>	<u>(23,453)</u>	<u>7,389,456</u>	<u>12,681,771</u>
Total liabilities and fund balances	<u>\$ 859,704</u>	<u>\$ 5,882,921</u>	<u>\$ 2,704,664</u>	<u>\$ 1,626,660</u>	<u>\$ 13,155,461</u>	<u>\$ 24,229,410</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2018

Total Fund Balance - Governmental Funds (Balance Sheet - Governmental Funds)	\$ 12,681,771
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position

Capital assets total acquisition value	2,426,949
Total accumulated depreciation	<u>(1,854,469)</u>
Total capital assets, net	572,480

Liabilities (compensated absences) not due and payable in the current period and not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position	<u>(942,923)</u>
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Net Position of Governmental Activities (Statement of Net Position)	<u><u>\$ 12,311,328</u></u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

	43300 & 50150	10660	46400
	<u>Combined General Fund</u>	<u>Mortgage Regulatory Fund</u>	<u>Board of Pharmacy</u>
REVENUES			
License fees	\$ 158,521	\$ 1,868,517	\$ 2,158,741
Services	564,301	-	22,821
Printing and reproduction	400	-	12,173
Publications	-	-	-
Federal sources	-	-	124,672
Interest on investments	-	43,644	-
Other revenues	7,994	783,088	16,773
	<u>731,216</u>	<u>2,695,249</u>	<u>2,335,180</u>
Total revenues			
EXPENDITURES			
Current:			
Personal services and employee benefits	14,704,555	744,486	1,252,341
Contractual services	592,807	7,486	191,133
In-state travel	69,433	4,664	18,681
Maintenance and repairs	55,649	220	1,561
Supplies and materials	151,586	11,318	9,528
Operating costs	1,634,005	54,192	160,672
Other costs	82,115	559	72,419
Out-of-state travel	4,358	583	4,037
Capital outlay	148,024	-	-
	<u>17,442,532</u>	<u>823,508</u>	<u>1,710,372</u>
Total expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(16,711,316)</u>	<u>1,871,741</u>	<u>624,808</u>
OTHER FINANCING SOURCES (USES)			
Transfers in-interagency	-	-	-
Transfers out-interagency	-	-	-
Transfers in-interfund	4,949,154	-	-
Transfers out-interfund	-	(118,027)	(289,400)
State General Fund appropriation	11,999,200	-	-
Reversions to State General Fund	(176,785)	-	-
	<u>16,771,569</u>	<u>(118,027)</u>	<u>(289,400)</u>
Total other financing sources (uses)			
Net change in fund balance	<u>60,253</u>	<u>1,753,714</u>	<u>335,408</u>
Fund balances, beginning of year	<u>(90,675)</u>	<u>3,121,801</u>	<u>135,267</u>
Fund balances, end of year	<u>\$ (30,422)</u>	<u>\$ 4,875,515</u>	<u>\$ 470,675</u>

The accompanying notes are an integral part of this financial statement.

46700		
Real Estate Commission	Nonmajor Governmental Funds	Total Governmental Funds
\$ 799,719	\$ 6,161,062	\$ 11,146,560
4,930	453,422	1,045,474
44,143	56,198	112,914
-	1,653	1,653
-	55,765	180,437
-	58,748	102,392
116,950	793,760	1,718,565
<u>965,742</u>	<u>7,580,608</u>	<u>14,307,995</u>
592,702	1,032,143	18,326,227
2,778	64,186	858,390
20,936	94,327	208,041
851	4,533	62,814
4,734	105,413	282,579
53,381	294,855	2,197,105
8,035	68,798	231,926
429	25,699	35,106
-	19,300	167,324
<u>683,846</u>	<u>1,709,254</u>	<u>22,369,512</u>
<u>281,896</u>	<u>5,871,354</u>	<u>(8,061,517)</u>
-	25,000	25,000
-	-	-
-	-	4,949,154
(191,200)	(4,350,527)	(4,949,154)
-	28,700	12,027,900
-	-	(176,785)
<u>(191,200)</u>	<u>(4,296,827)</u>	<u>11,876,115</u>
<u>90,696</u>	<u>1,574,527</u>	<u>3,814,598</u>
<u>(114,149)</u>	<u>5,814,929</u>	<u>8,867,173</u>
<u>\$ (23,453)</u>	<u>\$ 7,389,456</u>	<u>\$ 12,681,771</u>

The accompanying notes are an integral part of this financial statement.

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, 2018

Net change in fund balance-governmental funds	\$ 3,814,598
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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	167,324
Depreciation expense	(447,433)
Net book value of vehicles transferred to New Mexico General Services Department	(224,909)

Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:

Decrease in compensated absences	<u>21,174</u>
Change in net position	<u>\$ 3,330,754</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMBINED GENERAL FUND (43300 & 50150)**

Year Ended June 30, 2018

	Combined General Fund (43300 & 50150)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriation	\$ 11,939,200	\$ 11,999,200	\$ 11,999,200	\$ -
Other services	565,100	590,100	564,301	(25,799)
Registration for trades and professional licenses	-	-	158,521	158,521
Other revenues	180,000	180,000	8,394	(171,606)
Total Revenues	12,684,300	12,769,300	12,730,416	(38,884)
EXPENDITURES				
Personnel services and benefits	16,037,200	15,787,200	14,704,555	1,082,645
Contractual services	591,000	722,000	592,807	129,193
Other operating costs	2,065,600	2,269,600	2,145,170	124,430
Total Expenditures	18,693,800	18,778,800	17,442,532	1,336,268
OTHER FINANCING SOURCES (USES)				
Other financing sources	6,043,100	6,043,100	4,949,154	(1,093,946)
Other financing uses	(33,600)	(33,600)	-	33,600
Total other financing sources (uses)	6,009,500	6,009,500	4,949,154	(1,060,346)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	237,038	\$ 237,038
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted reversions to state general fund			(176,785)	
Net change in fund balances (GAAP basis)			<u>\$ 60,253</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MORTGAGE REGULATORY FUND (10660)**

Year Ended June 30, 2018

	Mortgage Regulatory Fund (10660)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Trades and professions licenses	\$ 934,200	\$ 934,200	\$ 1,868,517	\$ 934,317
Other registration fees	-	-	426,250	426,250
Other exam fees	191,500	191,500	186,900	(4,600)
Other penalties	-	-	168,967	168,967
Interest	-	-	43,644	43,644
Miscellaneous revenue	-	-	971	971
Total Revenues	1,125,700	1,125,700	2,695,249	1,569,549
EXPENDITURES				
Personnel services and benefits	851,000	851,000	744,486	106,514
Contractual services	20,000	20,000	7,486	12,514
Other operating costs	142,000	142,000	71,536	70,464
Total Expenditures	1,013,000	1,013,000	823,508	189,492
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	725,500	-	(725,500)
Other financing uses	(112,700)	(838,200)	(118,027)	720,173
Total other financing sources (uses)	(112,700)	(112,700)	(118,027)	(5,327)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	1,753,714	\$ 1,753,714
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance Unbudgeted reversions to state general fund			-	
Net change in fund balances (GAAP basis)			\$ 1,753,714	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BOARD OF PHARMACY (46400)**

Year Ended June 30, 2018

	Board of Pharmacy (46400)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Trades and professions licenses	\$ 1,608,300	\$ 1,860,495	\$ 2,158,741	\$ 298,246
Federal grants	-	86,951	124,672	37,721
Other services	25,000	25,000	22,821	(2,179)
Other penalties	-	-	15,203	15,203
Printing & reproduction	-	-	12,173	12,173
Other registration fees	37,800	37,800	1,420	(36,380)
Other exam fees	-	-	150	150
	<u>1,671,100</u>	<u>2,010,246</u>	<u>2,335,180</u>	<u>324,934</u>
EXPENDITURES				
Personnel services and benefits	919,000	1,258,695	1,252,341	6,354
Contractual services	152,300	201,132	191,133	9,999
Other operating costs	326,800	277,419	266,898	10,521
	<u>1,398,100</u>	<u>1,737,246</u>	<u>1,710,372</u>	<u>26,874</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	26,400	26,400	-	(26,400)
Other financing uses	(299,400)	(299,400)	(289,400)	10,000
	<u>(273,000)</u>	<u>(273,000)</u>	<u>(289,400)</u>	<u>(16,400)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	335,408	<u>\$ 335,408</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance				
Unbudgeted reversions to state general fund			<u>-</u>	
Net change in fund balances (GAAP basis)			<u>\$ 335,408</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
REAL ESTATE COMMISSION (46700)**

Year Ended June 30, 2018

	Real Estate Commission (46700)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Trades and professions licenses	\$ 870,300	\$ 870,300	\$ 799,719	\$ (70,581)
Other penalties	-	-	100,994	100,994
Printing & reproduction	-	-	44,143	44,143
Trades and professions exam fees	-	-	13,800	13,800
Other services	27,000	27,000	4,930	(22,070)
Miscellaneous revenue	42,400	42,400	1,866	(40,534)
Other registration fees	-	-	290	290
Total Revenues	939,700	939,700	965,742	26,042
EXPENDITURES				
Personnel services and benefits	592,900	592,900	592,702	198
Contractual services	8,000	8,000	2,778	5,222
Other operating costs	142,600	142,600	88,366	54,234
Total Expenditures	743,500	743,500	683,846	59,654
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	(196,200)	(196,200)	(191,200)	5,000
Total other financing sources (uses)	(196,200)	(196,200)	(191,200)	5,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	90,696	\$ 90,696
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance Unbudgeted reversions to state general fund			-	
Net change in fund balances (GAAP basis)			\$ 90,696	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS**

Year Ended June 30, 2018

ASSETS

Investment in the State General Fund Investment Pool \$ 588,565

Total assets \$ 588,565

LIABILITIES

Other liabilities \$ (588,565)

Due to State General Fund -

Total liabilities \$ (588,565)

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A – 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. 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, regulations 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: Boards and Commissions, Construction Industries, Manufactured Housing, Financial Institutions, Securities, and Alcohol and Gaming. The Department is responsible for overseeing executive and financial services of 45 funds.

The Administrative Services Division, which is under the Office of the Superintendent 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 regulations.

The Boards and Commissions Division provides for the administration of professional and occupational licensing functions of the executive branch of state government. This division is responsible for overseeing executive and financial services to 33 different 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 Construction Industries Division 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. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE A – DEFINITION OF REPORTING ENTITY – CONTINUED

The Manufactured Housing Division 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. 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 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 B – 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 governments. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Component Units

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.

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).

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, 2018.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 reconcile the fund based financial statements to the governmental column of government-wide presentation.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. Nonmajor 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.

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.

General Fund – The general fund is the general operating fund of the Department. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Department has two types of special revenue funds. One type is the special revenue funds used to account for specific revenue sources that are restricted for the activities of Boards and Commissions that the Department has oversight authority over. The revenues collected through permits, licenses, and other registration and exam fees by the individual boards and commissions are to be used to fund the activities of each respective board or commission. In addition to the individual boards and commissions, there are special revenue funds that have been established for restricted funds administered by the Department's other divisions. The purpose and statutes that established these funds along with the restricted revenue sources are identified in the Special Revenue Fund Descriptions section.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fiduciary Funds – Fiduciary funds are used to account for assets held by the Department as an agent for other government and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The funds serve as suspense accounts for the deposit of receipts of the Alcohol and Gaming Division, Construction Industries Division, Financial Institutions Division, Securities Division, and Manufactured Housing Division. At the close of each month, money received is transferred from the suspense accounts to other state funds.

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 combined) for the determination of major funds.

The following fund types are used by the Department:

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 is 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 # 4200-46400) 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 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 is reverting. The remaining funds are special revenue funds with restricted resources and thus are non-reverting funds.

Program Code P600 – Financial Institutions – 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.

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 programs are subject to reversion to the State General Fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Program Code P616 – 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. In FY18 the Department did receive a special appropriation which extends into FY19. This appropriation will not revert in FY18 and is reported as committed fund balance on the financial statements. 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.

Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair 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. 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). 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. The Department does not capitalize any interest in regard to its capital assets.

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 capital assets is as follows:

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Payroll

Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2018, along with applicable FICA, Medicare liabilities, and other employee benefits.

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.

Qualified employees accumulate maximum annual leave as follows:

Years of Service		Accrual Rate
<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

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, which are due at the beginning of the license period. 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, 2018, the Department considered revenues totaling \$10,204,701 to be unearned.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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. 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. Details of the related restrictions of net position may be seen on the Statement of Net Position.

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 the fund balances by classification at year end, follows:

Restricted – This balance consists of liquid assets generated from revenues which have third-party (statutory or granting agency) limitation on their use. At June 30, 2018, the restricted fund balance on the governmental funds balance sheet is \$11,772,920. The details of these fund balance items are located on pages 11 and 47 through 54.

Committed – Committed for Multi-Year Appropriations. This balance 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 Department'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 Department's policy to spend committed resources first.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE B – 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 as either Deferred Outflows or Inflows as of June 30, 2018.

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

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.
4. Revenues from licenses and permits is initially recorded as unearned revenue and then recognized as revenue ratably over the respective license or permit period.
5. All other revenues are recognized when they are received.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Department uses the following procedures in establishing the budgetary information 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.
2. The appropriation request is submitted to DFA's Budget Division and to the 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

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 2018 shall revert to the State General Fund by September 30, 2018, unless otherwise indicated in the General Appropriations Act of 2004 or otherwise provided by law” to the extent noted above.
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.
15. One instance of budgetary noncompliance with the requirements of 2.2.2 NMAC was noted in FY18. The finding (18-002) is presented on the Schedule of Findings and Costs.

NOTE D – 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.

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the State's bank. The Department's cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs they are placed into short-term investments. When the Department makes payments to vendors and employees they are made from this pool and their claims on the pool reduced.

By State statute, DFA is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer.

The comprehensive cash reconciliation model compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office. This process has been reviewed multiple times by the IPA's performing audits of the General Fund, DFA and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

The following is a summary of the Department's investment account of the State General Fund Investment Pool held by STO as reported by the DFA:

State of New Mexico
Regulation and Licensing Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE D – STATE GENERAL FUND INVESTMENT POOL – CONTINUED

Fund Type	Type of Account	Reconciled Balance
Governmental	Investment	\$ 24,228,564
Fiduciary	Investment	588,565
Total share of State General Fund Investment Pool		\$ 24,817,129

NOTE E – ACCOUNTS RECEIVABLE

Receivables as of June 30, 2018, for the Department were as follows:

	Combined General Fund	Nonmajor Funds	Total
Accounts receivable	\$ 846	\$ -	\$ 846
	\$ 846	\$ -	\$ 846

Management considers all accounts receivable to be fully collectible as of June 30, 2018.

NOTE F – 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. State dated checks are also due to be returned to the State General Fund. During 2018, reversions recorded in SHARE Fund #42000-43300 totaled \$176,785. There was no amount payable to the State at June 30, 2018.

NOTE G – DUE FROM/DUE TO OTHER FUNDS

Due to and due from other funds represent interfund receivables and payables arising from interdepartmental transactions and are expected to be repaid within one year. These transactions primarily relate to allocation of costs from the Administrative Services Division. These amounts have been eliminated on the government-wide statements. There were no interfund due to or from balances at June 30, 2018.

State of New Mexico
Regulation and Licensing Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE H – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, is as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers to GSD</u>	<u>June 30, 2018</u>
Capital assets being depreciated:					
System software license	\$ 1,421,581	\$ -	\$ -	-	\$ 1,421,581
Machinery and equipment	178,595	-	-	-	178,595
Data processing equipment	808,741	18,032	-	-	826,773
Automotive	<u>240,716</u>	<u>149,292</u>	<u>-</u>	<u>(390,008)</u>	<u>-</u>
 Total capital assets being depreciated	 2,649,633	 167,324	 -	 (390,008)	 2,426,949
Less accumulated depreciation:					
System software license	700,358	284,316	-	-	984,674
Machinery and equipment	178,595	-	-	-	178,595
Data processing equipment	576,226	114,974	-	-	691,200
Automotive	<u>116,956</u>	<u>48,143</u>	<u>-</u>	<u>(165,099)</u>	<u>-</u>
 Total Accumulated depreciation	 <u>1,572,135</u>	 <u>447,433</u>	 <u>-</u>	 <u>(165,099)</u>	 <u>1,854,469</u>
 Capital assets, net of accumulated depreciation	 <u>\$ 1,077,498</u>	 <u>\$ (280,109)</u>	 <u>\$ -</u>	 <u>\$ (224,909)</u>	 <u>\$ 572,480</u>

Depreciation expense for the year ended June 30, 2018, was \$447,433. All depreciation expense was allocated to the Department's general governmental function. In FY18 the Department transferred ownership of all automobiles to the State General Services Division.

NOTE I – CHANGES IN COMPENSATED ABSENCES

A summary of changes in compensated absences for the year ended June 30, 2018, is as follows:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>Due within one year</u>
Compensated absences	<u>\$ 964,099</u>	<u>\$ 1,469,119</u>	<u>\$ (1,490,295)</u>	<u>\$ 942,923</u>	<u>\$ 942,923</u>

The liability at June 30, 2018, 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 is expected to be liquidated by the General Fund.

State of New Mexico
Regulation and Licensing Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE J – INTERFUND TRANSFERS

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

Fund Name	Share Fund	Transfer In	Transfer Out
Mortgage Regulatory Fund	10660	\$	\$ 118,027
Signed Language Interpretation Practice	20110		82,245
Animal Sheltering Services	20120		40,841
Hoisting & Safety Act	21100		6,811
General Fund	43300	2,394,659	-
Barber & Cosmetology	43900		946,476
Securities Education & Training	04400		98,700
Body Art Safe Practices	44010		84,611
Athletic Commission	44100		111,139
Massage Therapy	44200		216,006
Counselors & Therapy	44400		361,339
Chiropractors	44600		117,111
Dental Health Care	44700		376,325
Nutrition & Dietetics	44800		13,615
Nursing Home Administration	44900		23,403
Occupational Therapy	45000		67,805
Optometry	45100		62,550
Osteopath Examiner	45200		116,993
Podiatry	45300		29,881
Psychology	45400		127,513
Physical Therapy	45500		95,230
Thanatopractice	45600		111,940
Interior Design	45700		6,812
Private Investigators	45900		229,799
Landscape Architects	46000		10,600
Pharmacy	46400		289,400
Real Estate Appraisers	46500		292,782
Accountancy	46600		78,600
Real Estate Commission	46700		191,200
Social Workers	46900		238,767
Acupuncture	47100		162,878
Federal Manufactured Housing	47200		26,299
Speech & Language	47300		105,090
Respiratory Care Advisory	47400		87,569
Athletic Trainers	47500		16,362
Boards and Commissions Flow-through	50150	2,554,495	-
Carnival Ride Insurance Bureau	64300		4,435
		<u>\$ 4,949,154</u>	<u>\$ 4,949,154</u>

State of New Mexico
Regulation and Licensing Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE K – TRANSFERS TO/FROM OTHER STATE AGENCIES

Transfers to and from other state agencies for the year ended June 30, 2018, 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:

Department Fund Name	From SHARE Fund No.	To Business Unit	To SHARE Fund No.	Purpose	Amount
General Fund	43300	34101	85300	Reversions	\$ 176,785
General Fund	43300	35000	36500	Transfer automobile capital assets to GSD	205,609
Securities Education	04400	35000	36500	Transfer automobile capital assets to GSD	<u>19,300</u>
Total transfers to other state agencies					<u>\$ 401,694</u>

NOTE L – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

The State of New Mexico, as a single employer, follows Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2018 Comprehensive Annual Financial Report (CAFR). 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). The Department's contributions to PERA for the years ended June 30, 2018, 2017 and 2016 were \$2,115,629, \$ 2,167,227 and \$2,096,593 respectively, which equal the required contributions for each year.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico follows the standard for the fiscal year ending June 30, 2018.

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

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE M – 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.

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions which improves accounting and financial reporting by state and local governments for other postemployment benefits that are not pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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

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

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.

The Department's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$249,047, \$276,535 and \$244,800, respectively, which equal the required contributions for each year.

State of New Mexico
Regulation and Licensing Department

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE N – COMMITMENTS AND CONTINGENCIES

Equipment Operating Leases

The Department leases equipment under operating lease agreements that range in term from 36 to 48 months. Rent expense under these equipment leases totaled \$35,096 for the year ended June 30, 2018.

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, 2018.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 35,259
2020	35,259
2021	31,784
2022	<u>626</u>
	<u>\$ 102,928</u>

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 agreement to provide office space for the Boards and Commissions and Construction Industries Division located in Albuquerque. The Department also has entered into a lease agreement to provide office space in Santa Fe. Total rental expenditures for the year ended June 30, 2018, for operating leases were \$403,523.

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, 2018.

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 403,453
2020	408,223
2021	403,282
2022	401,870
2023	407,100
Thereafter	<u>1,610,682</u>
	<u>\$ 3,634,610</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE N – COMMITMENTS AND CONTINGENCIES – CONTINUED

Vehicle Operating Leases

The Department leases vehicles under operating lease agreements in term for 60 months. Rent expense under these vehicle leases totaled \$365,183 for the year ended June 30, 2018.

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, 2018.

<u>June 30,</u>	<u>Amount</u>
2019	\$ 378,239
2020	378,239
2021	378,239
2022	378,239
2023	378,239
	<u>\$ 1,891,195</u>

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, 2017 through June 30, 2018. There have been no settlements in excess of insurance coverage as of June 30, 2018.

NOTE O – 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE P – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

The following funds displayed deficit fund balances at June 30, 2018:

<u>Fund Name</u>	<u>Share Fund</u>	<u>Fund Balance</u>
Boards and Commissions Flow-through	50150	\$ (90,422)
Real Estate Commission	46700	(23,453)
Private Investigators and Polygraph	45900	(37,274)

The Boards and Commissions Flow-Through (fund 50150) is used as an intermediary fund in transferring payroll and benefit costs from the general fund to the Boards and Commissions. The negative fund balance is directly related to accrued payroll costs at year-end. The Real Estate Commission (Fund 46700) has a negative fund balance that has been driven by the transfer of cash out of the fund to the State general fund. This fund has typically generated net cash inflows and is expected to recover from this deficit in the coming year. During 2018, the deficit decreased from \$114,149 to \$23,453. The deficit in the Private Investigators and Polygraph (Fund 45900) is also driven primarily by the transfer of cash out of this fund to the State general fund. The fund has also typically generated positive cash flow and the deficit decreased from \$128,491 to \$37,274.

NOTE Q – RESTRICTED NET POSITION

The government-wide statement of net position reports \$12,772,920 of restricted net position for governmental activities. See pages 11, and 47 through 54 for descriptions of the related restrictions for special revenue funds.

NOTE R – NEW ACCOUNTING STANDARDS

GASB has issues the following statements, which are applicable in future years. At this time, management has not determined the impact, if any on the Office.

GASB 84

GASB Statement No. 84, *Fiduciary Activities* (GASB 84) establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2018

NOTE R – NEW ACCOUNTING STANDARDS - CONTINUED

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for periods beginning after December 15, 2018 (FY 20). Management has not yet determined the impact of this statement.

GASB 87

GASB Statement No. 87, *Leases* (GASB 87) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 is effective for periods beginning after December 15, 2019 (FY 21) with earlier application encouraged. This statement may have some impact on the assets and liabilities of the Office.

NOTE S – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2018, which is the date the financial statements were available to be issued.

HB02 19, Section 15 provides for the transfer of all personnel, appropriations, money records, equipment, supplies and other property of the Animal Sheltering Board (Fund 20120) to the Board of Veterinary Medicine during Fiscal Year ended June 30, 2019. Also, the General Appropriation Act of 2018 (HB2) provides for a \$ 1,000,000 transfer to the Office of the Attorney General from the Mortgage Regulatory Fund (10660).

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS

June 30, 2018

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.

NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS - CONTINUED

June 30, 2018

SPECIAL REVENUE FUNDS – CONTINUED

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.

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 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, 2018.

State of New Mexico
Regulation and Licensing Department

NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS - CONTINUED

June 30, 2018

SHARE Fund Number	SHARE Fund Name	Funding Authority
04400	Securities Enforcement and Investor Education	58-13B-57
11550	FID Settlement	9-16-16
12170	Financial Literacy Fund	9-16-14
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, 2018

	Special Revenue				
	04400 Securities Enforcement and Investor Education	11550 FID Settlement Fund	12170 Financial Literacy Fund	20110 Sign Language Interpreting	20120 Animal Shelter Services
ASSETS					
Investment in State General Fund Investment Pool	\$ 1,644,721	\$ 762,379	\$ 116,600	\$ 51,993	\$ 210,635
Accounts receivable	-	-	-	-	-
Total assets	\$ 1,644,721	\$ 762,379	\$ 116,600	\$ 51,993	\$ 210,635
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 4,615	\$ 4,107	\$ -	\$ -	\$ 648
Accrued payroll	24,889	-	-	-	-
Unearned revenues	401,383	-	87,450	1,949	5,946
Due to local governments	-	-	-	-	121,071
Total Liabilities	430,887	4,107	87,450	1,949	127,665
Fund balances					
Nonspendable:					
Spendable:					
Restricted	1,213,834	758,272	29,150	50,044	82,970
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	1,213,834	758,272	29,150	50,044	82,970
Total liabilities and fund balances	\$ 1,644,721	\$ 762,379	\$ 116,600	\$ 51,993	\$ 210,635

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
\$ 139,757	\$ 40,092	\$ 200	\$ 42,930	\$ 1,001,718	\$ 179,485
-	-	-	-	-	-
<u>\$ 139,757</u>	<u>\$ 40,092</u>	<u>\$ 200</u>	<u>\$ 42,930</u>	<u>\$ 1,001,718</u>	<u>\$ 179,485</u>
\$ -	\$ -	\$ -	\$ -	\$ 20,101	\$ 1,264
1,933	-	-	-	-	-
18,471	-	-	-	507,241	56,000
-	-	-	-	-	-
20,404	-	-	-	527,342	57,264
119,353	40,092	200	42,930	474,376	122,221
-	-	-	-	-	-
-	-	-	-	-	-
<u>119,353</u>	<u>40,092</u>	<u>200</u>	<u>42,930</u>	<u>474,376</u>	<u>122,221</u>
<u>\$ 139,757</u>	<u>\$ 40,092</u>	<u>\$ 200</u>	<u>\$ 42,930</u>	<u>\$ 1,001,718</u>	<u>\$ 179,485</u>

State of New Mexico
Regulation and Licensing Department

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET –
CONTINUED**

June 30, 2018

	Special Revenue			
	44100 Athletic Commission	44200 Massage Therapist	44400 Counselors and Therapist	44500 Real Estate Education and Training
ASSETS				
Investment in State General Fund Investment Pool	\$ 45,823	\$ 229,124	\$ 586,479	\$ 44,409
Accounts receivable	-	-	-	-
Total assets	\$ 45,823	\$ 229,124	\$ 586,479	\$ 44,409
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 3,342	\$ 4,772	\$ 3,765	\$ -
Accrued payroll	-	-	-	-
Unearned revenues	10,120	149,665	284,777	12,783
Due to local governments	-	-	-	-
Total Liabilities	13,462	154,437	288,542	12,783
Fund balances				
Nonspendable:				
Spendable:				
Restricted	32,361	74,687	297,937	31,626
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	32,361	74,687	297,937	31,626
Total liabilities and fund balances	\$ 45,823	\$ 229,124	\$ 586,479	\$ 44,409

Special Revenue

44600 Chiropractic Examiners	44700 Board of Dental Health Care	44800 Nutrition and Dietetics	44900 Nursing Home Administration	45000 Occupational Therapy	45100 Optometry
\$ 360,436	\$ 1,362,126	\$ 84,378	\$ 73,839	\$ 193,549	\$ 132,593
-	-	-	-	-	-
<u>\$ 360,436</u>	<u>\$ 1,362,126</u>	<u>\$ 84,378</u>	<u>\$ 73,839</u>	<u>\$ 193,549</u>	<u>\$ 132,593</u>
\$ 2,543	\$ 11,870	\$ 1,068	\$ 168	\$ 1,041	\$ 2,620
-	-	-	-	-	-
180,150	1,081,219	19,475	27,413	25,574	84,975
-	-	-	-	-	-
182,693	1,093,089	20,543	27,581	26,615	87,595
177,743	269,037	63,835	46,258	166,934	44,998
-	-	-	-	-	-
-	-	-	-	-	-
<u>177,743</u>	<u>269,037</u>	<u>63,835</u>	<u>46,258</u>	<u>166,934</u>	<u>44,998</u>
<u>\$ 360,436</u>	<u>\$ 1,362,126</u>	<u>\$ 84,378</u>	<u>\$ 73,839</u>	<u>\$ 193,549</u>	<u>\$ 132,593</u>

State of New Mexico
Regulation and Licensing Department

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET –
CONTINUED**

June 30, 2018

	Special Revenue			
	45200 Osteopathic Examiners	45300 Podiatry	45400 Psychologist Examiners	45500 Physical Therapist
ASSETS				
Investment in State General Fund Investment Pool	\$ 240,873	\$ 93,041	\$ 627,528	\$ 693,065
Accounts receivable	-	-	-	-
Total assets	<u>\$ 240,873</u>	<u>\$ 93,041</u>	<u>\$ 627,528</u>	<u>\$ 693,065</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,546	\$ 131	\$ 3,280	\$ 1,854
Accrued payroll	-	-	-	-
Unearned revenues	156,025	20,700	356,469	264,368
Due to local governments	-	-	-	-
Total Liabilities	157,571	20,831	359,749	266,222
Fund balances				
Nonspendable:				
Spendable:				
Restricted	83,302	72,210	267,779	426,843
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>83,302</u>	<u>72,210</u>	<u>267,779</u>	<u>426,843</u>
Total liabilities and fund balances	<u>\$ 240,873</u>	<u>\$ 93,041</u>	<u>\$ 627,528</u>	<u>\$ 693,065</u>

Special Revenue

45600 Thanato- practice	45700 Interior Design Board	45900 Private Investigators and Polygraph	46000 Landscape Architects	46500 Estate Appraisers	46600 Accountancy
\$ 151,852	\$ 32,329	\$ 285,934	\$ 82,343	\$ 106,239	\$ 578,776
-	-	-	-	-	-
<u>\$ 151,852</u>	<u>\$ 32,329</u>	<u>\$ 285,934</u>	<u>\$ 82,343</u>	<u>\$ 106,239</u>	<u>\$ 578,776</u>
\$ 2,142	\$ -	\$ 5,868	\$ 1,320	\$ 12,981	\$ 1,662
-	-	-	-	-	28,034
104,485	4,013	317,340	34,400	62,680	229,668
-	-	-	-	-	-
106,627	4,013	323,208	35,720	75,661	259,364
45,225	28,316	-	46,623	30,578	319,412
-	-	-	-	-	-
-	-	(37,274)	-	-	-
<u>45,225</u>	<u>28,316</u>	<u>(37,274)</u>	<u>46,623</u>	<u>30,578</u>	<u>319,412</u>
<u>\$ 151,852</u>	<u>\$ 32,329</u>	<u>\$ 285,934</u>	<u>\$ 82,343</u>	<u>\$ 106,239</u>	<u>\$ 578,776</u>

State of New Mexico
Regulation and Licensing Department

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING BALANCE SHEET –
CONTINUED**

June 30, 2018

	Special Revenue			
	46900 Social Workers	47100 Acupuncture	47200 HUD Manufactured Housing	47300 Speech Language and Audio
ASSETS				
Investment in State General Fund Investment Pool	\$ 879,364	\$ 33,993	\$ 414,297	\$ 427,108
Accounts receivable	-	-	-	-
Total assets	<u>\$ 879,364</u>	<u>\$ 33,993</u>	<u>\$ 414,297</u>	<u>\$ 427,108</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,502	\$ 1,435	\$ 1,451	\$ 1,407
Accrued payroll	-	-	-	-
Unearned revenues	557,911	11,397	-	198,174
Due to local governments	-	-	-	-
Total Liabilities	563,413	12,832	1,451	199,581
Fund balances				
Nonspendable:				
Spendable:				
Restricted	315,951	21,161	412,846	227,527
Committed	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	315,951	21,161	412,846	227,527
Total liabilities and fund balances	<u>\$ 879,364</u>	<u>\$ 33,993</u>	<u>\$ 414,297</u>	<u>\$ 427,108</u>

Special Revenue

47400 Respiratory Care Advisory	47500 Athletic Trainers	50520 Money Services Regulatory Fund	64300 Carnival Ride Insurance	87600 Impaired Dentists	Total Nonmajor Governmental Funds
\$ 116,688	\$ 39,171	\$ 847,926	\$ 157,063	\$ 44,605	\$ 13,155,461
-	-	-	-	-	-
<u>\$ 116,688</u>	<u>\$ 39,171</u>	<u>\$ 847,926</u>	<u>\$ 157,063</u>	<u>\$ 44,605</u>	<u>\$ 13,155,461</u>
\$ 854	\$ 173	\$ 3,937	\$ -	\$ 11,550	\$ 119,017
-	-	6,557	1,934	-	63,347
94,900	4,436	75,438	15,575	-	5,462,570
-	-	-	-	-	121,071
95,754	4,609	85,932	17,509	11,550	5,766,005
20,934	34,562	761,994	139,554	33,055	7,426,730
-	-	-	-	-	-
-	-	-	-	-	(37,274)
<u>20,934</u>	<u>34,562</u>	<u>761,994</u>	<u>139,554</u>	<u>33,055</u>	<u>7,389,456</u>
<u>\$ 116,688</u>	<u>\$ 39,171</u>	<u>\$ 847,926</u>	<u>\$ 157,063</u>	<u>\$ 44,605</u>	<u>\$ 13,155,461</u>

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, 2018

	Special Revenue			
	04400 Securities Enforcement and Investor Education	11550 FID Settlement Fund	12170 Financial Literacy Fund	20110 Sign Language Interpreting
REVENUES				
License fees	\$ 773,270	\$ -	\$ 29,150	\$ 5,267
Services	-	-	-	-
Printing and reproduction	-	-	-	71
Publications	-	-	-	-
Federal sources	-	-	-	-
Interest on investments	11,526	-	-	932
Other revenues	-	-	-	260
Total revenues	784,796	-	29,150	6,530
EXPENDITURES				
Current:				
Personal services and employee benefits	571,822	-	-	-
Contractual services	6,365	-	-	1,826
In-state travel	2,353	-	-	1,518
Maintenance and repairs	32	-	-	17
Supplies and materials	13,669	-	-	724
Operating costs	88,388	21,510	-	4,357
Other costs	-	1,127	-	133
Out-of-state travel	1,403	23,237	-	-
Capital outlay	19,300	-	-	-
Total expenditures	703,332	45,874	-	8,575
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	81,464	(45,874)	29,150	(2,045)
OTHER FINANCING SOURCES (USES)				
Transfers in-interagency	-	-	-	25,000
Transfers out-interagency	-	-	-	-
Transfers in-interfund	-	-	-	-
Transfers out-interfund	(98,700)	-	-	(82,245)
State General Fund appropriation	-	-	-	-
Reversions to State General Fund	-	-	-	-
Total other financing sources (uses)	(98,700)	-	-	(57,245)
Net change in fund balance	(17,236)	(45,874)	29,150	(59,290)
Fund balances, beginning of year	1,231,070	804,146	-	109,334
Fund balances, end of year	\$ 1,213,834	\$ 758,272	\$ 29,150	\$ 50,044

Special Revenue

20120 Animal Shelter Services	21100 Hoisting Operators	29700 Real Estate Recovery	37200 FID Revolving	37300 CID Revolving	43900 Board of Cosmetologists and Barbers	44010 Body Art Practitioners
\$ 5,071	\$ 16,168	\$ -	\$ -	\$ -	\$ 988,284	\$ 113,117
-	-	-	-	-	3,445	-
-	-	-	-	-	10,760	225
-	-	-	-	1,423	30	-
-	-	-	-	-	-	-
1,737	1,433	80	-	-	-	1,688
205	1,195	-	-	-	180,566	9,709
<u>7,013</u>	<u>18,796</u>	<u>80</u>	<u>-</u>	<u>1,423</u>	<u>1,183,085</u>	<u>124,739</u>
-	51,163	-	-	-	-	-
-	-	-	-	-	320	10
428	2,382	-	-	-	6,872	6,667
-	-	-	-	-	1,237	40
123	93	-	-	-	25,820	2,942
1,345	1,458	-	-	5,291	23,018	4,739
-	-	10,000	-	-	7,926	402
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,896</u>	<u>55,096</u>	<u>10,000</u>	<u>-</u>	<u>5,291</u>	<u>65,193</u>	<u>14,800</u>
<u>5,117</u>	<u>(36,300)</u>	<u>(9,920)</u>	<u>-</u>	<u>(3,868)</u>	<u>1,117,892</u>	<u>109,939</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(40,841)	(6,811)	-	-	-	(946,476)	(84,611)
28,700	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(12,141)</u>	<u>(6,811)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(946,476)</u>	<u>(84,611)</u>
<u>(7,024)</u>	<u>(43,111)</u>	<u>(9,920)</u>	<u>-</u>	<u>(3,868)</u>	<u>171,416</u>	<u>25,328</u>
<u>89,994</u>	<u>162,464</u>	<u>50,012</u>	<u>200</u>	<u>46,798</u>	<u>302,960</u>	<u>96,893</u>
<u>\$ 82,970</u>	<u>\$ 119,353</u>	<u>\$ 40,092</u>	<u>\$ 200</u>	<u>\$ 42,930</u>	<u>\$ 474,376</u>	<u>\$ 122,221</u>

State of New Mexico
Regulation and Licensing Department

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED**

For the Year Ended June 30, 2018

	Special Revenue			
	44100 Athletic Commission	44200 Massage Therapist	44400 Counselors and Therapist	44500 Real Estate Education and Training
REVENUES				
License fees	\$ 23,880	\$ 186,590	\$ 378,417	\$ 2,663
Services	101,985	25,536	52,042	6,100
Printing and reproduction	-	2,235	3,797	-
Publications	-	-	200	-
Federal sources	-	-	-	-
Interest on investments	-	-	6,634	266
Other revenues	1,280	20,777	20,729	-
Total revenues	<u>127,145</u>	<u>235,138</u>	<u>461,819</u>	<u>9,029</u>
EXPENDITURES				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	9,747	657	84	-
In-state travel	5,599	2,796	5,534	-
Maintenance and repairs	47	390	314	-
Supplies and materials	921	5,676	5,045	-
Operating costs	1,077	5,934	5,424	-
Other costs	760	2,298	5,076	-
Out-of-state travel	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>18,151</u>	<u>17,751</u>	<u>21,477</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>108,994</u>	<u>217,387</u>	<u>440,342</u>	<u>9,029</u>
OTHER FINANCING SOURCES (USES)				
Transfers in-interagency	-	-	-	-
Transfers out-interagency	-	-	-	-
Transfers in-interfund	-	-	-	-
Transfers out-interfund	(111,139)	(216,006)	(361,339)	-
State General Fund appropriation	-	-	-	-
Reversions to State General Fund	-	-	-	-
Total other financing sources (uses)	<u>(111,139)</u>	<u>(216,006)</u>	<u>(361,339)</u>	<u>-</u>
Net change in fund balance	<u>(2,145)</u>	<u>1,381</u>	<u>79,003</u>	<u>9,029</u>
Fund balances, beginning of year	<u>34,506</u>	<u>73,306</u>	<u>218,934</u>	<u>22,597</u>
Fund balances, end of year	<u>\$ 32,361</u>	<u>\$ 74,687</u>	<u>\$ 297,937</u>	<u>\$ 31,626</u>

Special Revenue					
44600 Chiropractic Examiners	44700 Board of Dental Health Care	44800 Nutrition and Dietetics	44900 Nursing Home Administration	45000 Occupational Therapy	45100 Optometry
\$ 155,300	\$ 494,009	\$ 37,550	\$ 34,281	\$ 100,847	\$ 93,800
12,525	305	4,135	8,315	33,047	1,987
1,200	5,925	25	155	1,470	1,812
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,197	33,865	700	2,442	5,765	6,725
<u>179,222</u>	<u>534,104</u>	<u>42,410</u>	<u>45,193</u>	<u>141,129</u>	<u>104,324</u>
-	-	-	-	-	-
12	139	-	-	26	6,106
1,284	10,578	1,310	1,808	910	2,929
-	519	-	-	102	21
607	7,469	596	255	1,333	408
2,375	17,174	2,006	2,684	1,332	1,635
2,557	7,444	412	462	1,176	1,179
-	1,059	-	-	-	-
-	-	-	-	-	-
6,835	44,382	4,324	5,209	4,879	12,278
<u>172,387</u>	<u>489,722</u>	<u>38,086</u>	<u>39,984</u>	<u>136,250</u>	<u>92,046</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(117,111)	(376,325)	(13,615)	(23,403)	(67,805)	(62,550)
-	-	-	-	-	-
-	-	-	-	-	-
<u>(117,111)</u>	<u>(376,325)</u>	<u>(13,615)</u>	<u>(23,403)</u>	<u>(67,805)</u>	<u>(62,550)</u>
55,276	113,397	24,471	16,581	68,445	29,496
122,467	155,640	39,364	29,677	98,489	15,502
<u>\$ 177,743</u>	<u>\$ 269,037</u>	<u>\$ 63,835</u>	<u>\$ 46,258</u>	<u>\$ 166,934</u>	<u>\$ 44,998</u>

State of New Mexico
Regulation and Licensing Department

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED**

For the Year Ended June 30, 2018

	Special Revenue			
	45200 Osteopathic Examiners	45300 Podiatry	45400 Psychologist Examiners	45500 Physical Therapist
REVENUES				
License fees	\$ 163,250	\$ 40,300	\$ 242,231	\$ 241,373
Services	4,125	350	13,560	12,485
Printing and reproduction	1,860	851	1,832	7,080
Publications	-	-	-	-
Federal sources	-	-	-	-
Interest on investments	-	-	-	5,473
Other revenues	3,964	1,550	1,850	18,080
Total revenues	<u>173,199</u>	<u>43,051</u>	<u>259,473</u>	<u>284,491</u>
EXPENDITURES				
Current:				
Personal services and employee benefits	-	-	-	-
Contractual services	12	3	15	45
In-state travel	3,612	1,191	2,429	1,254
Maintenance and repairs	46	10	60	179
Supplies and materials	661	173	1,995	2,274
Operating costs	7,838	1,615	8,271	5,562
Other costs	1,875	543	3,307	2,319
Out-of-state travel	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>14,044</u>	<u>3,535</u>	<u>16,077</u>	<u>11,633</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>159,155</u>	<u>39,516</u>	<u>243,396</u>	<u>272,858</u>
OTHER FINANCING SOURCES (USES)				
Transfers in-interagency	-	-	-	-
Transfers out-interagency	-	-	-	-
Transfers in-interfund	-	-	-	-
Transfers out-interfund	(116,993)	(29,881)	(127,513)	(95,230)
State General Fund appropriation	-	-	-	-
Reversions to State General Fund	-	-	-	-
Total other financing sources (uses)	<u>(116,993)</u>	<u>(29,881)</u>	<u>(127,513)</u>	<u>(95,230)</u>
Net change in fund balance	<u>42,162</u>	<u>9,635</u>	<u>115,883</u>	<u>177,628</u>
Fund balances, beginning of year	<u>41,140</u>	<u>62,575</u>	<u>151,896</u>	<u>249,215</u>
Fund balances, end of year	<u>\$ 83,302</u>	<u>\$ 72,210</u>	<u>\$ 267,779</u>	<u>\$ 426,843</u>

Special Revenue

45600 Thanato- practice	45700 Interior Design Board	45900 Private Investigators and Polygraph	46000 Landscape Architects	46500 Estate Appraisers	46600 Accountancy
\$ 116,000	\$ 16,075	\$ 300,499	\$ 34,601	\$ 69,505	\$ 464,177
5,650	100	21,800	1,680	105,375	820
8,543	30	200	100	1,402	420
-	-	-	-	-	-
-	-	-	-	-	-
1,300	-	2,794	-	1,922	4,771
<u>15,110</u>	<u>900</u>	<u>11,261</u>	<u>3,700</u>	<u>102,825</u>	<u>48,441</u>
<u>146,603</u>	<u>17,105</u>	<u>336,554</u>	<u>40,081</u>	<u>281,029</u>	<u>518,629</u>
-	-	-	-	-	301,707
12	-	-	3	17	1,669
5,123	810	546	1,574	7,502	5,282
42	-	-	13	62	781
2,625	19	8,995	225	1,213	1,626
1,373	618	5,984	7,083	2,303	31,257
1,292	203	13	437	2,735	4,685
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,467</u>	<u>1,650</u>	<u>15,538</u>	<u>9,335</u>	<u>13,832</u>	<u>347,007</u>
<u>136,136</u>	<u>15,455</u>	<u>321,016</u>	<u>30,746</u>	<u>267,197</u>	<u>171,622</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(111,940)	(6,812)	(229,799)	(10,600)	(292,782)	(78,600)
-	-	-	-	-	-
-	-	-	-	-	-
<u>(111,940)</u>	<u>(6,812)</u>	<u>(229,799)</u>	<u>(10,600)</u>	<u>(292,782)</u>	<u>(78,600)</u>
<u>24,196</u>	<u>8,643</u>	<u>91,217</u>	<u>20,146</u>	<u>(25,585)</u>	<u>93,022</u>
<u>21,029</u>	<u>19,673</u>	<u>(128,491)</u>	<u>26,477</u>	<u>56,163</u>	<u>226,390</u>
<u>\$ 45,225</u>	<u>\$ 28,316</u>	<u>\$ (37,274)</u>	<u>\$ 46,623</u>	<u>\$ 30,578</u>	<u>\$ 319,412</u>

State of New Mexico
Regulation and Licensing Department

**NONMAJOR GOVERNMENTAL FUNDS – COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - CONTINUED**

For the Year Ended June 30, 2018

	Special Revenue			
	46900 Social Workers	47100 Acupuncture	47200 HUD Manufactured Housing	47300 Speech Language and Audio
REVENUES				
License fees	\$ 358,021	\$ 139,058	\$ -	\$ 177,103
Services	1,650	4,010	-	9,580
Printing and reproduction	3,492	1,243	-	1,250
Publications	-	-	-	-
Federal sources	-	-	55,765	-
Interest on investments	6,984	1,034	-	3,618
Other revenues	3,326	27,840	46,925	6,353
Total revenues	<u>373,473</u>	<u>173,185</u>	<u>102,690</u>	<u>197,904</u>
EXPENDITURES				
Current:				
Personal services and employee benefits	-	-	13,550	-
Contractual services	82	25,426	-	35
In-state travel	5,455	1,314	2,917	1,711
Maintenance and repairs	319	63	-	139
Supplies and materials	4,946	1,527	-	1,849
Operating costs	5,716	1,491	18,206	3,446
Other costs	4,058	1,615	-	2,305
Out-of-state travel	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>20,576</u>	<u>31,436</u>	<u>34,673</u>	<u>9,485</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>352,897</u>	<u>141,749</u>	<u>68,017</u>	<u>188,419</u>
OTHER FINANCING SOURCES (USES)				
Transfers in-interagency	-	-	-	-
Transfers out-interagency	-	-	-	-
Transfers in-interfund	-	-	-	-
Transfers out-interfund	(238,767)	(162,878)	(26,299)	(105,090)
State General Fund appropriation	-	-	-	-
Reversions to State General Fund	-	-	-	-
Total other financing sources (uses)	<u>(238,767)</u>	<u>(162,878)</u>	<u>(26,299)</u>	<u>(105,090)</u>
Net change in fund balance	<u>114,130</u>	<u>(21,129)</u>	<u>41,718</u>	<u>83,329</u>
Fund balances, beginning of year	<u>201,821</u>	<u>42,290</u>	<u>371,128</u>	<u>144,198</u>
Fund balances, end of year	<u>\$ 315,951</u>	<u>\$ 21,161</u>	<u>\$ 412,846</u>	<u>\$ 227,527</u>

Special Revenue					
47400 Respiratory Care Advisory	47500 Athletic Trainers	50520 Money Services Regulatory Fund	64300 Carnival Ride Insurance	87600 Impaired Dentists	Total Nonmajor Governmental Funds
\$ 75,044	\$ 26,415	\$ 226,596	\$ 33,150	\$ -	\$ 6,161,062
18,450	4,365	-	-	-	453,422
175	45	-	-	-	56,198
-	-	-	-	-	1,653
-	-	-	-	-	55,765
-	402	6,154	-	-	58,748
4,685	600	182,270	-	19,665	793,760
<u>98,354</u>	<u>31,827</u>	<u>415,020</u>	<u>33,150</u>	<u>19,665</u>	<u>7,580,608</u>
-	-	42,719	51,182	-	1,032,143
22	3	-	-	11,550	64,186
-	639	-	-	-	94,327
87	13	-	-	-	4,533
1,125	226	10,253	-	-	105,413
1,715	476	1,552	602	-	294,855
2,039	420	-	-	-	68,798
-	-	-	-	-	25,699
-	-	-	-	-	19,300
<u>4,988</u>	<u>1,777</u>	<u>54,524</u>	<u>51,784</u>	<u>11,550</u>	<u>1,709,254</u>
<u>93,366</u>	<u>30,050</u>	<u>360,496</u>	<u>(18,634)</u>	<u>8,115</u>	<u>5,871,354</u>
-	-	-	-	-	25,000
-	-	-	-	-	-
-	-	-	-	-	-
(87,569)	(16,362)	-	(4,435)	-	(4,350,527)
-	-	-	-	-	28,700
-	-	-	-	-	-
<u>(87,569)</u>	<u>(16,362)</u>	<u>-</u>	<u>(4,435)</u>	<u>-</u>	<u>(4,296,827)</u>
<u>5,797</u>	<u>13,688</u>	<u>360,496</u>	<u>(23,069)</u>	<u>8,115</u>	<u>1,574,527</u>
<u>15,137</u>	<u>20,874</u>	<u>401,498</u>	<u>162,623</u>	<u>24,940</u>	<u>5,814,929</u>
<u>\$ 20,934</u>	<u>\$ 34,562</u>	<u>\$ 761,994</u>	<u>\$ 139,554</u>	<u>\$ 33,055</u>	<u>\$ 7,389,456</u>

State of New Mexico
Regulation and Licensing Department

COMBINING BALANCE SHEET – GENERAL FUND

June 30, 2018

	<u>43300</u> General Fund	<u>50150</u> Boards and Commissions Flow-through	<u>Combined</u> General Fund
ASSETS			
Investment in State General Fund			
Investment Pool	\$ 858,858	\$ -	\$ 858,858
Accounts receivable	846	-	846
Due from other state agencies	-	-	-
Due from federal government	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 859,704</u>	<u>\$ -</u>	<u>\$ 859,704</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 367,975	\$ -	\$ 367,975
Accrued payroll	431,729	90,422	522,151
Unearned revenues	-	-	-
Due to local governments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	799,704	90,422	890,126
Fund balances			
Nonspendable:			
Spendable:			
Restricted	60,000	-	60,000
Unassigned	-	(90,422)	(90,422)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	60,000	(90,422)	(30,422)
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 859,704</u>	<u>\$ -</u>	<u>\$ 859,704</u>

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
COMBINING GENERAL FUND**

For the Year Ended June 30, 2018

	43300 General Fund	50150 Boards and Commissions Flow-through	Combined General Fund
REVENUES			
License fees	\$ 158,521	\$ -	\$ 158,521
Services	564,301	-	564,301
Printing and reproduction	400	-	400
Publications	-	-	-
Federal sources	-	-	-
Interest on investments	-	-	-
Other revenues	7,994	-	7,994
Total revenues	731,216	-	731,216
EXPENDITURES			
Current:			
Personal services and employee benefits	12,151,471	2,553,084	14,704,555
Contractual services	592,807	-	592,807
In-state travel	69,433	-	69,433
Maintenance and repairs	55,649	-	55,649
Supplies and materials	151,586	-	151,586
Operating costs	1,634,005	-	1,634,005
Other costs	82,115	-	82,115
Out-of-state travel	4,358	-	4,358
Capital outlay	148,024	-	148,024
Total expenditures	14,889,448	2,553,084	17,442,532
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,158,232)	(2,553,084)	(16,711,316)
OTHER FINANCING SOURCES (USES)			
Transfers in-interagency	-	-	-
Transfers out-interagency	-	-	-
Transfers in-interfund	2,394,659	2,554,495	4,949,154
Transfers out-interfund	-	-	-
State General Fund appropriation	11,999,200	-	11,999,200
Reversions to State General Fund	(176,785)	-	(176,785)
Total other financing sources (uses)	14,217,074	2,554,495	16,771,569
Net change in fund balance	58,842	1,411	60,253
Fund balances, beginning of year	1,158	(91,833)	(90,675)
Fund balances, end of year	\$ 60,000	\$ (90,422)	\$ (30,422)

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – GENERAL FUND (43300)**

For the Year Ended June 30, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriation	\$ 11,939,200	\$ 11,999,200	\$ 11,999,200	\$ -
Other services	565,100	590,100	564,301	(25,799)
Registration for trades and professional licenses	-	-	158,521	158,521
Other revenues	180,000	180,000	8,394	(171,606)
Total Revenues	12,684,300	12,769,300	12,730,416	(38,884)
EXPENDITURES				
Personnel services and benefits	12,815,700	12,565,700	12,151,471	414,229
Contractual services	591,000	722,000	592,807	129,193
Other operating costs	2,065,600	2,269,600	2,145,170	124,430
Total Expenditures	15,472,300	15,557,300	14,889,448	667,852
OTHER FINANCING SOURCES (USES)				
Other financing sources	2,821,600	2,821,600	2,394,659	(426,941)
Other financing uses	(33,600)	(33,600)	-	33,600
Total other financing sources (uses)	2,788,000	2,788,000	2,394,659	(393,341)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	235,627	\$ 235,627
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance Unbudgeted reversions to state general fund			(176,785)	
Net change in fund balances (GAAP basis)			<u>\$ 58,842</u>	

State of New Mexico
Regulation and Licensing Department

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET TO ACTUAL – BOARDS AND COMMISSIONS FLOW THROUGH (50150)**

For the Year Ended June 30, 2018

	General Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Other services	-	-	-	-
Registration for trades and professional licenses	-	-	-	-
Other revenues	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Personnel services and benefits	3,221,500	3,221,500	2,553,084	668,416
Contractual services	-	-	-	-
Other operating costs	-	-	-	-
Total Expenditures	3,221,500	3,221,500	2,553,084	668,416
OTHER FINANCING SOURCES (USES)				
Other financing sources	3,221,500	3,221,500	2,554,495	(667,005)
Other financing uses	-	-	-	-
Total other financing sources (uses)	3,221,500	3,221,500	2,554,495	(667,005)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	1,411	\$ 1,411
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balance Unbudgeted reversions to state general fund			-	
Net change in fund balances (GAAP basis)			<u>\$ 1,411</u>	

State of New Mexico
Regulation and Licensing Department

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS**

For the Year Ended June 30, 2018

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
FID Receipts (43500)				
Assets				
Investment in State General Fund Investment Pool	\$ -	\$ 3,567,802	\$ (3,567,802)	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 3,567,802</u>	<u>\$ (3,567,802)</u>	<u>\$ -</u>
Liabilities				
Other Liabilities	\$ -	\$ 3,800	\$ (3,800)	\$ -
Due to State General Fund	<u>-</u>	<u>3,564,002</u>	<u>(3,564,002)</u>	<u>-</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 3,567,802</u>	<u>\$ (3,567,802)</u>	<u>\$ -</u>
MHD Receipts (43600)				
Assets				
Investment in State General Fund Investment Pool	\$ 92,346	\$ 433,839	\$ (432,135)	\$ 94,050
Total Assets	<u>\$ 92,346</u>	<u>\$ 433,839</u>	<u>\$ (432,135)</u>	<u>\$ 94,050</u>
Liabilities				
Other Liabilities	\$ 92,346	\$ 1,704	\$ -	\$ 94,050
Due to State General Fund	<u>-</u>	<u>432,070</u>	<u>(432,070)</u>	<u>-</u>
Total Liabilities	<u>\$ 92,346</u>	<u>\$ 433,774</u>	<u>\$ (432,070)</u>	<u>\$ 94,050</u>
CID Receipts (43700)				
Assets				
Investment in State General Fund Investment Pool	\$ 471,967	\$ 5,574,751	\$ (5,554,703)	\$ 492,015
Total Assets	<u>\$ 471,967</u>	<u>\$ 5,574,751</u>	<u>\$ (5,554,703)</u>	<u>\$ 492,015</u>
Liabilities				
Other Liabilities	\$ 471,918	\$ 596,443	\$ (576,346)	\$ 492,015
Due to State General Fund	<u>49</u>	<u>5,542,741</u>	<u>(5,542,790)</u>	<u>-</u>
Total Liabilities	<u>\$ 471,967</u>	<u>\$ 6,139,184</u>	<u>\$ (6,119,136)</u>	<u>\$ 492,015</u>

State of New Mexico
Regulation and Licensing Department

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
AGENCY FUNDS – CONTINUED**

For the Year Ended June 30, 2018

	June 30, 2017	Additions	Deletions	June 30, 2018
SEC Receipts (43800)				
Assets				
Investment in State General Fund Investment Pool	\$ -	\$ 22,300,415	\$ (22,297,915)	\$ 2,500
Total Assets	\$ -	\$ 22,300,415	\$ (22,297,915)	\$ 2,500
Liabilities				
Other Liabilities	\$ -	\$ 33,250	\$ (30,750)	\$ 2,500
Due to State General Fund	-	22,267,165	(22,267,165)	-
Total Liabilities	\$ -	\$ 22,300,415	\$ (22,297,915)	\$ 2,500
 Alcohol and Gaming Receipts (80800)				
Assets				
Investment in State General Fund Investment Pool	\$ -	\$ 4,081,746	\$ (4,081,746)	\$ -
Total Assets	\$ -	\$ 4,081,746	\$ (4,081,746)	\$ -
Liabilities				
Other Liabilities	\$ -	\$ 6,905	\$ (6,905)	\$ -
Due to State General Fund	-	4,074,841	(4,074,841)	-
Total Liabilities	\$ -	\$ 4,081,746	\$ (4,081,746)	\$ -
 Total				
Assets				
Investment in State General Fund Investment Pool	\$ 564,313	\$ 35,958,553	\$ (35,934,301)	\$ 588,565
Total Assets	\$ 564,313	\$ 35,958,553	\$ (35,934,301)	\$ 588,565
Liabilities				
Other Liabilities	\$ 564,264	\$ 642,102	\$ (617,801)	\$ 588,565
Due to State General Fund	49	35,880,819	(35,880,868)	-
Total Liabilities	\$ 564,313	\$ 36,522,921	\$ (36,498,669)	\$ 588,565

State of New Mexico
Regulation and Licensing Department

**SCHEDULE OF DEPOSIT ACCOUNTS WITH THE STATE GENERAL FUND INVESTMENT
POOL**

Year Ended June 30, 2018

Name of Fund	SHARE Fund Number	Interest Bearing	Balance at June 30, 2018
General Fund			
General Fund		Yes	\$ 858,858
Boards and Commissions Payroll Flow Through		Yes	-
Total General Fund			858,858
Special Revenue Funds			
Securities Enforcement and Investor Education	04400	Yes	1,644,721
Mortgage Regulatory	10660	Yes	5,882,921
FID Settlement	11550	Yes	762,379
Financial Literacy Fund	12170	Yes	116,600
Sign Language Interpreting Services	20110	Yes	51,993
Animal Shelter Services	20120	Yes	210,635
Hoisting Operators	21100	Yes	139,757
Real Estate Recovery	29700	Yes	40,092
Financial Institutions Revolving Fund	37200	Yes	200
CID Revolving Fund	37300	Yes	42,930
Barbers and Cosmetologists	43900	Yes	1,001,718
Body Art Practitioners	44010	Yes	179,485
Athletic Commission	44100	Yes	45,823
Massage Therapist	44200	Yes	229,124
Counselors and Therapists	44400	Yes	586,479
Real Estate Education and Training	44500	Yes	44,409
Chiropractic Examiners	44600	Yes	360,436
Dental Health Care	44700	Yes	1,362,126
Nutrition and Dietetics	44800	Yes	84,378
Nursing Home Administrators	44900	Yes	73,839
Occupational Therapy	45000	Yes	193,549
Optometry	45100	Yes	132,593
Osteopathic Examiners	45200	Yes	240,873
Podiatry	45300	Yes	93,041
Psychologist Examiners	45400	Yes	627,528
Physical Therapists	45500	Yes	693,065
Thanatopractice	45600	Yes	151,852
Interior Design	45700	Yes	32,329
Private Investigators and Polygraphers	45900	Yes	285,934
Landscape Architects	46000	Yes	82,343
Pharmacy	46400	Yes	2,704,664

State of New Mexico
Regulation and Licensing Department

**SCHEDULE OF DEPOSIT ACCOUNTS WITH THE STATE GENERAL FUND INVESTMENT
POOL – CONTINUED**

Year Ended June 30, 2018

Name of Fund	SHARE Fund Number	Interest Bearing	Balance at June 30, 2018
Real Estate Appraisers	46500	Yes	106,239
Accountancy	46600	Yes	578,776
Real Estate Commission	46700	Yes	1,626,660
Social Workers	46900	Yes	879,364
Acupuncture	47100	Yes	33,993
HUD Manufactured Housing	47200	Yes	414,297
Speech, Language and Audiology	47300	Yes	427,108
Respiratory Care Advisory	47400	Yes	116,688
Athletic Trainers	47500	Yes	39,171
Money Services Regulatory Fund	50520	Yes	847,926
Carnival Ride Insurance	64300	Yes	157,063
Impaired Dentists Hygienists	87600	Yes	44,605
Total Special Revenue Funds			<u>23,369,706</u>
Total Governmental Funds			<u>\$ 24,228,564</u>
Fiduciary Funds			
FID Receipts Fund	43500	Yes	\$ -
MHD Receipts Fund	43600	Yes	94,050
CID Receipts Fund	43700	Yes	492,015
SEC Receipts Fund	43800	Yes	2,500
Alcohol and Gaming Receipts Fund	80800	Yes	-
Total Fiduciary Funds			<u>\$ 588,565</u>

**INDEPENDENT AUDITORS' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 31, 2018.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

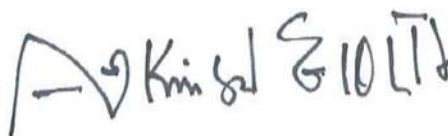
As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Department's Response to Findings

The Department's responses to the findings identified in our audit are 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 result 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.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
October 31, 2018

State of New Mexico
Regulation and Licensing Department

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2018

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weakness(es) identified? Yes No

Significant deficiency(s) identified? Yes No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted? Yes No

CURRENT YEAR FINANCIAL STATEMENT FINDINGS

2018-001 (2016-006) – Approve, Implement and Test Disaster Recovery
(Significant Deficiency)

FINDINGS IN ACCORDANCE WITH 2.2.2. NMAC – OTHER

None

PRIOR YEAR FINDINGS

Status

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

2017-001 Lack of Internal Controls Surrounding Federal Reimbursements
(Significant Deficiency) Resolved

2017-002 Late Audit Report (Other Noncompliance) Resolved

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2018

FINANCIAL STATEMENT FINDINGS

2018-001 (2006-006) – Approve, Implement, and Test Disaster Recovery Plan
(Significant Deficiency) Repeated and Modified)

CONDITION

During our audit, a review of the information technology general controls revealed that the Department had not updated their Disaster Recovery Plan since August 2012, and there have been a significant number of changes to the IT structure of the Department since that time. In addition, the backups that are being performed are being kept on-site at New Mexico Department of Information Technology, which is where the Departments servers are also located.

During 2018, the Department has continued to work on acquiring the physical resources for a remote hot-site and other physical aspects of being able to recover from a disaster if one should occur. The Departments IT management feels that these physical aspects need to be in place before an accurate and updated Disaster Recover Plan can be prepared.

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 a current Disaster Recovery Plan, in conjunction with off-site backup, may impact the Department’s ability to respond and recover critical data and applications in the event of an unforeseen disaster.

CAUSE

In addition to the Department having new management over IT, they have had larger, and more pressing issues that have required the resources of the IT group and thus the Disaster Recovery Plan and related issues have been deemed to be a lower priority.

State of New Mexico
Regulation and Licensing Department

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2018

FINANCIAL STATEMENT FINDINGS – CONTINUED

2018-001 (2006-006) Approve, Implement, and Test Disaster Recovery Plan
(Significant Deficiency) (Repeated and Modified) – Continued

RECOMMENDATION

We recommend that the Department evaluate overall needs and work to provide the resources necessary to prepare an up-to-date Disaster Recovery Plan. We also recommend as a part of this process that the Department considers options to have periodic backups stored off-site.

VIEWS OF RESPONSIBLE OFFICIALS

The Agency currently has no disaster recovery for the agency. The Agency is currently working to replace all of the network infrastructure. Once replaced, a duplicate system will be purchased and assembled at the New Mexico Gaming Control Board data center. This will allow for RLD to have the ability to have complete redundancy of its network. The Agency plans to build a disaster recovery site as budgeted funds are available. The Network Administrator Supervisor/Security Officer is responsible for the implementation of the Disaster Recovery Plan completion by December 1, 2019.

State of New Mexico
Regulation and Licensing Department

EXIT CONFERENCE

June 30, 2018

An exit conference was held with the Regulation and Licensing Department on October 30, 2018. The conference was held at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

**State of New Mexico
Regulation and Licensing Department**

Robert "Mike" Unthank
Alexis Lotero
Rick Martinez
Clayton Pelletier, CPA
JoAnne Lovato

Superintendent
Acting ASD Director
Budget Director
Chief Financial Officer
Accountant Auditor Supervisor

Atkinson & Co., Ltd.

Martin Mathisen, CPA, CGFM, Shareholder
Mike Reeves, CPA, Senior Manager

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor and were reviewed and approved by the Regulation and Licensing Department. However, the financial statements remain the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.

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