



State of New Mexico

# Gaming Control Board

*State of New Mexico  
Gaming Control Board  
Annual Financial Report  
For the Year Ended June 30, 2013*



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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
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**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Official Roster  
June 30, 2013

**Board**

Jeffery S. Landers  
Carl Londene  
Robert M. Doughty III, Esq.  
Sal Maniaci  
Paulette Becker

Chairman  
Commissioner  
Commissioner  
Commissioner  
Commissioner

**Administrative Officials**

Frank A .Baca  
Cynthia M. Ortega-Armijo

General Counsel/ Acting Executive Director  
Adminstrative Services Division Director

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

Hector H. Balderas  
New Mexico State Auditor  
Chairman and Board Members  
New Mexico Gaming Control Board  
Albuquerque, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the general fund, the budgetary comparison of the general fund, and the aggregate remaining fund information of the New Mexico Gaming Control Board (the "Board"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board'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 Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

## Opinion

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the New Mexico Gaming Control Board as of June 30, 2013, and the respective change in financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements of the Board 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 Board. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2013, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Board's financial statements, the individual fund financial statements, and the budgetary comparison. The Supporting Schedules I and II required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2013 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, NM  
November 6, 2013

**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**Required Supplementary Information**

June 30, 2013 and 2012

This discussion and analysis of the New Mexico Gaming Control Board (Board) provides an overview of financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the financial statements. This section will assist the reader in understanding the following:

- Highlight significant financial issues;
- Provide an overview of the Board's financial activity;
- Identify changes in the Board's financial position;
- Identify any material deviation from the approved budget; and
- Identify issues or concerns.

**Financial Highlights**

The Board regulates the racetrack casinos and nonprofit clubs to assure that gaming revenues benefit the State general fund and state economy. Pages 3-5 highlight the financial information of the racetrack casinos and nonprofit clubs. This information is tracked internally by the Board and is unaudited. In fiscal year 2013, gaming related payments to the State of New Mexico generated as a result of Board regulated racetrack and nonprofit gaming activity, totaled \$63,370,107. These gaming taxes are billed to gaming operators by the Board and collected by Taxation and Revenue Department for deposit to the General Fund. The Board also monitors that the horseracing purses, totaling \$47,237,191, are deposited. The racetrack and nonprofit gaming operators also paid \$590,465 to various programs to address problem gambling. Charity payments from gaming totaled \$1,997,716 in fiscal year 2013. Gaming manufacturers and distributors self report and remit gaming taxes to Taxation and Revenue Department. (See Graph A-4).

The Board also monitors tribal gaming in the State in part to ensure that the proper revenue sharing and regulatory fees are paid to the State in accordance with the 2001 Tribal State Class III Gaming Compact and the 2007 Amendment to the Compact. The Tribes and Pueblos paid a combined \$69,741,694 to New Mexico in fiscal year 2013. The Tribes and Pueblos also paid out \$1,904,522 to programs that address problem gambling. (See Graph A-3) as required by the 2001 Tribal State Class III Gaming Compact and the 2007 Amendment to the Compact.

Total gaming revenues including horse racing purses, problem gambling, charities, and Tribal revenue sharing totaled \$184,939,614 for fiscal year 2013.

**State of New Mexico  
Gaming Control Board**

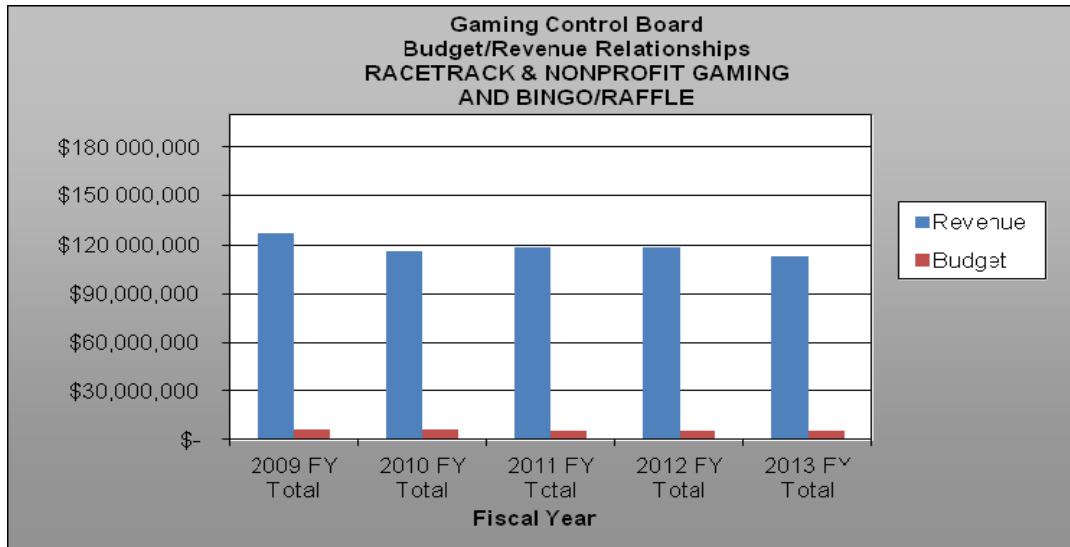
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
Required Supplementary Information**

June 30, 2013 and 2012

**Graph A-1**



**Graph A-2**

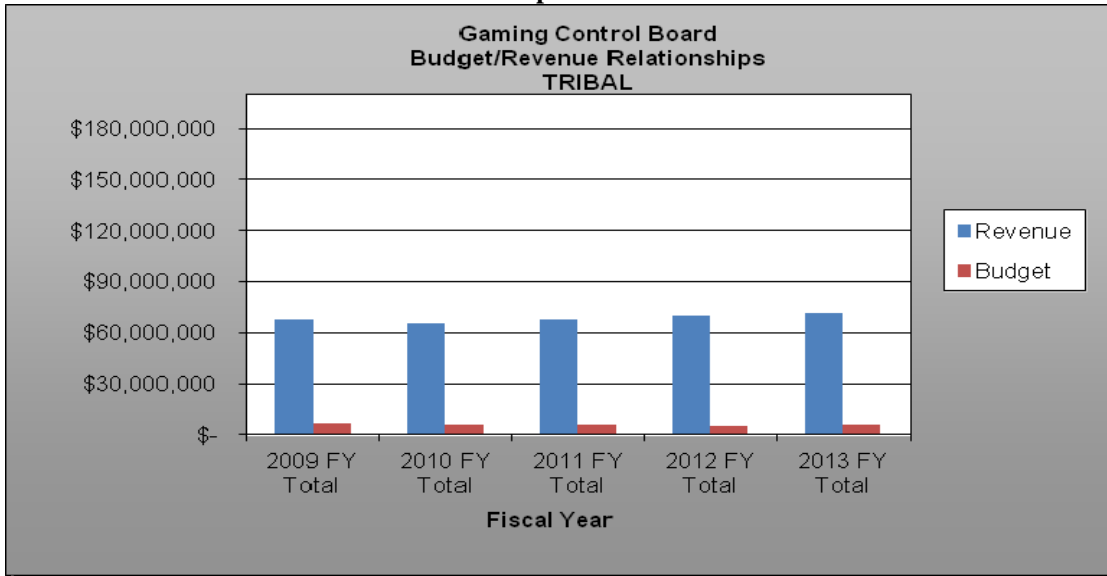


**State of New Mexico  
Gaming Control Board**

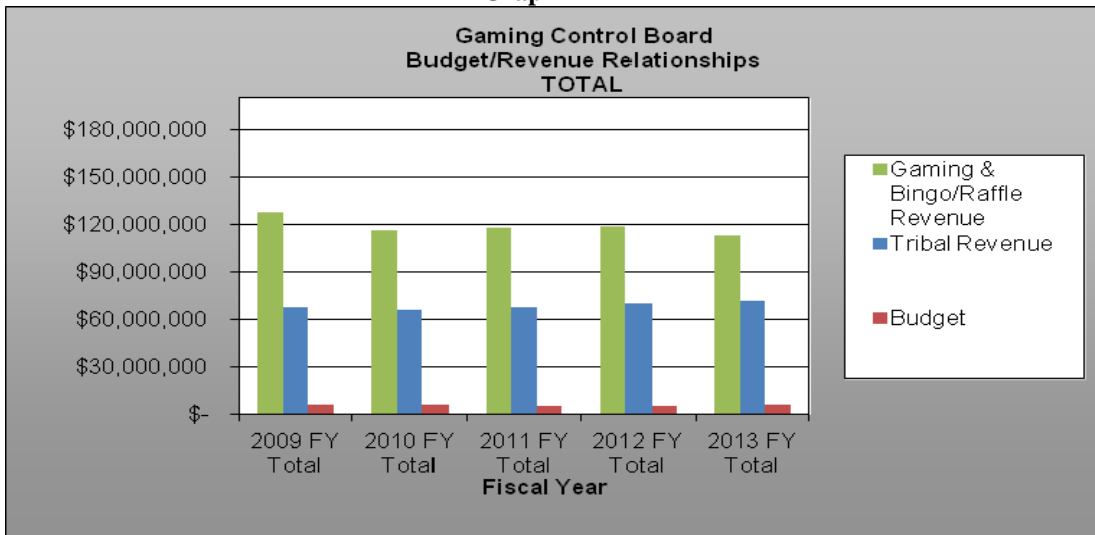
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED  
Required Supplementary Information**

June 30, 2013 and 2012

**Graph A-3**



**Graph A-4**



*Note:* Gaming revenues include gaming taxes from racetracks & nonprofit clubs, contributions to horsemen's purses by racetracks, contributions to problem gambling programs by racetracks, and charitable contributions by nonprofit clubs. Tribal revenues include revenue sharing payments, regulatory fees, and problem gambling payments by Tribes.

**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

The following schedule compares the specific revenues for the last five fiscal years.

	<b>2009 FY Total</b>	<b>2010 FY Total</b>	<b>2011 FY Total</b>	<b>2012 FY Total</b>	<b>2013 FY Total</b>
<b>Gaming Taxes from Licensees</b>	\$ 69,204,440	\$ 65,114,900	\$ 66,132,864	\$ 66,329,233	\$ 63,370,107
<b>Bingo Taxes from Licensees</b>	128,882	135,948	133,303	125,762	97,919
<b>Horse Racing Purses</b>	51,447,316	48,410,045	49,377,595	49,450,221	47,237,191
<b>Problem Gambling-Nonprofits &amp; Racetracks</b>	643,091	605,126	617,220	618,128	590,465
<b>Charities (d)</b>	6,353,422	2,233,288(e)	2,085,666(e)	2,046,913(e)	1,997,716(e)
<b>Subtotal (Gaming &amp; Bingo/Raffle)</b>	<b>\$ 127,777,151</b>	<b>\$ 116,499,307</b>	<b>\$ 118,346,648</b>	<b>\$ 118,570,257</b>	<b>\$ 113,293,398</b>
<b>Problem Gambling-Tribal (a)</b>	1,761,324	1,726,275	1,781,536	1,849,993	1,904,522
<b>Tribal Revenue Sharing and Regulatory Fees</b>	65,395,285(c)	63,976,857(f)	65,893,522(g)	68,149,908(h)	69,741,694(i)
<b>Subtotal (Tribal)</b>	<b>\$ 67,700,565</b>	<b>\$ 65,703,132</b>	<b>\$ 67,675,058</b>	<b>\$ 65,999,901</b>	<b>\$ 71,646,216</b>
<b>TOTAL</b>	<b>\$ 195,477,716</b>	<b>\$ 182,202,439</b>	<b>\$ 186,021,706</b>	<b>\$ 188,570,158</b>	<b>\$ 184,939,614</b>
	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 112</b>	<b>FY 13</b>
<b>Budget</b>	\$ 6,308,700	\$ 5,889,300	\$ 5,586,292	\$ 5,180,200	\$ 5,467,500

(a) These figures are based on a quarter of one percent of Net Win as reported to the New Mexico Gaming Control Board (NMGCB).

The figures are subject to change upon independent verification by the NMGCB or upon receipt of additional information.

(c) Includes \$63,748,350 for revenue sharing and \$1,646,934 for regulatory fees.

(d) Includes charitable contributions from both gaming and bingo & raffle starting in FY2006

(e) Includes only contributions from gaming; Bingo & Raffle Act effective 7/1/09 eliminated the requirement for charity distributions

(f) Includes \$63,044,799 for revenue sharing and \$932,058 for regulatory fees

(g) Includes \$64,892,038 for revenue sharing and \$1,001,484 for regulatory fees

(h) Includes \$67,029,030 for revenue sharing and \$1,120,878 for regulatory fees.

(i) Includes \$68,874,165 for revenue sharing and \$867,529 for regulatory fees .

FY2012 and FY2013 budget does not include the \$200,000 special appropriation for possible arbitration and litigation expenses related to tribal gaming.

**State of New Mexico**  
Gaming Control Board

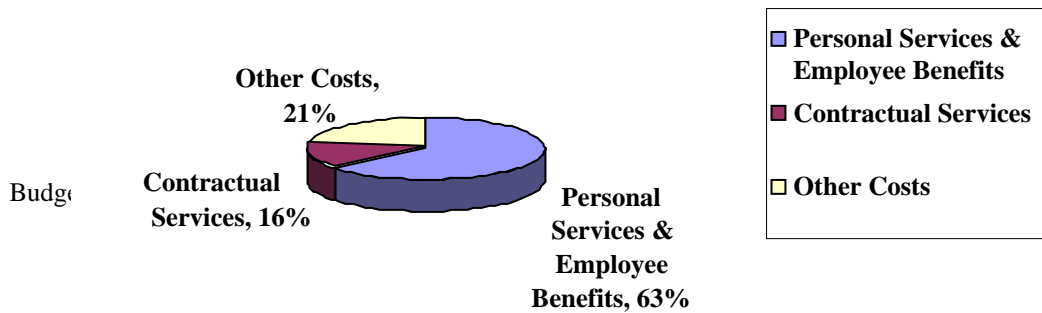
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

**Overview of Financial Activity**

The Gaming Control Board receives 100% of its funding from the General Fund appropriation. As shown in Graph A-3, expenditures against the budget fiscal year end 2011 appropriation were broken down in the following categories: 63% for personal services and employee benefits, 16% for contractual services, and 21% for other costs.

**Graph A-5**  
**Budgetary Expenditure for FY13**



Financial data presented in these financial statements is for the activities of the Gaming Control Board as a single agency. It does not purport to represent the State of New Mexico as a whole.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report all assets and liabilities using the accrual basis of accounting. All current year revenues and expenses are reported regardless of when cash is received or paid.



**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

The government-wide financial statements include all activities of the Gaming Control Board with the exception of the fiduciary funds which arise from reimbursements from applicants and licensees and from fines. General fixed assets, formerly reported as a separate account group, are included in these financial statements. Monies to finance these activities are 100% State General Fund appropriations.

Fund Financial Statements

Due to the small size of the Board, the only individual governmental fund, the General Fund, is considered to be a major fund because only individual governmental or individual enterprise funds can be considered for major fund status. The Board's two kinds of funds - governmental and fiduciary - are considered as separate accounting entities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenses and other financing sources or use.

*Governmental funds* - All of the Board's basic services are reported in governmental funds, which focus largely on the establishment of an appropriation by the state legislature and the expenditure of this money in accordance with a budget. Funds not expended or encumbered at year end revert to the general fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash.

*Fiduciary funds* - The fiduciary funds are used to report assets held on behalf of the State of New Mexico and are not available to support Board activities. The reporting focus is upon net assets and changes in net assets and employs the accrual basis of accounting. These funds, once earned, are revenues of the General Fund of the State of New Mexico.

**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

**Financial Analysis of the Agency as a Whole**

Highlights

The New Mexico Gaming Control Board was established to regulate limited gambling activity at racetracks and certain veteran and fraternal organizations, to monitor Tribal gaming, and is responsible for carrying out public policy on gambling in these venues. In 2005, the Board was given responsibility for regulating the Bingo and Raffle Act.

The New Mexico Gaming Control Board is funded by appropriations from the State's General Fund and operates a computerized Central Monitoring System. This system is a management, control and monitoring system that connects, via direct communications lines, to every licensed gaming device in the State (Non-Tribal). This system allows the Board to monitor all activity on each slot machine and to remotely verify the software in a gaming machine to assure that it is compliant with all applicable statutes and rules. It also allows, by Board order, the immediate remote disabling of any machine or venue for any non-compliance issues. The Board has operated such a system since 1998 with an efficiency rate over 99.9%.

**Table A-1**  
**Condensed Statement of Net Assets**

	2013	2012
Assets		
Current assets	\$ 606,529	\$ 770,018
Capital assets, net of depreciation	26,392	23,744
Total assets	\$ 632,921	\$ 793,762
Liabilities and net assets		
Liabilities:		
Current liabilities	\$ 591,997	\$ 713,472
Compensated absences, less current	13,794	9,084
Total liabilities	605,791	722,556
Net position		
Net investment in capital assets	26,392	23,744
Restricted	196,939	196,947
Unrestricted	(196,201)	(149,485)
Total net position	27,130	71,206
Total liabilities and net position	\$ 632,921	\$ 793,762

**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

As summarized in Table A-1, net position of \$27,130 represent the difference between assets and liabilities of the Board. Total assets decreased by \$160,841, and total liabilities decreased by \$116,765. Total assets decreased due to payment of prior year reversions and depreciation expense. Total liabilities decreased because of lower reversion payable due at year end compared to the previous year.

	2013	2012
Total expenses	\$ (5,344,777)	\$ (4,941,296)
Total revenues (net of reversion)	5,225,711	4,984,161
Increase (decrease in net position)	(119,066)	42,865
Beginning net position	71,206	28,341
Prior period adjustment	74,990	-
Ending net position	\$ 27,130	\$ 71,206

During the year ended June 30, 2013, total expenses increased by \$403,481 reflecting budget increases in fiscal year 2013 for personnel, contractual and other services. Government-wide expenses are \$5,344,777 and include depreciation and an accrual for compensated absences. Compensated absences represent the amount of accrued but unused vacation time at current rates to be paid from future appropriations.

The recognition of depreciation is an attempt to match the usage of capital assets to the revenues of the agency by year. This change in net assets does not necessarily reflect only the amount of capital assets purchased net of current year depreciation during the year.

**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

**Financial Analysis of the Governmental Funds**

The Gaming Control Board operates one governmental fund in which all activity related to gaming regulation and control is recorded. The financial statements present the financial position and results of operations for the governmental activities. Funding for the governmental funds is 100% from annual appropriations from the New Mexico State Legislature.

Governmental fund expenditures differ from the government-wide expenses for 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Governmental fund expenditures	\$ (5,228,100)	\$ (4,792,116)
(Increase) Decrease in liability for compensated absences	(44,335)	24,285
(Excess) depreciation over capital outlay	<u>(72,342)</u>	<u>(173,465)</u>
Board expenses	<u>\$ (5,344,777)</u>	<u>\$ (4,941,296)</u>

**Financial Analysis of the Budgetary Basis of Accounting**

The annual operating budget is approved by the Department of Finance and Administration. Over the course of the year, the Board adjusts its budget as authorized under the Appropriations Act. Comparison of actual expenditures on a budgetary basis to approved budget amounts is presented on page 30. Budgetary basis expenditures were within approved budgeted amounts.

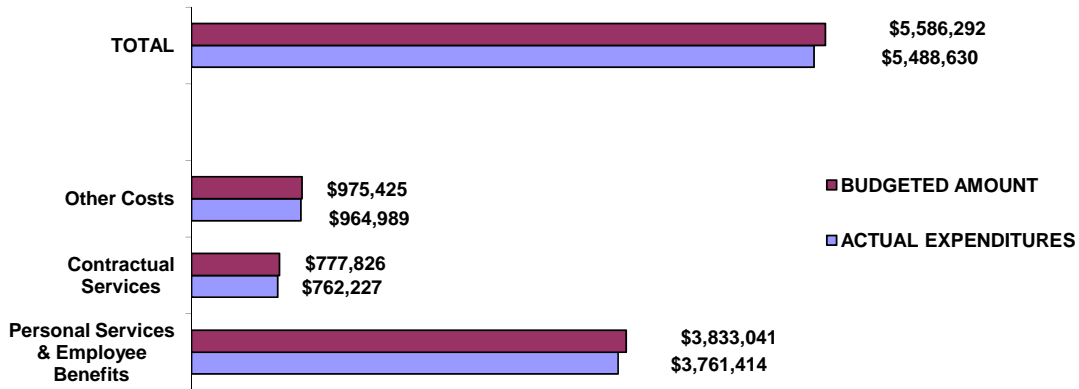
**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

**Graph A-6**

**Budgeted Amount vs. Actual Expenditures**



The difference in budget to actual expenditures for the total categories is \$97,662. There were no unexpected budget variances during the year.

**Capital Assets**

The following net change occurred in the capital assets during the years ended June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Net capital assets at beginning of year	\$ 23,744	\$ 197,209
Prior period adjustment	74,990	-
Capital assets purchased	9,621	23,849
Current year depreciation	<u>(81,963)</u>	<u>(197,314)</u>
Net capital assets at end of year	<u>\$ 26,392</u>	<u>\$ 23,744</u>

Consistent with application of GASB No. 34, the Board has recognized depreciation for assets during the fiscal year of \$81,963. At June 30, 2013, the total accumulated depreciation for the Board was \$4,271,268. Capital asset additions for fiscal year 2013 were \$9,621.

**State of New Mexico**  
Gaming Control Board

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED**  
**Required Supplementary Information**

June 30, 2013 and 2012

**Currently Known Facts, Decisions or Conditions Expected to Impact the Board's  
Financial Position and Results of Operation**

The Board continues to be involved in a dispute with various gaming tribes over the correct amount of revenue sharing owed to the State pursuant to the 2001 and 2007 Compacts. The Board has sent demand letters to the tribes in question and has been negotiating a potential resolution of the dispute. To date, a settlement has been reached only with the Navajo Nation. If this matter is not resolved, it could require an arbitration proceeding or perhaps litigation in court. In either event, the Agency would incur significant costs such as payment of the cost of an arbitrator, expert witnesses, depositions and other court costs. During the 2012 legislative session, the board received a special appropriation in the amount of \$200,000 to defray such costs. That appropriation was re-allocated in the 2013 session. It is possible that the special appropriation will not be sufficient to cover the costs associated with the arbitration/litigation, if such is required. The Agency will be seeking another special appropriation in the same amount in the 2014 legislative session.

**Contacting the Board's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, legislators, and other stakeholders a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Gaming Control Board  
4900 Alameda Blvd. NE  
Albuquerque, NM 87113  
505-841-9700

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Statement of Net Position  
June 30, 2013

Exhibit A-1

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 598,131
Petty cash	600
Prepays	7,798
Total current assets	<u>606,529</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>26,392</u>
 Total assets	 <u><u>\$ 632,921</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 96,449
Accrued payroll	62,940
Due to state general fund	241,803
Compensated absences	190,805
Total current liabilities	<u>591,997</u>
Noncurrent liabilities	
Compensated absences	<u>13,794</u>
 Total liabilities	 <u>605,791</u>
<b>Net Position</b>	
Net investment in capital assets	26,392
Restricted	196,939
Unrestricted	<u>(196,201)</u>
 Total net position	 <u>27,130</u>
 Total liabilities and net position	 <u><u>\$ 632,921</u></u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Statement of Activities  
 For the Year Ended June 30, 2013

Exhibit A-2

	Governmental Activities
	Expenses
<b>Expenses</b>	
<b>General Government</b>	
Personnel services	\$ 3,353,975
Contractual services	815,594
Other costs	1,093,245
Depreciation	81,963
Total program expenses	5,344,777
<b>General revenues</b>	
State general fund appropriation (net of reversions)	5,225,711
Total general revenues	5,225,711
Change in net position	(119,066)
Net position - beginning of the year, previously stated	71,206
Prior period adjustment (See note 15)	74,990
Net position - beginning of the year, restated	146,196
Net position - end of the year	\$ 27,130

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Balance Sheet  
 Governmental Funds  
 June 30, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 598,131
Petty cash	600
Prepaid expenses	7,798
<i>Total assets</i>	\$ 606,529
 <b>LIABILITIES AND FUND BALANCE</b>	
<i>Liabilities</i>	
Accounts payable	\$ 96,449
Accrued payroll	62,940
Due to state general fund	241,803
<i>Total liabilities</i>	401,192
 <i>Fund balances</i>	
Nonspendable:	
Petty cash	600
Prepaid expenses	7,798
Spendable:	
Restricted	196,939
<i>Total fund balances</i>	205,337
<i>Total liabilities and fund balances</i>	\$ 606,529

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
June 30, 2013

Exhibit B-1  
Page 2 of 2

Fund Balance - Governmental Funds (Exhibit B-1)	\$ 205,337
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	26,392
Current compensated absences are not payable on June 30, 2013 and therefore are not reported in the fund financial statements	(190,805)
Long-term liabilities, applicable to the Board's activities are not due and payable in the current period and therefore are not reported in the fund liabilities: Compensated absences	<u>(13,794)</u>
Total net position (Exhibit A-1)	<u><u>\$ 27,130</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2013

	<u>General Fund</u>
<b>EXPENDITURES:</b>	
<b>General Government</b>	
Current	
Personnel services	\$ 3,309,640
Contractual services	815,594
Other costs	1,093,245
Capital outlay	9,621
<i>Total Expenditures</i>	<u>5,228,100</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,228,100)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
State general fund appropriations	5,467,500
FY13 Reversion	(241,789)
<i>Total other financing sources and (uses)</i>	<u>5,225,711</u>
<i>Net change in fund balance</i>	(2,389)
<i>Fund balance - beginning of year</i>	<u>207,726</u>
<i>Fund balance - end of year</i>	<u>\$ 205,337</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 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, 2013

Net Change in Fund Balance - Governmental Funds	\$	(2,389)
<p>The change in net position reported for governmental activities in the statement of activities is different because:</p> <p>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:</p>		
Capital asset additions reported as capital outlay expenditures		9,621
Depreciation expense		(81,963)
Compensated absences increased by this amount during FY13		<u>(44,335)</u>
Change in Net Position (Exhibit A-2)	\$	<u><u>(119,066)</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Statement of Revenues, Expenditures and  
 Changes in Fund Balance-Budget (Budget Basis) and Actual  
 General Fund  
 For The Year Ended June 30, 2013

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services and employee benefits	3,784,100	3,520,100	3,309,640	210,460
Contractual services	766,900	825,900	815,594	10,306
Other costs	916,500	1,121,500	1,102,866	18,634
<i>Total expenditures</i>	<u>5,467,500</u>	<u>5,467,500</u>	<u>5,228,100</u>	<u>239,400</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,467,500)</u>	<u>(5,467,500)</u>	<u>(5,228,100)</u>	<u>239,400</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	5,467,500	5,467,500	5,467,500	-
<i>Total other financing sources (uses)</i>	<u>5,467,500</u>	<u>5,467,500</u>	<u>5,467,500</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	239,400	<u>\$ 239,400</u>
Reversion expenditure omitted from budget basis			<u>(241,789)</u>	
Net change in fund balance GAAP basis			<u>\$ (2,389)</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Statement of Fiduciary Assets and Liabilities  
Licensing and Background Fees Fund (SHARE 95100)  
Agency Funds  
June 30, 2013

Exhibit D-1

**ASSETS**

Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$	35,691
Accounts receivable		<u>14,797</u>
<i>Total assets</i>	<u>\$</u>	<u>50,488</u>

**LIABILITIES**

Due to the state general fund	\$	<u>50,488</u>
<i>Total liabilities</i>	<u>\$</u>	<u>50,488</u>

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

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Board is presented to assist in the understanding of the Board's financial statements. The financial statements and notes are the representation of the Board's management who is responsible for their integrity and objectivity. The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to agencies of the government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2013, the Board adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Board does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

*A. Reporting Entity*

The State of New Mexico New Mexico Gaming Control Board was established by the Gaming Control Act enacted at the 1997 session of the 43<sup>rd</sup> New Mexico State Legislature as House Bill 399, enrolled as Chapter 190, Laws of New Mexico, 1997, and codified at Section 60-2E-1 to 60-2E-62 NMSA.

The board is responsible for:

Gaming regulation- A body of rules and regulations to govern the conduct of gaming activities within New Mexico within the framework of the Gaming Control Act (Title 15, Chapter 1).

Gaming Investigation and Enforcement- The Board is responsible for the enforcement of the statutes and regulations governing gaming activities within the state. As a significant part of its enforcement activity, it aims to investigate the backgrounds of persons applying for licensure, and to monitor the activities of gaming operations in the State to ensure that they are complying with the laws and regulations.

Gaming Audit and Compliance- The Board is responsible for the enforcement of the statutes and regulations governing gaming activities within the State, determining compliance of gaming operators with minimum internal control standards and ensuring that all entities conducting gaming activities within the State report the activity and earnings fairly and accurately.

Gaming Machine Electronic Monitoring- The Board is charged by statute with continuous electronic monitoring of all gaming machines licensed in the State at racetracks, fraternal organizations, and veterans' organizations. It is also responsible for billing each operator licensee the gaming tax assessed by the Board's central monitoring system.

Tribal Gaming Monitoring- Under the provisions of the Gaming Control Act and the compacts signed by the State with the individual Gaming Tribes and Pueblos, the Board is charged with monitoring tribal gaming to ensure compliance with the compacts. The Board's State Gaming Representative is the State's liaison with the tribes.

Gaming Licensing- The Board is charged by statute with licensing gaming machine manufacturers, distributors, and operators, and issuing work permits and key person certifications. The Board is also charged with the licensing of gaming machines.

The Board is a department of the State of New Mexico. Based upon the application of the criteria in GASB Statements No. 14 and No. 39, the Board had no component units as of June 30, 2013.



**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

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

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board. There is no effect from interfund activity that needs elimination because the Board has only one fund. The Board's governmental activities are supported by general fund appropriations from the State of New Mexico. The Board has no business-type activities.

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide statement of net position, the governmental activities column is reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt obligations. The Board's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Board's general fund appropriations are shown as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Board did not have any funds classified as proprietary or fiduciary for the year ended June 30, 2013.

*C. Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

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

The Board reports the following major governmental fund:

The General Fund is the Board's operating fund. Its fund number in the Statewide Human Resource Accounting and Management Reporting System (SHARE) is fund 53600. It is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in some other fund. The general fund is a reverting fund.

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

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

*D. Assets, Liabilities and Net position*

The Board also uses a fiduciary fund (Agency Fund) to account for funds received for licensing and background fees that are disbursed to the State of New Mexico General Fund per State statute (SHARE 95100). The Board has no budgetary control over these funds and acts solely as an agent. Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of results of operations.

Cash and Investments

For the fiscal year ended June 30, 2013, all of the Board's cash was maintained on deposit with the State Treasurer's General Fund Investment Pool (SGFIP). The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer's Office. The Board does not have a separate bank account.

Capital Assets and Depreciation

Capital assets purchased or acquired are carried at historical costs or estimated historical costs. 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. The State's capitalization policy (i.e. the dollar value above which asset acquisitions are added to the capital accounts) is \$5,000 per section 12-6-10 NMSA 1978. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Board's depreciation guidelines

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value, as follows:

Machinery and equipment	5 to 7 years
Gaming machine electronic monitoring equipment and software	5 ½ years
Computer hardware and software	5 to 7 years

Compensated Absences

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements.

When applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and long-term portion. The current portion is the amount *estimated* to be expended during fiscal year 2014.

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

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

*D. Assets, Liabilities and Net position (continued)*

Fund Balance Classification Policies and Procedures

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (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. Unassigned fund balances represent the residual amount of fund balance after all classifications described above have been considered. As of June 30, 2013, the Board has nonspendable fund balance of \$600 and \$7,708 for petty cash and prepaid expenses. In addition, the Board has \$196,939 in amounts restricted pursuant to Laws of 2012 Chapter 19, Section 5 for tribal arbitration.

Spending policy disclosure

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first. The Board has no authority to establish a minimum fund balance. This is the prerogative of the State Legislature and the Executive (Governor) Branch.

Net position classifications

The Statement of Net Position displays net position amounts in the following three components:

- 1) Restricted-This classification consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Board has \$196,939 in restricted amounts pursuant to Laws of 2012 Chapter 19 section 5 for tribal arbitration as of June 30, 2013.
- 2) Net investment in capital assets. This classification of net position consist of capital assets net of accumulated depreciation as of June 30, 2013
- 3) Unrestricted-This classification consists of all other net position amounts that do not meet the definition of "restricted" or "Net investment in capital assets."

Estimates

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

Funding

The Board's funding is subject to annual evaluation and appropriation and could end at any time.

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets and Budgetary Accounting

The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than September 1st, the New Mexico Gaming Control Board submits to the State Budget Division (SBD) of the New Mexico Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. Copies are also sent to the Legislative Finance Committee (LFC). The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request is reviewed by the SBD and additional information is obtained, if needed, Agency budgets are consolidated, with revisions, and submitted as a tentative budget to the Governor of the State. The Governor's approved appropriation request is then submitted to the Legislature as the recommended appropriation request for the Board.
3. 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.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Board submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the legislature. The DFA Budget Division reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of the DFA - State Budget Division.
6. Budget control for expenditures and encumbrances is at the appropriation program level. The Board has only one program. All of the expenditures and encumbrances for that program are accounted for in the Board's general fund.
7. Formal, budgetary integration is employed as a management control device during the fiscal year for the general fund.
8. The budget for the General Fund is on the modified accrual basis. There were no accounts payable at June 30, 2013 that did not get paid within 31 days after the end of the fiscal year.
9. Any remaining SHARE fund 53600 balance not restricted for unexpended special or capital outlay multiple-year appropriations, must revert to the New Mexico State general fund by September 30th, as required by Section 6-5-10, NMSA 1978.

In accordance with the requirements of Section 2.2.2.10.A(2)(b) of NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB Statement No. 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements. It includes the reconciliation of the net change in fund balance (per budgetary basis) to the net change in fund balance stated on the statement of revenues, expenditures and changes in fund balance.

**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Notes to Financial Statements  
 June 30, 2013

**NOTE 3. INVESTMENTS IN STATE TREASURER’S GENERAL FUND INVESTMENT POOL**

State law requires the Board’s cash to be managed by the New Mexico State Treasurer’s Office. Accordingly, the investments of the Board consist of an interest in the investment pools managed by the New Mexico State Treasurer’s Office. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer’s Office. The Board does not have a separate bank account.

At June 30, 2013, the Board had the following in pooled cash (Agency 46500):

New Mexico State Treasurer’s General Fund Investment Pool (SGFIP)

Fund	SHARE Fund No.	Fair Value June 30, 2013
General fund	53600	\$ 598,131
Agency fund	95100	35,691
		\$ 633,822

*Interest Rate Risk:* The State Treasurer’s General Fund Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The New Mexico State Treasurer’s General Fund Investment Pool is not rated.

For additional GASB 40 disclosure information regarding the investment in the New Mexico State Treasurer’s General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2013.

State General Fund Investment Pool (SGFIP) Not Reconciled

As of June 30, 2013 the State’s general ledger book to bank reconciliation contains a significant number of un-reconciled items. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer’s Office on a monthly basis. None of reconciling items pertain to the Board’s transactions. The Board’s controls to mitigate the effect of the statewide reconciliation issue include the following:

- Tracking cash receipts and disbursements for the licensing and Background Fees agency fund in a separate, stand alone accounting system
- Reconciling the stand alone system to SHARE on a monthly basis
- Tracking cash receipts and disbursements in the General Fund on manual spreadsheets
- Reconciling their interest in the State General Fund Investment Pool per SHARE to the deposit and disbursement activity tracked separately.

Additionally, the Board is funded by a single reverting appropriation made to its General Fund. Each year the appropriation has been expended with the remainder reverted. Such transactions since 2006 have been verified by management and audited. Due to this reverting nature of its funding, there is no accumulation of liquid assets or net position balances that require multiple year reconciliations.

The Board is not permitted to have any other investments, and the Board did not have any other investments during the year ended June 30, 2013.

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 4. ACCOUNTS RECEIVABLE**

Applicants for gaming licenses are charged certain fees for both background investigations and for licenses to engage in gaming activities. At June 30, 2013 the Board's Agency fund was owed \$ 14,797 from various gaming entities. All amounts are considered to be collectible.

**NOTE 5. CAPITAL ASSETS**

A summary of changes in capital asset and accumulated depreciation balance is as follows. All capital assets are depreciable.

	<u>June 30, 2012</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Capital assets being depreciated					
Machinery and equipment	\$ 500,791	-	9,621	133,124	\$ 377,288
Gaming machine electronic monitoring equipment and software	<u>3,920,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,920,372</u>
Total capital assets being depreciated	<u>4,421,163</u>	<u>-</u>	<u>9,621</u>	<u>133,124</u>	<u>4,297,660</u>
Less accumulated depreciation					
Machinery and equipment	477,047	(500)	7,473	133,124	350,896
Gaming machine electronic monitoring equipment and software	<u>3,920,372</u>	<u>(74,490)</u>	<u>74,490</u>	<u>-</u>	<u>3,920,372</u>
Total accumulated depreciation	<u>4,397,419</u>	<u>(74,990)</u>	<u>81,963</u>	<u>133,124</u>	<u>4,271,268</u>
Capital assets being depreciated, net	<u>\$ 23,744</u>	<u>\$ 74,990</u>	<u>\$ (72,342)</u>	<u>\$ -</u>	<u>\$ 26,392</u>

Depreciation expense of 81,963 was charged entirely to general government services. All capital assets are being depreciated.

**NOTE 6. COMPENSATED ABSENCES**

The changes in liabilities for compensated absences are as follows:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>	<u>Due within one Year</u>
General Fund	<u>\$ 160,264</u>	<u>\$ 235,140</u>	<u>\$ 190,805</u>	<u>\$ 204,599</u>	<u>\$ 190,805</u>

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 7. COMMITMENTS**

*A. Operating Leases*

The Board leases a building located at 4900 Alameda Boulevard NE, Albuquerque, NM. The original lease dated May 1, 2005 had a term of fifteen years with a five-year renewal option. The lease was renegotiated effective July 1, 2011, extending the lease term to May 30, 2024. The lease has an escalation clause of 3.25% over years 8,9,20,11 and 16 of the lease. Additionally, the Board leases certain other office space, office equipment, and vehicles under one year lease agreements. During the year ended June 30, 2013, the Board paid approximately \$612,703 under its various lease agreements. Future minimum rental payments under noncancellable lease agreements are as follows:

Year Ending June 30,	Amount
2014	620,337
2015	640,498
2016	657,751
2017	657,751
2018	657,751
2019-2023	3,356,450
2024	<u>622,534</u>
	<u>\$ 7,213,072</u>

*B. Computer Software Maintenance Contracts*

The Board has a maintenance agreement on its initial gaming machine electronic monitoring software and hardware programs. Expenditures inclusive of gross receipts tax for the agreement were \$740,975 for the year ended June 30, 2013.

In December 2005, the Board entered into a contract for the development, licensing and maintenance of an updated Central Monitoring System. The Advanced Entertainment Gaming Information System \*AEGIS) contract includes software licensing, hardware, and maintenance of the system with commitments through December 31, 2013 of \$370,488.

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description:* Substantially all of the Board’s full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy:* Plan members are required to contribute 8.92% of their gross salary. The Board’s is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Board’s are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board’s contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$356,361, \$292,116, and \$388,860, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 9. POST-EMPLOYMENT BENEFITS- STATE RETIREE HEALTH CARE PLAN**

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

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$47,261 \$39,952, and \$42,569 respectively which equal the required contributions for each year.



**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Notes to Financial Statements  
 June 30, 2013

**NOTE 10. INTERAGENCY TRANSFERS**

The Board received the following inter-agency operating transfers from the New Mexico Department of Finance and Administration (DFA) during the fiscal year ended June 30, 2013.

	Board Agency Number	Board Fund Number	DFA Agency Number	DFA Fund Number	Amount
State general fund appropriations, Laws of 2012, Chapter 19, Section 4	85300	499105	34100	85300	<u>\$ 5,467,500</u>

**NOTE 11. DUE TO STATE GENERAL FUND**

The amount due to the State General Fund at June 30, 2013 is made up of the following fiscal year reversions and stale dated warrants:

Year Ending June 30,	Amount
2013	\$ 241,789
Stale warrants	14
	<u>\$ 241,803</u>

**NOTE 12. RISK MANAGEMENT**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. Risk management expenditures for the Board are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Board is a party.

**NOTE 13. SUBSEQUENT PRONOUNCEMENTS**

In March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Board in upcoming years.

In June 2012, Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Board will implement this standard during the fiscal year June 30, 2016.

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 14. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2013 , the date of the most recent statement of net position , have been evaluated for possible adjustment to the financial statements or disclosures is November 6, 2013 which is the date on which the financial statements were available to be issued. The following events were noted for disclosure:

1. The General Appropriation Act of 2013 (Act) authorized \$2,500,000 in data processing appropriations for the Board to modernize or replace the central gaming monitoring system in order to meet or exceed the current national gaming standards for protocols based on computer industry standard technologies that will maintain the games of today and well into the future. According to Act Board shall implement the new system no later than June 30, 2014.
2. The General Appropriation Act of 2013 (Act) authorized expenditure in fiscal year 2014 of special appropriations made pursuant to subsection 14 of section 5 of chapter 19 of Laws of 2012 for possible arbitration and litigation expenses related to tribal gaming. The authorized amounts totaled \$196,939 for expenditures in fiscal year 2014.

**NOTE 15. PRIOR PERIOD ADJUSTMENT**

Prior period adjustments were recorded to correct the beginning accumulated depreciation balances for machinery and the gaming machine electronic monitoring equipment. Beginning accumulated depreciation was decreased and beginning net position was increased by \$74,990 as a result of the correction.

**SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Schedule of Changes in Fiduciary Assets and Liabilities  
 Licensing and Background Fees Fund  
 Agency Funds  
 For the Year Ended June 30, 2013

Schedule I

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>ASSETS</b>				
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 38,394	\$ 359,671	\$ 362,374	\$ 35,691
Accounts receivable	17,878	44,050	47,131	14,797
<i>Total assets</i>	\$ 56,272	\$ 403,721	\$ 409,505	\$ 50,488
 <b>LIABILITIES</b>				
Due to the state general fund	\$ 56,272	\$ 403,721	\$ 409,505	\$ 50,488
<i>Total liabilities</i>	\$ 56,272	\$ 403,721	\$ 409,505	\$ 50,488

See independent auditors' report

**STATE OF NEW MEXICO**  
 New Mexico Gaming Control Board  
 Schedule of Special Appropriations  
 For the Year Ended June 30, 2013

Schedule II

	<u>Amount Appropriated</u>	<u>Current Year Expenditures</u>	<u>Project to Date Expenditures</u>	<u>Unexpended Portion</u>	<u>Unexpended and Reverted</u>
Laws of 2012 Ch 19 Sec 5	<u>\$ 200,000</u>	<u>\$ 8</u>	<u>\$ 3,061</u>	<u>\$ 196,939</u>	<u>\$ -</u>

See independent auditors' report

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**COMPLIANCE SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

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

**INDEPENDENT AUDITORS' REPORT**

Hector H. Balderas  
New Mexico State Auditor  
Chairman and Board Members  
New Mexico Gaming Control, Board  
Albuquerque, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund, the aggregate remaining fund information, the budgetary comparison of the General Fund of the New Mexico Gaming Control Board (the "Board") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 6, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 Board'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 preceding paragraph 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 deficiency in internal control described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (See finding FS 2013-05).



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which can be described in the accompanying schedule of findings and responses as items FS 2013-01, FS 2013-02, FS 2013-03, FS 2013-04, and FS 2013-06.

## **Board's Responses to Findings**

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Board'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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
November 6, 2013

**STATE OF NEW MEXICO**  
Gaming Control Board  
Schedule of Findings and Responses  
June 30, 2013

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements:*

1. Type of auditors’ report issued	Unmodified
2. Internal Control over financial Reporting	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements noted?	No

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**FS-2013-01 Negative Sick Leave-(other matter)**

*Condition:* During our audit of compensated absences balances at June 30, 2013 we noted 1 employee out of 50 tested had a beginning negative sick leave balance of (21.76) hours which indicated the employee used sick leave in excess of what the employee had accrued. The total dollar amount of sick leave used in excess of accrued amount totaled \$433.59.

*Criteria:* According to the Board's Leave and Request Policy revised on December 16, 2008 section V (C) "sick leave should not be used before accrued."

*Effect:* The potential impact of allowing sick leave in excess of accrued amounts for this employee includes future uses of sick leave in excess of accrued amounts for other employees. Use of sick leave in excess of accrued amounts could impair employees' job performance.

*Cause:* The Human Resource Department approved the coding of sick leave in excess of accrued amounts for this specific employee in the SHARE system. The Human Resource Department did not have any warning from the SHARE system that that sick leave coded was in excess of accrued amounts.

*Auditors' Recommendation:* We recommend the Human Resource Department and the Division Directors review accrued sick leave amounts prior to approving additional use of sick leave time. We further recommend the Board amend its written internal control policies to require the Human Resource Department to review leave balances in SHARE in comparison with pay advices periodically to ensure they are accurate and do not go into a negative balance. We further recommend the Board work with the Department of Finance and Administration to determine why the SHARE system allowed coding of sick leave time in excess of accrued amounts.

*Views of responsible officials and management's planned corrective actions:* The SHARE system allowed an employee to enter excess sick leave which was reported to State Personnel (SPO) Time & Labor Division. Division Directors or Supervisors will review leave balances prior to approving exceptions. Human Resources will verify leave balances upon coding of leave by the directors/supervisors. Human resources will also alert directors which employees have low leave balances either by email or by lists circulated at Division Director's meetings.

**STATE OF NEW MEXICO**  
**Gaming Control Board**  
**Schedule of Findings and Responses**  
**June 30, 2013**

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES-CONTINUED**

**FS-2013-02 Gaming Control Board Polices Outdated-(other matter)**

*Condition:* During our review of the control environment we noted the Board has several polices that are outdated and some polices refer to positions that are vacant. Below is a summary of policies by issuance/revision date.

Ref.	Policy	Issue/Revision Date
1	Board Room Use Policy & Agreement Form	Issued 01-01-00
2	Petty Cash Fund Policy	Issued 01-24-00
3	Procurement policy	Revised 02-06-01
4	Americans with Disabilities Act Reasonable Accommodation Policy	Issued 10-25-00
5	Code of Conduct	Revised 03-20-03
6	Conflict of Interest Policy	Revised 09-01-05
7	Corrective Action and Discipline Policy	Issued 04-13-01
8	Donation of annual leave	Issued 08-11-00
9	Education, Training and Professional Membership Policy	Revised 08-04-00
10	Employee Development & Appraisal (EDA) Policy	Issued 02-22-10
11	Employee Recognition Policy	Issued 04-29-00
12	Equal Employment Opportunity Policy	Issued 08-14-00
13	Family and Medical Leave Policy	Issued 01-10-01
14	Harassment Policy	Revised 04-18-01
15	Inclement Weather Policy	Issued 01-22-10
16	Leave and Request and Approval Policy	Revised 12-16-08
17	Overtime, Compensation, On-Call, Call Back, Holiday, Shift Differential Policy	Revised 01-11-10
18	Pay and Compensation Policy	Revised 03-15-04
19	Problem Solving and Grievance Resolution Policy	Revised 11-15-00
20	Recruitment, Interviewing and Selection Policy	Revised 08-20-04
21	Reporting Accidents, Incident, Injuries, and Early Return to Work/Modified Duty Assignments Policy	Issued 11-01-00
22	Work Hours and Flextime Policy	Revised 08-28-08
23	Computer Acceptable Use Policy	Revised 11-24-08
24	Information Systems Guidelines Policy	Revised 11-24-08
25	Remote Access Policy	Revised 11-24-08
26	Special Access Accounts Policy	Revised 11-24-08
27	VPN Policy	Revised 11-24-08
28	Confidential Information Policy	Issued 08-30-05
29	Preparation/Issuance of Policies & Procedures	Issued 06-08-07
30	Tribal Confidential Procedure	Issued 05-01-07
31	Vehicle Use Policy	Revised 02-14-06
32	Disposition of Obsolete, Worn-Out/Unusable Tangible Personal Policy	Issued 01-25-11
33	Wright Express Fuel Card	Issued 11-11-11
34	Cell Phone Acceptable Use Policy	Issued 03-16-11
35	Automated External Defibrillation (AED Policy)	Issued 11-01-11
36	Fire Safety & Emergency Evacuation Plan	Issued 11-25-11

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES-CONTINUED**

**FS-2013-02 Gaming Control Board Polices Outdated-(other matter)**

Below is a listing of polices that refer to vacant positions.

Ref.	Policy	Description
1	Preparation /Issuance of Policies and Procedures	Section VIII refers to the Office of General Counsel which does not exist. Section XIII refers to the Deputy Executive Director which does not exist.
2	Problem Solving and Grievance Resolution Policy	Section V (B) (C) and (D) refer to the Deputy Executive Director which does not exist.
3	Petty Cash Fund Policy	Section II (D) refers to the Financial Specialist 3 in the Administrative Services Division as the custodian of the petty cash fund. This should be updated to the Business Operations Specialist.
4	Harassment Policy	Section IV refers to the HR administrator supervisor which does not exist.
5	Code of Conduct Policy	Section IV directs employees who receive an offer of a bribe to immediately report it to the Deputy Executive Director which does not exist. Section VII directs employees to reports threats of violent behavior to the Deputy Executive Director which does not exist.
6	Employee Performance Evaluation Policy	Section IVIII refers to the Deputy Executive Director to review performance scores of 1 or 4. This position which does not exist.

*Criteria:* According to the Board’s Preparation /Issuance of Policies and Procedures revised on June 8, 2007 section XIII Annual Review of Polices states “Policies can be revised at any time to update their contents and direction, but must be formally reviewed annually by the originator or designated custodian between January 1<sup>st</sup> and January 31<sup>st</sup> of each year. A report of that review must be sent to the Executive Director and the Deputy Executive Director with a copy to Human Resources indicating “No Change” or list the revisions that will be made with a projected completion date.

Also section IV Basic Policy Requirements state policies should define contacts and responsibilities and be updated periodically to properly reflect changes in organization or culture.

*Effect:* The potential impact of the above conditions could mean that fraud, waste or other abuses could occur and not be reported timely due to unclear communication channels. If policies are not updated due to changes in legal or regulatory environments, legal claims could be brought against the Board.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES-CONTINUED**

**FS-2013-02 Gaming Control Board Polices Outdated-(other matter)**

*Cause:* Inadequate and untimely monitoring of policies by the Board, Human Resource Manager, and Division Directors contributed to polices not being updated and polices giving reference to vacant positions. Also the Board is not required to document its annual review of policies.

*Auditors' Recommendation:* We recommend the Board document its annual review of each policy and immediately modify existing polices referenced above to clarify out of date references to vacant positions.

*Views of responsible officials and management's planned corrective actions:* The Board will schedule a Working Session to begin the process of reviewing Agency policies and determining which are in need of modification. The Board will delegate to staff the task of revising such policies. Thereafter, the Board will schedule an annual meeting to review and approve the policies and modifications.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES-CONTINUED**

**FS-2013-03 Budget Authority for Hiring Employees -(other matter)**

*Condition:* During our review of internal controls surrounding the employee hiring process, we noted the Administrative Services Division was not required to review to ensure the Board had sufficient budget authority prior to offering an applicant a position. The current process allows for Executive Director, Division Director, HR Manager and Incumbent/Preparer to review and approve the offer to the applicant; however, none of those approvals involve a comparison between the salary offered the applicant and existing budget authority.

*Criteria:* Good accounting practices require the Administrative Services Division to review to ensure proper budget authority exist prior to offering a position to a new applicant.

*Effect:* The potential impact of the above condition means other existing priorities that require financial resources could suffer if applicants are offered salaries without comparison to existing budget authority. Lack of comparison between budget authority and salary offered to an applicant increases the chance a budget overage may occur.

*Cause:* The form that contains the required approvals of the new hire does not contain a signatory block for the Administrative Services Division.

*Auditors' Recommendation:* We recommend the Board amend existing form to require the Administrative Services Division to review and approve new offers to applicants.

*Views of responsible officials and management's planned corrective actions:* The referenced form (SDF/PADF) is a SPO generated form. NMGCB does not have the authority to change this form. However, the Board will adopt internal controls and an internal form to insure fiscal accountability, which will include signature of the Administrative Services Division Director prior to posting a job or making a formal offer of employment.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES-CONTINUED**

**FS-2013-04 Capital Asset Inventory Not Certified by Board -(other matter)**

*Condition:* The Board performed a physical inventory of capital assets for the year ended June 30, 2013; however, the Board did not have the physical inventory of capital assets certified by the Board’s governing authority.

*Criteria:* 2.20.1.16.E NMAC states “The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.”

*Effect:* The Board is not in compliance with 2.20.1.16.E NMAC regarding their annual capital asset certification. The outcome of the annual inventory (i.e. items missing, lost or not working) is not made known to the Board’s governing authority.

*Cause:* The Board’s procedures did not require the capital asset inventory to be certified by the Board’s governing authority.

*Auditors’ Recommendation:* The Board should amend current policy and implement procedures to have the annual capital asset inventory certify by Board annual in April of each year. The certification should be documented in the minutes.

*Views of responsible officials and management’s planned corrective actions:* The agency will amend current policies and implement procedures to certify agency inventory. Currently the agency conducts inventory twice a year and will submit the inventory to the Board during the April or May Board meeting for approval and certification.



**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES-CONTINUED**

**FS-2013-05 Capital Assets Beginning Accumulated Depreciation Misstated (significant deficiency)**

*Condition:* During our review of beginning accumulated depreciation balances, we noted the beginning accumulated depreciation balances was overstated by \$74,990 in the prior year audit.

*Criteria:* Good accounting practices require the Administrative Services Division to review capital asset and accumulated depreciation balances in comparison with their internal records prior to submitting the annual report to the Office of the State Auditor.

*Effect:* A prior period adjustment of \$74,990 was recorded in the current year to accurately state beginning accumulated depreciation balances. Potential outcomes include materially misstating future capital asset and related accumulated depreciation balances if reconciliations between financial statements and the Board's internal capital asset records are not completed.

*Cause:* Upon inquiry we noted the Administrative Services Division does not compare capital asset balances and related accumulated depreciation balances as reported in the financial statements to their internal capital asset spreadsheet.

*Auditors' Recommendation:* We recommend the Board compare capital assets and related accumulated depreciation balances to the Boards capital asset spreadsheets prior to submitting the annual report to the Office of the State Auditor.

*Views of responsible officials and management's planned corrective actions:* The Board will implement a process to verify that the schedule of capital assets and related accumulated depreciation provided by the agency reconciles with the information provided to the State Auditor in the prior year's report

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES-CONTINUED**

**FS-2013-06 Employee reduced hours request and approval (other matter)**

*Condition:* During our review of policies and procedures pertaining to employee request for work schedule modifications, we noted the reason for an employee's request for reducing work schedule from full time to part-time is not documented or understood prior to approval of the reduced work schedule.

*Criteria:* The Board's conflict of interest policy revised as of September 1, 2005 section V (C) states "the Board cannot change work assignments or schedules to accommodate an employee's desire to perform duties not related to the Board's operation."

*Effect:* Employees could request schedule modifications to accommodate duties not related to the Board's activities which could impair an employee's job performance or a team's job performance. Violations of the Board's conflict of interest policy could go undetected in the absence of documented explanations for reduced work schedules.

*Cause:* The current process for job schedule modification request for employees does not require a documented explanation for schedule modifications reducing hours from full-time to part-time. The employee only has to request reduced hours and a decision is made to approve or to not approve the request without consideration of the employee's reason for the request.

*Auditors' Recommendation:* We recommend the Board amend current policy to require a documented explanation for an employee's request for work schedule reductions to ensure violations of the Board's internal policy do not occur.

*Views of responsible officials and management's planned corrective actions:* The Board will prepare a form requiring employees to submit a written explanation when requesting a work schedule modification. Management shall not approve a request for schedule modification that does not state a reason that is consistent with Board Policy. Management will annually review the request for modification.

**PRIOR YEAR FINDINGS**

None

**STATE OF NEW MEXICO**  
New Mexico Gaming Control Board  
Other Disclosures  
June 30, 2013

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 6, 2013. The following individuals were in attendance.

**Representing New Mexico Gaming Control Board**

Frank A .Baca	General Counsel/ Acting Executive Director
Jeffery S. Landers	Chairman
Cynthia M. Ortega-Armijo	Administrative Services Director
Paulette Becker	Commissioner

**Representing Accounting & Consulting Group, LLP**

Ray Roberts, CPA	Audit Partner
Morgan Browning, CPA, CGFM	Audit Supervisor

**Auditor Prepared Financial Statements**

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Board from the original books and records provide to them by the management of the Board. The responsibility for the financial statements remains with the Board.