

NEW MEXICO GAMING CONTROL BOARD

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019



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**NEW MEXICO GAMING CONTROL BOARD
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YEAR ENDED JUNE 30, 2019**

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**NEW MEXICO GAMING CONTROL BOARD
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2019**

BOARD

Jeffrey S. Landers
Jeremiah Richie

Chairman
Commissioner

ADMINISTRATIVE OFFICIALS

Donovan Lieurance
Cynthia M. Ortega-Armijo

Acting Executive Director
Administrative Services Division Director



INDEPENDENT AUDITORS' REPORT

Chairman and Board Members
New Mexico Gaming Control Board and
Mr. Brian Colón
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund and 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, 2019, 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Chairman and Board Members
New Mexico Gaming Control Board and
Mr. Brian Colón
New Mexico State Auditor

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Board as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the general fund that is attributable to the transactions of the Board. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2019, and the changes in its financial position, or where applicable, its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 13, the beginning net position and fund balance were restated in the amount of \$600,000 as a result of an asset related to vendor credits that was not properly accounted for and recognized as of June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 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.

Chairman and Board Members
New Mexico Gaming Control Board and
Mr. Brian Colón
New Mexico State Auditor

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. Supporting Schedules I and II required by Section 2.2.2. NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019 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 solely 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 effectiveness of the Board's 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 22, 2019

**NEW MEXICO GAMING CONTROL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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, 2019. 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 New Mexico Gaming Control Board (the Board or GCB) and the Board's agents regulate the racetrack casinos and the gaming operations of the veteran, fraternal, and non-profit entities to assure that gaming is being conducted in a manner that is compliant with the Gaming Control Act and the Board's Regulations. Pages 6-8 highlight the financial information related to the racetrack casino and veteran, fraternal, and non-profit entities' "net take", gaming taxes paid, and contributions to compulsive gaming funds as required by the Gaming Control Act. The information is tracked internally by the agency and is unaudited.

The GCB, through the State Gaming Representative (SGR) also monitors tribal gaming in the State to ensure compliance with the requirements of the Tribal-State Gaming Compacts (the Compacts). The primary monitoring activity is to ensure that the proper revenue sharing and regulatory fee payments are made to the State in accordance with the requirements of the Compacts.

In Fiscal Year 2019(FY19), the State received \$143,105,148 in revenue through the payment of gaming taxes, revenue share, and regulatory fee payments, an increase of over 13 million from last year. The racetrack casinos paid \$62,569,637 in gaming taxes. The veteran, fraternal, and non-profit gaming operators paid \$980,725 in gaming taxes. The Tribes, Pueblos, and Nations paid \$78,354,686 in revenue share and regulatory fees.

In addition to the revenue received by the State of New Mexico, the racetrack casinos and Tribes, Pueblos and the Nations contributed to compulsive gaming in accordance with the terms of the Gaming Control Act or Compacts. During FY19, the Racetracks contributed \$601,631. The Tribes, Pueblos and the Nations contributed \$1,603,774 during calendar year 2018.

The veteran, fraternal, and non-profit gaming operators also contributed \$1,853,571 to charities and educational endeavors from proceeds raised through gaming activities.

Other sources of revenue related to gaming, received by the State, are paid by gaming manufacturers and distributors. These business entities self-report and remit gaming taxes to Taxation and Revenue. They contributed \$1,200,099.

Gaming revenues received by the State include: gaming taxes from Racetracks & Nonprofit clubs, associated licensing fees for Manufacturers, Distributors, Operators and Tribal revenue sharing payments and regulatory fees. Payments that are not including in revenue: contributions to the horsemen's purses by racetracks, charitable contributions by nonprofit clubs, along with contributions to problem gambling programs by the racetrack operators and Tribal Gaming entities. This information is tracked internally by the Board and is unaudited by external auditors.

**NEW MEXICO GAMING CONTROL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

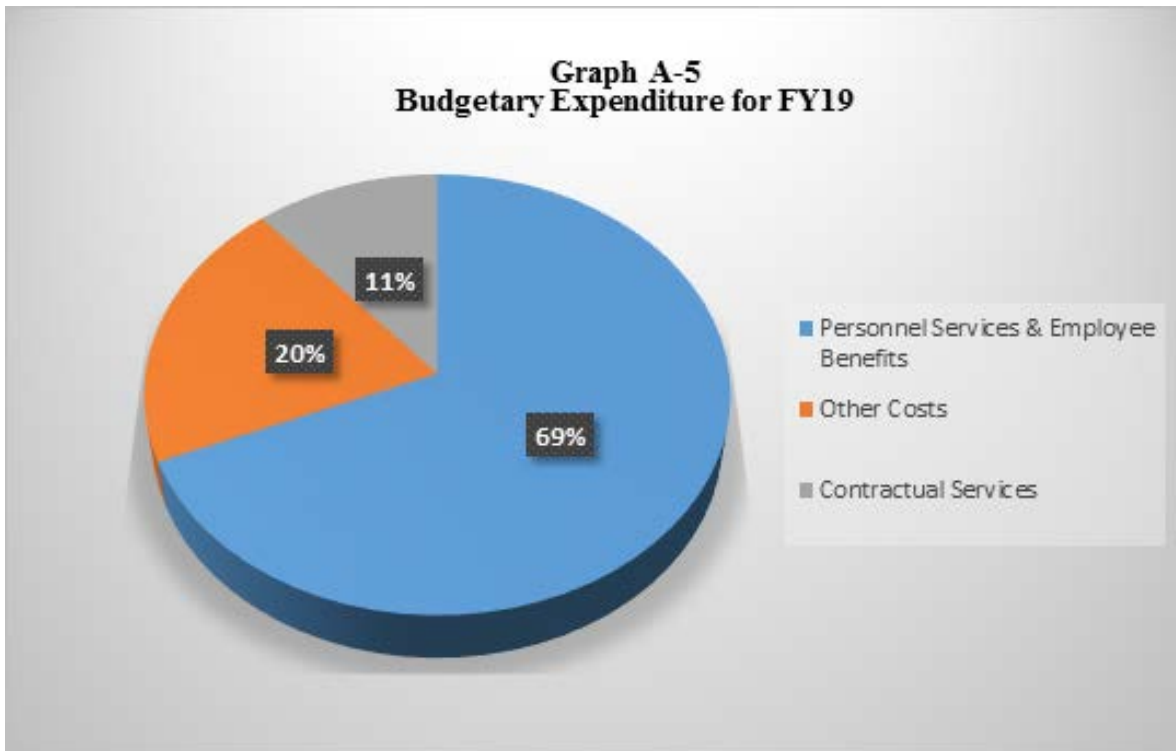
Financial Highlights (Continued)

It should also be noted that the Gaming Control Act provides the statutory rate that must be contributed to horse racing purses by the racetrack casino operators. While the Gaming Control Act establishes the rate, the Act confers no authority on the Board to monitor, audit or enforce the racetrack casino operator's performance of this obligation. The Board's staff does, however, as part of the licensing renewal process, examine records to ensure that the race track casino operators have met the obligation to tender the payment of 20% of the "net take" to the horse racing purses.

The audit and accounting component of the horse racing purses is done by the Racing Commissions staff.

Overview of Financial Activity

The Gaming Control Board receives 100% of its funding from the General Fund appropriation. As shown in Graph A-5, expenditures against the budget fiscal year end 2019 appropriation were broken down in the following categories: 69% for personnel services and employee benefits, 11% for contractual services and 20% for other costs.



Budgetary expenditure percentages increased in the Personnel Services & Benefits category. The increase in the Personnel Services and Benefits category is due to lower vacancies (13 to 9 vacant positions), leave paid out to employees upon separation, overtime and increased GSD expenses. Expenditures in the Other Costs category did not increase significantly, but our Contractual category did decrease by approximately 7%. The primary decrease is from the reduction in payment in our IT Services contract related to the central monitoring system. This is due to a settlement in the form of a credit to be applied to existing contracts (see notes to financial statements – note 13).

**NEW MEXICO GAMING CONTROL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Highlights (Continued)

Using this Audit Report

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. The government-wide financial statements include all activities of the Gaming Control Board which arise from reimbursements from applicants and licensees and from fines. Capital assets 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 operations of the general 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.

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. The Board utilizes a statutorily required Gaming Central Monitoring System, which connects to each licensed gaming device in the State (Non-Tribal). The system is a management, control and monitoring system that allows the Board to monitor all activity and verify the software of each slot 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 95%.

**NEW MEXICO GAMING CONTROL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Analysis of the Agency as a Whole (Continued)

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

	<u>2019</u>	<u>2018</u>
Assets:		
Current Assets	\$ 939,256	\$ 163,755
Capital Assets, Net of Depreciation	<u>209,902</u>	<u>739,328</u>
Total Assets	<u>\$ 1,149,158</u>	<u>\$ 903,083</u>
Liabilities and Net Position:		
Liabilities:		
Current Liabilities	\$ 690,335	\$ 322,377
Total Liabilities	<u>690,335</u>	<u>322,377</u>
Net Position:		
Net Investment in Capital Assets	209,902	739,328
Unrestricted	<u>248,921</u>	<u>(158,622)</u>
Total Net Position	<u>458,823</u>	<u>580,706</u>
Total Liabilities and Net Position	<u>\$ 1,149,158</u>	<u>\$ 903,083</u>

As summarized in Table A-1, net position of \$458,823 represents the difference between assets and liabilities of the Board. Total assets increased by \$246,075 and total liabilities increased by \$367,958. Total assets increased primarily due to the difference in the prior period restatement (Note 13) minus the credit of \$193,344 taken in FY19 and increase in the Investment in SGFIP. Total liabilities primarily increased due to an increase in accounts payable.

	<u>2019</u>	<u>2018</u>
Total Expenses	\$ (5,850,523)	\$ (5,411,178)
Total Revenues, Net of Reversion	<u>5,128,640</u>	<u>5,045,738</u>
Increase (Decrease) in Net Position	(721,883)	(365,440)
Beginning Net Position	580,706	946,146
Restatement	600,000	-
Net Position - Beginning of Year - As Restated	<u>1,180,706</u>	<u>946,146</u>
Ending Net Position	<u>\$ 458,823</u>	<u>\$ 580,706</u>

**NEW MEXICO GAMING CONTROL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Financial Analysis of the Agency as a Whole (Continued)

During the year ended June 30, 2019, total expenses increased by \$439,345, reflecting an increase in fiscal year 2019 personnel services and other services. Government-wide expenses are \$5,850,523 which includes depreciation and 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 position does not necessarily reflect only the amount of capital assets purchased net of current year depreciation during the year.

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 2019 and 2018 as follows:

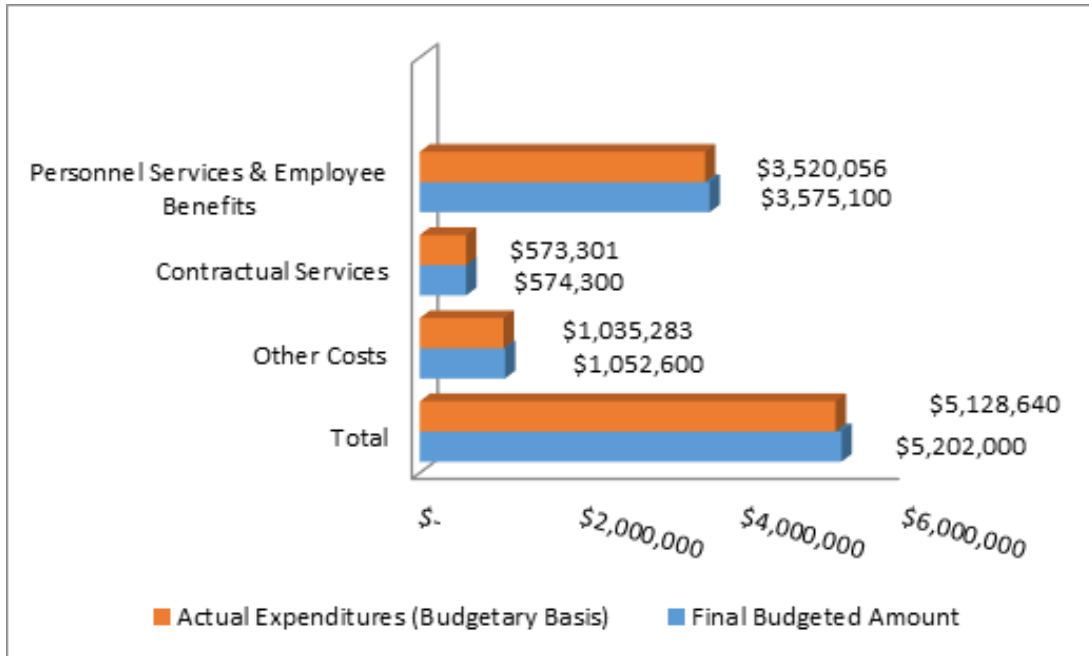
	2019	2018
Governmental Fund Expenditures	\$ (5,321,984)	\$ (5,045,738)
(Increase) Decrease in Liability for Compensated Absences	887	(15,966)
(Excess) Depreciation Over Capital Outlay	<u>(529,426)</u>	<u>(349,474)</u>
Board Expenses	<u>\$ (5,850,523)</u>	<u>\$ (5,411,178)</u>

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 in the basic financial statements section of the financial statements. Budgetary basis expenditures were within approved budgeted amounts

**NEW MEXICO GAMING CONTROL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

**Graph A-6
Budgeted Amount vs Actual Expenditures**



The difference in budget to actual expenditures for the total categories is \$73,360, the amount reverted to the general fund.

Capital Assets

The following net change occurred in the capital assets during the years ended June 30, 2019 and 2018.

	2019	2018
Net Capital Assets - Beginning of Year	\$ 739,328	\$ 1,088,802
Capital Assets Purchased	7,395	162,941
Current Year Depreciation	(536,821)	(512,415)
Net Capital Assets - End of Year	\$ 209,902	\$ 739,328

Consistent with application of GASB No. 34, the Board has recognized depreciation for capital assets during the fiscal year of \$536,821. At June 30, 2019, the total accumulated depreciation for the Board was \$2,594,132. There were \$7,395 of capital asset additions for fiscal year 2019.

**NEW MEXICO GAMING CONTROL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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

The Board's operating budget still remains short even though the operating budget increased by 4% from fiscal year 2019 to fiscal year 2020. This is due to the budget being reduced by 11% from fiscal year 2016 into fiscal year 2017. The Board has been able meet operating obligations with vacancy savings from both classified and Governor Exempt positions. The Board requested an increase of approximately 17% over the 2019 fiscal year operating budget including a request to increase the Board's FTE count by three. This request would help to cover personnel salary and benefits and other costs associated with the newly appointed Governor Exempt and classified positions. Since the Board anticipates these new appointments to occur, the remainder credit received in a settlement will be used in fiscal year 2020 to help defray the maintenance expense associated with the central monitoring system in order to meet operating obligations.

The Board has endeavored to meet the changing technological demands of the gaming industry. The Board's gaming central monitoring system is in its sixth year of service under an eight year contract. For the fiscal 2021 request, the Board submitted a computer system enhancement fund request in order to begin the planning process and ultimately issue a request for proposal for a replacement system.

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

**NEW MEXICO GAMING CONTROL BOARD
STATEMENT OF NET POSITION
JUNE 30, 2019**

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Investment in State Treasurer General Fund Investment Pool (SGFIP)	\$ 517,525
Other Cash	500
Other Accounts Receivable	14,575
Prepaid Expenses	406,656
Total Current Assets	<u>939,256</u>
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	<u>209,902</u>
Total Assets	<u><u>\$ 1,149,158</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 370,414
Accrued Payroll	133,986
Due to State General Fund	2,200
Receipts Held in Suspense	25,500
Compensated Absences	158,235
Total Liabilities	<u>690,335</u>
NET POSITION	
Net Investment in Capital Assets	209,902
Unrestricted	248,921
Total Net Position	<u>458,823</u>
Total Liabilities and Net Position	<u><u>\$ 1,149,158</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO GAMING CONTROL BOARD
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Governmental Activities
EXPENSES	
General Government:	
Personnel Services	\$ 3,519,169
Contractual Services	766,645
Other Costs	1,027,888
Depreciation	536,821
Total Program Expenses	5,850,523
GENERAL REVENUES	
State General Fund Appropriations	5,202,000
Fiscal Year 2019 Reversion	(73,360)
Total General Revenues	5,128,640
CHANGE IN NET POSITION	(721,883)
Net Position - Beginning of Year	580,706
Restatement	600,000
Net Position - Beginning of Year - As Restated	1,180,706
NET POSITION - END OF YEAR	\$ 458,823

See accompanying Notes to Financial Statements.

**NEW MEXICO GAMING CONTROL BOARD
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General Fund</u>
ASSETS	
Investment in State Treasurer General Fund Investment Pool (SGFIP)	\$ 517,525
Other Cash	500
Other Accounts Receivable	14,575
Prepaid Expenses	406,656
Total Assets	\$ 939,256
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 370,414
Accrued Payroll	133,986
Due To State General Fund	2,200
Receipts Held in Suspense	25,500
Total Liabilities	532,100
FUND BALANCES	
Nonspendable	406,656
Unassigned	500
Total Fund Balances	407,156
Total Liabilities and Fund Balances	\$ 939,256

See accompanying Notes to Financial Statements.

**NEW MEXICO GAMING CONTROL BOARD
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Total Fund Balance - Governmental Funds (Governmental Funds Balance Sheet)	\$	407,156
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Cost of Capital Assets		2,804,034
Accumulated Depreciation		<u>(2,594,132)</u>
Total Capital Assets		209,902
<p>Current compensated absences are not payable on June 30, 2019 and, therefore, are not reported in the fund financial statements.</p>		
		<u>(158,235)</u>
Net Position of Governmental Activities (Statement of Net Position)	\$	<u>458,823</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO GAMING CONTROL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>
EXPENDITURES	
General Government:	
Current:	
Personnel Services	\$ 3,520,056
Contractual Services	766,645
Other Costs	1,027,888
Capital Outlay	7,395
Total Expenditures	5,321,984
 DEFICIENCY OF REVENUES UNDER EXPENDITURES	 (5,321,984)
 OTHER FINANCING SOURCES (USES)	
State General Fund Appropriations	5,202,000
Fiscal Year 2019 Reversion	(73,360)
Total Other Financing Sources	5,128,640
 NET CHANGE IN FUND BALANCE	 (193,344)
 Fund Balance - Beginning of Year	500
Restatement	600,000
Fund Balance - Beginning of Year, As Restated	600,500
 FUND BALANCE - END OF YEAR	 \$ 407,156

See accompanying Notes to Financial Statements.

**NEW MEXICO GAMING CONTROL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$ (193,344)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital Outlay	7,395
Depreciation Expense	(536,821)

Compensated absences decreased by this amount during fiscal year 2019	887
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Change in Net Position of Governmental Activities (Statement of Activities)	\$ (721,883)
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**NEW MEXICO GAMING CONTROL BOARD
STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND –
BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2019**

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES				
General Fund	\$ 5,202,000	\$ 5,202,000	\$ 5,202,000	\$ -
TOTAL REVENUES	\$ 5,202,000	\$ 5,202,000	\$ 5,202,000	\$ -
ALL EXPENDITURES				
Personnel Services and Employee Benefits	\$ 3,525,600	\$ 3,575,100	\$ 3,520,056	\$ 55,044
Contractual Services	809,800	574,300	766,645	(192,345)
Other Costs	866,600	1,052,600	1,035,283	17,317
Total All Expenditures	\$ 5,202,000	\$ 5,202,000	\$ 5,321,984	\$ (119,984)
NET CHANGE IN FUND BALANCE			\$ (119,984)	
REVERSIONS TO STATE GENERAL FUND (NOT BUDGETED)			(73,360)	
NET CHANGE IN FUND BALANCE			\$ (193,344)	

See accompanying Notes to Financial Statements.

NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 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 43rd 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. The State of New Mexico New Mexico Gaming Control Board was established by the Gaming Control Act enacted at the 1997 session of the 43rd 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.

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 Codification, the Board had no component units as of June 30, 2019.

NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 activities of the Board. There is no effect from interfund activity that needs elimination. 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 government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Non-exchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and appropriations. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied and related costs are incurred. Appropriations are recorded at the time the money is made available to a specific fund.

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 is 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.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Unavailable revenue is reported as a deferred inflow of resources. 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.

Assets, Liabilities and Net Position

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.

The Board also uses the Licensing and Background Fees Fund for accounting for funds received for licensing and background fees that are disbursed to the State of New Mexico General Fund per State statute (SHARE 95100). Revenues associated with these distributions are recognized and reported by the State of New Mexico General Fund. Assets and liabilities are included with the General Fund of the Board.

Cash and Investments

For the fiscal year ended June 30, 2019, 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 acquisition 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.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position (Continued)

Capital Assets and Depreciation (Continued)

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 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% 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% 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 2020.

Pensions

The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds plan net position, resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and no liability will be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position (Continued)

Postemployment Benefits - State Retiree Health Care Plan

The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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.

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.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Net Position (Continued)

Net Position Classifications

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

- 1) Net investment in capital assets - This classification of net position consists of capital assets net of accumulated depreciation as of June 30, 2019.
- 2) Restricted-This classification consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (b) law through constitutional provisions or enabling legislation.
- 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.

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.

NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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, 2019 that were not 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.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 STATE GENERAL FUND INVESTMENT POOL

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

The State Controller indicated on September 17, 2019 that as of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

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

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

At June 30, 2019, the Board had the following in pooled cash invested in the State General Fund Investment Pool.

Fund	SHARE Fund No.	Fair Value June 30, 2019
General Fund	53600	\$ 504,400
Licensing and Background Fees Fund	95100	13,125
Total Investments		<u>\$ 517,525</u>

Interest Rate Risk

The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Credit Risk

The New Mexico State Treasurer pools are not rated.

For investment disclosure information regarding cash and investments held by the New Mexico State Treasurer, the reader should see the separate financial statements for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2019.

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, 2019, the Board's Licensing and Background Fees fund was owed \$14,575 from various gaming entities. All amounts are considered to be collectible.

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets and accumulated depreciation balance is as follows:

	Balance, June 30, 2018	Additions	Deletions	Balance, June 30, 2019
Assets Being Depreciated:				
Machinery and Equipment	\$ 446,686	\$ 7,395	\$ (150,047)	\$ 304,034
Gaming Machine Electronic				
Monitoring Equipment and Software	2,500,000	-	-	2,500,000
Total Assets Being Depreciated	2,946,686	7,395	(150,047)	2,804,034
Less: Accumulated Depreciation:				
Machinery and Equipment	(273,042)	(36,821)	150,047	(159,816)
Gaming Machine Electronic				
Monitoring Equipment and Software	(1,934,316)	(500,000)	-	(2,434,316)
Total Accumulated Depreciation	(2,207,358)	(536,821)	150,047	(2,594,132)
Total Capital Assets, Net	<u>\$ 739,328</u>	<u>\$ (529,426)</u>	<u>\$ -</u>	<u>\$ 209,902</u>

Depreciation expense of \$536,821 was charged entirely to general government services. All capital assets are being depreciated.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 COMPENSATED ABSENCES

The changes in liabilities for compensated absences are as follows:

	Balance at June 30, 2018	Increase	Decrease	Balance at June 30, 2019	Due Within One Year
General Fund	\$ 159,122	\$ 353,986	\$ (354,873)	\$ 158,235	\$ 158,235

NOTE 7 COMMITMENTS

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, 10, 11, and 16 of the lease. Additionally, the Board leases certain other office space, office equipment, and vehicles under one-year lease agreements. Operating leases are subject to future appropriations and shall terminate if sufficient authority and appropriations are not granted. During the year ended June 30, 2019, the Board paid approximately \$680,621 under its various lease agreements. Future minimum rental payments under the lease agreements are as follows:

Year Ending June 30,	Amount
2020	\$ 674,939
2021	692,753
2022	692,753
2023	687,302
2024	622,534
Total	<u>\$ 3,370,281</u>

Computer Software Maintenance Contracts

The Board has a maintenance agreement on its initial gaming machine electronic monitoring software and hardware programs. Contractual expenditures for the agreement were \$667,544 for the year ended June 30, 2019, in which outstanding vendors credits of \$193,344 were applied. The Board exercised the option for the second extension year during fiscal year 2019. Future obligations related to this extension total \$315,000 for July – December 2019. The Board has two additional extension options for calendar years 2020 and 2021 that have yet to be exercised.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, New Mexico 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy

The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11 NMSA 1978. During the fiscal year ended June 30, 2019, the employer and employee contribution rates were 16.99% and 8.92%, respectively. The requirements may be amended by acts of the legislature. The Board contributions to PERA for the years ended June 30, 2019, 2018, and 2017 were \$403,548, \$354,841, and \$397,020, respectively, equal to the amount of the required contributions for each fiscal year.

NOTE 9 POSTEMPLOYMENT 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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**NOTE 9 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Plan Description (Continued)

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.

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, 2019, 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, 2019, 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, 2019, 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, 2019, 2018, and 2017 were \$47,504, \$41,771, and \$46,703, respectively, which equal the required contributions for each year.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019:

Agency/Fund	Inter-Agency Transfers				Transfers In
	Board Agency Number	Board Fund Number	DFA Agency Number	DFA Fund Number	
State General Fund Appropriations, General Appropriation Act of 2018	46500	53600	34101	85300	\$ 5,152,000
General Appropriation Act of 2018	46500	53600	34100	62000	50,000
					<u>\$ 5,202,000</u>

NOTE 11 DUE TO STATE GENERAL FUND

The amount due to the State General Fund of \$2,200 at June 30, 2019 consists of other deposits.

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.

**NEW MEXICO GAMING CONTROL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 PRIOR PERIOD RESTATEMENT

The Statement of Net Position and Balance Sheet include a prior period restatement of to the beginning nonspendable fund balance and unrestricted net position in the amount of \$600,000. This amount is a restatement to recognize an asset for vendor credit that should be classified as prepaid expenses as of June 30, 2018. The restatement was caused by not recording vendor credits related to a settlement agreement occurring during fiscal year 2018. Below is a schedule of the changes in prepaid expenses, net position, and fund balance, and the effects of the correction of the error.

	June 30, 2018 As Previously Reported	Restatement	June 30, 2018 As Restated
	<u> </u>	<u> </u>	<u> </u>
Government-Wide Financial Statements			
Prepaid Expenses	\$ -	\$ 600,000	\$ 600,000
Unrestricted Net Position	<u>\$ 580,706</u>	<u>\$ 600,000</u>	<u>\$ 1,180,706</u>
Fund Financial Statements			
Prepaid Expenses	\$ -	\$ 600,000	\$ 600,000
Nonspendable Fund Balance	<u>\$ 500</u>	<u>\$ 600,000</u>	<u>\$ 600,500</u>

NEW MEXICO GAMING CONTROL BOARD
SCHEDULE I – SCHEDULE OF GENERAL FUND COMPONENTS – BALANCE SHEET
GENERAL FUNDS
JUNE 30, 2019

	General Fund 53600	Licensing and Background Fees Fund 95100	Total General Fund
ASSETS			
Investment in State Treasurer General Fund Investment Pool (SGFIP)	\$ 504,400	\$ 13,125	\$ 517,525
Other Cash	500	-	500
Other Accounts Receivable	-	14,575	14,575
Prepaid Expenses	406,656	-	406,656
Total Assets	\$ 911,556	\$ 27,700	\$ 939,256
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 370,414	\$ -	\$ 370,414
Accrued Payroll	133,986	-	133,986
Due To State General Fund	-	2,200	2,200
Receipts Held in Suspense	-	25,500	25,500
Total Liabilities	504,400	27,700	532,100
FUND BALANCES			
Nonspendable	406,656	-	406,656
Spendable:			
Unassigned	500	-	500
Total Fund Balances	407,156	-	407,156
Total Liabilities and Fund Balances	\$ 911,556	\$ 27,700	\$ 939,256

NEW MEXICO GAMING CONTROL BOARD
SCHEDULE II – SCHEDULE OF GENERAL FUND COMPONENTS –
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUNDS
YEAR ENDED JUNE 30, 2019

	General Fund 53600	Licensing and Background Fees Fund 95100	Total General Fund
	<u>53600</u>	<u>95100</u>	<u>General Fund</u>
EXPENDITURES			
General Government:			
Current:			
Personnel Services	\$ 3,520,056	\$ -	\$ 3,520,056
Contractual Services	766,645	-	766,645
Other Costs	1,027,888	-	1,027,888
Capital Outlay	7,395	-	7,395
Total Expenditures	<u>5,321,984</u>	<u>-</u>	<u>5,321,984</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(5,321,984)	-	(5,321,984)
OTHER FINANCING SOURCES (USES)			
State General Fund Appropriations	5,202,000	-	5,202,000
Fiscal Year 2019 Reversion	(73,360)	-	(73,360)
Total Other Financing Sources	<u>5,128,640</u>	<u>-</u>	<u>5,128,640</u>
NET CHANGE IN FUND BALANCE	(193,344)	-	(193,344)
Fund Balance - Beginning of Year	500	-	500
Restatement	600,000	-	600,000
Fund Balance - Beginning of Year, As Restated	<u>600,500</u>	<u>-</u>	<u>600,500</u>
FUND BALANCE - END OF YEAR	<u>\$ 407,156</u>	<u>\$ -</u>	<u>\$ 407,156</u>



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

Chairman and Board Members
New Mexico Gaming Control Board and
Mr. Brian Colón
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund and 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, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 22, 2019.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2019-001, that we consider to be a material weakness.

Chairman and Board Members
New Mexico Gaming Control Board and
Mr. Brian Colón
New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board's Response to Findings

The Board's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 22, 2019

**NEW MEXICO GAMING CONTROL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Section II – Financial Statement Findings

2019-001 Financial Accounting, Reporting and Budgeting for Vendor Credits (Material Weakness)

Condition/Context: During fiscal year 2018, the Board entered into a settlement agreement with a gaming service entity. A component of the settlement required the gaming service entity to provide the Board with credits of \$600,000 to be applied to future invoices related to the service contract for the Board’s Central Monitoring System. The Board was unaware of the proper accounting treatment of these credits and as a result, the following audit adjustments were required during FY19:

The \$600,000 credit that was available to the Board starting in January 2018 should have been recognized as an asset. This would have also included the recognition of the corresponding revenue and the nonspendable fund balance classification as of June 30, 2018. A restatement to the beginning fund balance and net position reported in the 2019 financial statements was required.

During fiscal year 2019, the Board applied credits in the amount of \$193,344 on invoices from the gaming service entity. The Board recorded only expenditures for the net amount paid to the vendor after the application of any credits. As the Board applied the credits there should have been a corresponding expenditure and reduction of the asset for the prepaid expenditures.

This matter also resulted in an over expenditure for contractual services of \$192,345 for the general fund.

Criteria: The credits are considered to an exchange-like transaction. Per GASB 33, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Per NMAC 2.2.2.10(R)(1)(a), if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact shall be reported in a finding and disclosed in the notes to the financial statements.

Cause: Lack of effective internal controls surrounding the financial close and reporting process.

**NEW MEXICO GAMING CONTROL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section II – Financial Statement Findings (Continued)

2019-001 Financial Accounting, Reporting and Budgeting for Vendor Credits (Material Weakness) (Continued)

Effect: Misstatements to the Board's financial statements.

Auditors' Recommendation: We recommend that the Board consider the accounting impacts of all settlements and to consult with the Department of Finance and Administration, as applicable.

Management's Response: Due to the unique nature of the settlement, this was the first time a credit was part of a settlement to be applied to agreements imposed against one of our gaming licensees. Unfortunately, we only recorded the anticipated credit to be used on our budget projections supplied to DFA-Budget. We will now continue to seek guidance from DFA on financial reporting should future settlements involve credits or unique or unusual terms. Although the Contractual Category resulted in an over expenditure, this was also due to the credit taken. We did not over expend our operating budget and reverted \$73,360 for FY19

Implementation: Since the credit has now been reported, we will continue to report the credits used by submitting a journal entry as it occurs and will continue to seek guidance from DFA on proper financial reporting should anything new occur.

Person Responsible: Responsibility will fall under the Administrative Services Division (ASD) – CFO. If unique and unusual terms are involved in the future, the Executive Director and Legal Staff shall communicate with the agency CFO and Budget Administrator.

**NEW MEXICO GAMING CONTROL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019**

Section III – Financial Statement Findings

There were no findings for the year ended June 30, 2018.

**NEW MEXICO GAMING CONTROL BOARD
EXIT CONFERENCE
JUNE 30, 2019**

An exit conference was held with the Board on October 28, 2019. The conference was held at the Board's offices in Albuquerque, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

NEW MEXICO GAMING CONTROL BOARD

Jeffrey S. Landers, Chairman
Cynthia Ortega-Armijo, Acting Executive Director
Michelle Varela, Budget Administrator

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGFM, CGMA, Engagement Principal
Victor Kraft, CPA, CGFM, CFE, Engagement Manager

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.

