

**STATE OF NEW MEXICO
RACING COMMISSION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2019**



NEW MEXICO RACING COMMISSION

TABLE OF CONTENTS

Listing of Principal Officials	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Balance Sheet - Governmental Funds.....	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.....	13
Budget to Actual Comparison Statement - General Fund.....	14
Budget to Actual Comparison Statement - General Fund - Equine Testing Fund...	15
Statement of Fiduciary Assets and Liabilities - Agency Funds.....	16
Notes to Financial Statements	18
Supplemental Information:	
Combining Balance Sheet - General Fund Accounts.....	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund Accounts.....	35
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds.....	36
Combining Schedule of Changes in Assets and Liabilities - Agency Funds.....	37
Schedules:	
Schedule of Cash Accounts and Investments.....	38
Other Information:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	39
Summary Schedule of Prior Year Audit Findings.....	41
Schedule of Findings and Responses.....	42
Exit Conference	46

NEW MEXICO RACING COMMISSION

LISTING OF PRINCIPAL OFFICIALS

Commissioners

Name	Title
Beverly Bourguet	Chairperson
David Sanchez	Vice Chairman
John Buffington	Member
Freda McSwane	Member
Billy Smith	Member

Administrative Officials

Name	Title
Ismael "Izzy" Trejo	Executive Director
Laura Valencia	CFO
Kira Frazier	CPO



INDEPENDENT AUDITORS' REPORT

Brian S. Colón, ESQ.
New Mexico Office of the State Auditor
The Commissioners of the
New Mexico Racing Commission
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and equine testing fund of the New Mexico Racing Commission (Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Commission's fiduciary funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining fund financial statements as of and for the year ended June 30, 2019, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2019, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund and equine testing fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary funds of the Commission as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 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.

Emphasis of Matter

As discussed in Note A, the financial statements of the New Mexico Racing Commission, State of New Mexico, are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, the major fund, the budgetary comparison for the general fund and equine testing fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the New Mexico Racing Commission. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2019 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming opinions on the Commission's basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The additional schedules required by Section 2.2.2. NMAC listed as "supplemental information" and "schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2019 on our consideration of the Commission'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 Commission's internal control over financial reporting and compliance.



October 31, 2019

NEW MEXICO RACING COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Our discussion and analysis of the New Mexico Racing Commission's (Commission) financial performance provides an overview of our financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the financial statements, which follow this discussion and analysis. This document will assist the reader in the following:

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

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the Commission as a whole and present a longer-term view of our finances. Financial data presented in these financial statements is for the activities of the Commission as a single agency. It does not purport to represent the State of New Mexico as a whole.

Government Wide Financial Statements

The Statement of Net Position (Unrestricted and Restricted Net Position) report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year revenues and expenses are reported regardless of when cash is received or paid. These financial statements do not include fiduciary activities. Fiduciary resources are not available to finance the government's programs and are excluded from the government-wide financial statements.

The government-wide financial statements include all activities of the Commission with the exception of the fiduciary funds that arise from the collection of racing participants and licensees' fees, taxes and fines. General fixed assets are included in these financial statements. State general fund appropriations and collection of pari-mutuel taxes finance these activities. The SHARE accounts General Fund and the Equine Testing Fund are included in the government-wide financial statements and all receivables and payables have been eliminated as well as transfers.

Fund Financial Statements

The SHARE Accounts General Fund (19200) and the Equine Testing Fund (12140) are combined to make up the general fund. Only individual governmental or individual proprietary funds can be considered for major fund status. The Commission's two kind 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 uses.

**NEW MEXICO RACING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

USING THIS ANNUAL REPORT (CONTINUED)

Governmental Funds. All of the Commission's basic and designated services are reported in the governmental funds, which focus on the establishment of an appropriation by the state legislature and taxes collected and the expenditures of these monies in accordance with the budgets. If the General Fund account (SHARE Fund# 19200) monies not expended or encumbered at the year-end, they revert to the State of New Mexico's General Fund. The Equine Testing Fund (SHARE Fund# 12140) monies remain in the fund, unless the balance exceeds \$600,000 at year-end. Any monies greater than \$600,000 must revert to the State of New Mexico's General Fund. The fund is reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The difference between governmental activities and governmental funds are reconciled.

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

THE NEW MEXICO RACING COMMISSION AS A WHOLE

The New Mexico Racing Commission is funded by monthly appropriations from the New Mexico State General Fund and through the collection of weekly transfers into the Equine Test Fund (#12140) from the five racing locations to be used solely for equine test expenditures. The Commission is responsible for the regulation of the State's pari-mutuel horse racing industry. During the fiscal year ending June 30, 2019, there were 244 live race days regulated.

Condensed Statement of Net Position

Table A-1

	<u>Governmental Activities</u>		Increase
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>
Current assets	\$ 321	\$ 254,490	\$ (254,169)
Capital and non-current assets (net of depreciation)	6,462	8,350	(1,888)
Total Assets	<u>6,783</u>	<u>262,840</u>	<u>(256,057)</u>
Investment in the State General Fund			
Investment Pool Overdraft	93,665	-	93,665
Current liabilities	191,573	314,147	(122,574)
Long-term liabilities	60,900	54,804	6,096
Due to State General Fund	-	79,689	(79,689)
Total Liabilities	<u>346,138</u>	<u>448,640</u>	<u>(102,502)</u>
Net Position:			
Restricted	-	11,046	(11,046)
Unrestricted (deficit)	<u>(339,355)</u>	<u>(196,846)</u>	<u>(142,509)</u>
Total Net Position	<u>\$ (339,355)</u>	<u>\$ (185,800)</u>	<u>\$ (153,555)</u>

**NEW MEXICO RACING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE NEW MEXICO RACING COMMISSION AS A WHOLE (CONTINUED)

As summarized in Table A-1, Current liabilities decreased due to a decrease in accounts payable which was related to payment for equine testing. Net Position of \$339,355 represents the difference between assets and liabilities of the Agency. The deficit presented in unrestricted net position does include a position of the agency overspending funds \$132,295 in 2019. The remaining deficit represents the estimated future cost of compensated absences that will be funded and paid from future appropriations.

Condensed Statement of Activities
Table A-2

	Governmental Activities		Increase (Decrease)
	2019	2018	
Revenues:			
Taxes	\$ 669,543	\$ 737,480	\$ (67,937)
Program Expenses:			
Racing regulation	2,895,598	2,692,292	203,306
General Revenues/Transfers:			
General fund appropriations	2,072,500	1,981,900	90,600
Transfer out - reversion	-	(15,373)	15,373
Total revenues/transfers	<u>2,072,500</u>	<u>1,966,527</u>	<u>105,973</u>
Increase (decrease) in net position	(153,555)	11,715	(165,270)
Beginning of year, net position (deficit)	<u>(185,800)</u>	<u>(197,515)</u>	<u>11,715</u>
End of year, net position (deficit)	<u><u>\$ (339,355)</u></u>	<u><u>\$ (185,800)</u></u>	<u><u>\$ (153,555)</u></u>

ANALYSIS OF FINANCIAL POSITION

The Commission receives 75.6% of its governmental fund revenues from an appropriation from the state legislature and the remainder from the collection of daily capital outlay taxes appropriated and transferred for equine testing which was established in January of 2015. These SHARE fund accounts are expended by the Commission based on a budget submitted and approved by the state legislature and the Governor.

ANALYSIS OF GOVERNMENTAL FUNDS

The Commission operates one governmental fund in which all activity related to horseracing regulation is recorded. The following financial statements present the financial position and results of operations for the governmental activities. Funding for the governmental funds is \$2,072,500 from the General Fund appropriation and \$680,588 in collection of Equine Test Fund wire transfers.

**NEW MEXICO RACING COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

ANALYSIS OF GOVERNMENTAL FUNDS (CONTINUED)

Governmental funds expenditures totaled \$2,883,995 and differs from the government-wide expenses of \$2,895,598 by one item as follows:

Government fund expenditures	\$ 2,883,995
Increase in liability for compensated absences	9,715
Depreciation	1,888
Agency government-wide expenses	<u>\$ 2,895,598</u>

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The Commission maintains the General Fund and two fiduciary funds. The General Fund receives an appropriation by the state legislature and pari-mutuel taxes. The expenditures of this money are in accordance with a budget. The Commission's two fiduciary funds consist of Racing Receipts and Horse Racing Suspense Account.

The Racing Receipts Fund consists of collections of all pari-mutuel taxes, license, fines, and fee receipts. These receipts are transferred monthly to the state general fund, and withdrawals to statutory required payments to municipalities where qualifying racetracks are located. The total amount transferred to the State General Fund from the Racing Receipts Fund during the 2019 fiscal year was \$1,827,883.

The Horse Racing Suspense Account Fund is a statutory required fund to allow for the refund of fines and licensing fees adjudicated to be refunded.

GENERAL FUND BUDGETARY HIGHLIGHTS

The annual operating budget is approved by the Department of Finance and Administration. Over the course of the year, the Commission 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 14 and 15.

The budgetary basis expenditures for the General Fund account exceeded their General Fund allotment contributed to equine expenditures were greater than wire transfers received from race tracks. Expenditures for equine testing was \$848,612 and wire transfers received by the Equine Test fund was \$669,543, affecting the Contractual category. The Commission came under budget in the other budget categories due to staff termination and cancellation of legal services for the end of the fiscal year. Overall budget was overspent by \$132,295 for fiscal year 2019.

CAPITAL ASSETS ADMINISTRATION

The Commission capitalizes and inventories capital assets with a cost of \$5,000 or more in compliance with HB (Section 12-6-10 NMSA 1978). During the year no capital assets were acquired that required to be capitalized. The Commission recognized \$1,888 of depreciation on assets acquired in the current year or prior years.

The Commission does not have any current or long-term debt.

**NEW MEXICO RACING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The New Mexico State Government continues to be met with the challenge to continue services to the public with a limited budget. Each agency is charged with determining how to effectively continue its services and balance their respective budgets. This usually means reduction in expenditures and limited staff. The New Mexico Racing Commission continues the same practice and maintains its commitment to the betting public, racing participants and the State of New Mexico and will do its part to ensure that expenditures are limited and its budget is managed effectively.

The NM Racing Commission has made a commitment to focus on continued development of regulation services to the horse racing industry. With the nationwide decline of horse racing, the Commission understands that the challenge of continued success. However, locally, the racing industry continue to progress. During the fiscal year ending June 30, 2019, management has identified several positive highlights such as: a newly appointed board, steady pari-mutuel taxes, an increase of regular and out of competition testing. In the coming fiscal year, management is set to hire several full-time-equivalent to fill positions and assist with regulation in auditing, legal and investigations. Our goal for enhanced regulation will continue through the following fiscal year and staff will seek out alternative resources available to the agency to provide accountability to the citizens and racing participants.

During fiscal year 2019, the agency had staff turnover in the following positions; two investigators, financial specialist and paralegal secretary. During FY20, several of these positions will be filled by mid-October and requests to fill an auditor, additional investigator and an attorney by the end of December, 2019. With the FY21 Allocation request, the agency requested in increase in Personal Services for the addition of an veterinarian team and a pay increase for racing officials (stewards); an increase for Contracting for services related to testing for additional out of competition testing, the development of a testing program for morning training work outs; an increase to Other Category for all costs associated with additional staff in areas such as travel, fuel costs, supplies, IT equipment and services. The increases to the operating budget are fundamental in maintaining the agency's mission and regulation of the racing industry.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, customers, legislators, investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the funds it receives. If you have any questions about this report or need additional financial information contact:

New Mexico Racing Commission
4900 Alameda, NW, Suite A
Albuquerque, NM 87113
(505) 222-0700
nmrc@state.nm.us

NEW MEXICO RECING COMMISSION
STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
Assets:	
Other receivables	\$ 321
Capital assets, net of accumulated depreciation	<u>6,462</u>
Total assets	<u><u>6,783</u></u>
Liabilities:	
Investment in the State General Fund Investment Pool Overdraft	93,665
Accounts payable	128,415
Accrued salaries and benefits	45,486
Compensated absences payable	
Due within one year	17,672
Due after one year	<u>60,900</u>
Total liabilities	<u>346,138</u>
Net Position:	
Investment in capital assets	6,462
Unrestricted (deficit)	<u>(345,817)</u>
Total net position	<u>(339,355)</u>
Total liabilities and net position	<u><u>\$ 6,783</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NEW MEXICO RACING COMMISSION
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Governmental Activities
Revenues:	
Taxes	\$ 669,543
Program Expenses:	
Personal services / employee benefits	1,326,192
Contractual services	1,193,710
Other	<u>375,696</u>
Total program expenses	<u>2,895,598</u>
General Revenues/Transfers:	
State general fund appropriations	<u>2,072,500</u>
Total general revenues/transfers	<u>2,072,500</u>
Change in net position	(153,555)
Net Position:	
Beginning of year	<u>(185,800)</u>
End of year	<u><u>\$ (339,355)</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

**NEW MEXICO RACING COMMISSION
BALANCE SHEET – GOVERNMENTAL FUNDS**

June 30, 2019

	General Fund
Assets:	
Other receivables	\$ 321
Total assets	<u>321</u>
Liabilities:	
Investment in the State General Fund Investment Pool Overdraft	93,665
Accounts payable	128,415
Accrued salaries and benefits	<u>45,486</u>
Total liabilities	<u>267,566</u>
Fund Balance:	
Unassigned (Deficit)	<u>(267,245)</u>
	(267,245)
Total liabilities and fund balance	<u>\$ 321</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

Fund Balance - Government Funds	\$ (267,245)
Capital outlay in the current period net of depreciation of \$1,888	6,462
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(78,572)</u>
Net Position of Governmental Activities	<u>\$ (339,355)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NEW MEXICO RACING COMMISSION

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	General Fund
Revenues	
Taxes	\$ 669,543
Expenditures	
Personal services / employee benefits	1,316,477
Contractual services	1,193,710
Other	373,808
Total expenditures	<u>2,883,995</u>
Other Financing Sources (Uses)	
State general fund appropriations	2,052,700
Other uses -Transfers in	19,800
Other uses -Intra Agency-Transfers In	680,588
Other uses -Intra Agency-Transfers Out	(680,588)
Total other financing sources (uses)	<u>2,072,500</u>
Net change in fund balance	(141,952)
Fund balance	
Beginning of year	(125,293)
End of year	<u>\$ (267,245)</u>
Reconciliation of Statement of Revenues, Expenditures, and Changes In Fund Balances-Governmental Funds to the Statement of Activities:	
Net Change in Fund Balances - Total Government Funds	\$ (141,952)
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation.	(1,888)
In the Statement of Activities, certain operating expenses - compensated absences payable - are measured by the amounts earned during the year. In the Governmental Fund, however, expenditures are measured by the amount of financial resources used (essentially the amount actually paid). The increase in the liability for compensated absences payable for the year was	(9,715)
Change in Net Position - Governmental Activities	<u>\$ (153,555)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NEW MEXICO RACING COMMISSION

BUDGET TO ACTUAL COMPARISON STATEMENT – GENERAL FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
State general fund appropriations	\$ 2,281,900	\$ 1,981,900	2,052,700	\$ 70,800
Other sources	<u>769,800</u>	<u>769,800</u>	<u>700,388</u>	<u>(69,412)</u>
Total revenues	<u><u>3,051,700</u></u>	<u><u>2,751,700</u></u>	<u><u>2,753,088</u></u>	<u><u>1,388</u></u>
Expenditures				
Personal service/employee benefits	1,271,900	1,327,900	1,316,477	(11,423)
Contractual services	1,566,500	1,032,500	1,193,710	161,210
Other	<u>213,300</u>	<u>391,300</u>	<u>373,808</u>	<u>(17,492)</u>
Total expenditures	<u><u>\$ 3,051,700</u></u>	<u><u>\$ 2,751,700</u></u>	<u><u>\$ 2,883,995</u></u>	<u><u>\$ 132,295</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NEW MEXICO RACING COMMISSION
BUDGET TO ACTUAL COMPARISON STATEMENT
– GENERAL FUND - EQUINE TESTING FUND

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
Revenues				
Other Sources-pari-mutuel taxes	\$ 750,000	\$ 750,000	\$ 669,543	\$ (80,457)
Total revenues	<u>750,000</u>	<u>750,000</u>	<u>669,543</u>	<u>(80,457)</u>
Expenditures				
Other uses	<u>750,000</u>	<u>750,000</u>	<u>-</u>	<u>(750,000)</u>
Total expenditures	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ (750,000)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NEW MEXICO RACING COMMISSION

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS

June 30, 2019

	Agency Funds
Assets:	
Investment in the State General Fund Investment Pool	\$ (65,416)
Fines Receivable	67,250
Total assets	<u>1,834</u>
Liabilities:	
Due to state general fund	(66,070)
Due to other agencies	67,904
Total liabilities	<u>\$ 1,834</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

NEW MEXICO RACING COMMISSION

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

The Agency Funds are used to account for assets held as an agent capacity for individuals, private organizations, other governments, and/or other funds.

RACING RECEIPTS FUND

This fund is a statutory required fund to account for collections of all pari-mutuel license, fines and fee receipts. These receipts are transferred to the state general fund. In addition, required gross receipt disbursements to municipalities where qualifying racetrack are located are made.

SUSPENSE REFUND FUND

This is a statutory required fund to allow for the return of fines and licensing fees adjudicated to be refunded.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The New Mexico Racing Commission (Commission) is administratively attached to the State of New Mexico Tourism Department. The Commission consists of five members, all of whom are appointed by the Governor of the State of New Mexico. Section 60-1A-4, NMSA 1978 empowers the state racing commission to make rules and regulations for the holding, conducting and operating of all race meets and races. Section 60-1A-20, NMSA 1978 empowers the racing commission to establish such qualifications licenses to conduct horse race meets as it deems to be in the public interest. The duties include collecting taxes on behalf of the State of New Mexico Taxation and Revenue Department and other parties. The basic financial statements of the Commission only include the activities associated with these types of functions. They do not include the operating or capital improvement activities the tracks with the exception of those receipts and disbursements for which the Commission as an agent of the tracks.

The financial statements of the Commission have been prepared in conformity with accounting generally accepted in the United States of America (GAAP) as applied to governmental. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Commission are described below:

a. FINANCIAL REPORTING ENTITY

GASB Statement No. 61, The Financial Reporting Entity: Omnibus, effective for periods beginning after June 15, 2012, establishes standards for defining and reporting on the financial reporting entity. The requirements of GASB No. 61 apply at all levels to all state and local governments.

GASB No. 61 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

No entities are considered component units of the Commission. The Commission's fiduciary funds are not included with the government-wide presentations.

A primary government is any state government or general-purpose local government, consisting of all of the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Commission, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. The State of New Mexico will present a Comprehensive Annual Financial Report (CAFR) inclusive of all agencies of the primary government for fiscal year 2018.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

b. BASIC FINANCIAL STATEMENTS

The Commission's basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. The reporting model focus is on either the Commission as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Position, the governmental activities are presented and are reflected on a full accrual, economic resources basis focus, which incorporates long-term assets, as well as long-term obligations. The Commission did not have any business-type activities during the year ended June 30, 2019. The effect of material interfund activity is removed from the governmentwide statements. There was no interfund activity during the year.

The government-wide Statement of Activities reflects both the gross and net costs per functional (education, labor, transportation, etc.) that are otherwise being supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants. The program revenues must be directly associated with the function of a business-type activity. The Commission includes only one function (general government). When an expense is incurred for purposes when both restricted and unrestricted resources are available, the Commission utilizes the restricted resources first.

The net cost (by function of business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). The Commission does not currently employ an indirect cost allocation system.

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

The fund financial statements have an emphasis on the major funds in the governmental category. The Commission has one governmental fund, the General Fund, which consists of the general fund (Share Account# 19200) and the Equine Testing Fund (Share Account # 12140) and is the only major fund.

The governmental fund statements are presented on a current financial resource and modified accrual measurement focus of accounting. This presentation is deemed more appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Commission's actual experience conforms to the budget or fiscal plan.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is also presented on the page, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column on the government-wide presentation.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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

c. BASIS OF PRESENTATION

The financial transactions of the Commission are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Commission, the only individual governmental fund, the General Fund, has been classified as a major fund.

The Commission uses the following fund types:

GOVERNMENTAL FUND TYPES

General Fund # 19200 - The General Fund is the general operating fund and is combined with the SHARE accounts General Fund and the Equine Testing Fund as the only major fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded through an appropriation from the New Mexico State Legislature. The unassigned fund balance reverts back to the State General Fund at fiscal year end.

Equine Testing Fund # 12140 - The fund is combined with the SHARE account General Fund by the New Mexico Legislature under Chapter 60, Article 1A, Section 14.1. The Equine Testing fund purpose is to provide additional funding for equine testing. The fund is required to revert funds to the State General Fund all monies greater than \$600,000.

Racing Receipts Fund #81400 - This fund is a statutory required fund to account for collections of all Pari-mutual license, fines and fee receipts. These receipts are transferred to the state general fund. In addition, required gross receipts disbursements to municipalities where qualifying racetrack are located are made. The fund is reflected as an Agency Fund for the fiscal year ended June 30, 2019.

Suspense Refund Fund # 84500 - This is a statutory required fund to allow for the return of fines and licensing fees adjudicated to be refunded. The fund is reflected as an Agency Fund for the fiscal year ended June 30, 2019. There was no activity reflected in this fund for the year ended June 30, 2019.

**NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019**

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

d. BASIS OF ACCOUNTING

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

Accrual. The government-wide financial statements and the fiduciary financial statements are presented on the accrual basis of accounting using an economic resources measurement focus.

Modified Accrual. The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

e. BUDGETARY PROCEDURES AND ACCOUNTING

The State Legislature makes annual appropriations to the Commission. Legal compliance is monitored through the establishment of an annual budget. Annual budgets are adopted each fiscal year for the General Fund. Amendments to the budget require approval by the State's Financial Control Division of the Department of Finance and Administration.

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, Item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration". The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at year-end.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

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

1. By September 1st, the Commission prepares a budget request by appropriation unit to be presented to the next legislature;
2. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature;

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

3. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature;
4. The Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature;
5. Both the DFA's and LFC's recommended appropriation proposal are presented to the legislature for approval of the final budget plan;
6. Budgetary control is exercised at the appropriation unit level of the Commission as a whole and changes are approved by the DFA;
7. Appropriations, if reverting, lapse at the end of the year except for amounts in accounts payable after July 31;
8. The General Appropriation Act establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico.

f. CAPITAL ASSETS

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions are added to the capital accounts, is \$5,000 per section 12-6-10 NMSA 1978.

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

Furniture & Fixtures & Leasehold Improvements	7 Years
Equipment	5 Years
Data Processing Equipment	5 Years

g. ENCUMBRANCES ACCOUNTING

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund during the operating year. Encumbrances outstanding that do not extend beyond the appropriation period (generally, the fiscal year ended June 30), lapse and must be re-encumbered against the new appropriation during the following fiscal year, as necessary or needed.

**NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019**

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

h. COMPENSATED ABSENCES PAYABLE

Compensatory time is accumulated by qualified employees as follows:

- a) Annual leave - A maximum of 240 hours of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours;
- b) Sick Leave - Employees who have accumulated 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July;
- c) Compensatory time - An employee may accrue not more than 240 hours of compensatory. Compensatory time shall be at a rate of not less than 1-1/2 hours for each hour of employment for which overtime compensation is performed. If compensation is paid to an employee for accrued compensatory time off, such compensation shall be paid at the regular rate by the employee at the time the employee receives such payment.

The compensated absences payable is included in the government-wide financial statements.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes. Office general fund resources have been used to liquidate accrued compensated absences.

i. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of resources that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has no deferred inflows at year end June 30, 2019.

j. REVERSION TO STATE GENERAL FUND

The appropriation authorized to the New Mexico Racing Commission by the New Mexico State Legislature is classified as a "reverting fund". Section 6-5-10, NMSA 1978, requires "all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert by September 30, to the general fund.

**NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019**

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The following is a computation of the reversion amount due at June 30, 2019 for fund 19200:

Fund balance unassigned (Deficit) at July 1, 2018	\$ (185,800)
State general fund appropriation and other revenue	2,742,043
Budgetary basis expenditures	(2,895,598)
Reversion due to the State General Fund June 30, 2019	-
	<hr/>
Fund balance-unassigned (Deficit)	<u>\$ (339,355)</u>

The Commission's reversions are calculated using the budgetary basis expenditures because the Commission does not have the legal authority to obligate the State for liabilities once the appropriation period has lapsed.

k. NET POSITION

The Government-Wide Fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Investment in Capital Assets - is intended to reflect the portion of assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Commission did not have any related debt during the year ended June 30, 2019.

Unrestricted Deficit - represents the deficit of total assets over total liabilities and net position invested in capital assets at June 30, 2019.

Restricted Net Position - net position should be reported as restricted when constraints placed on the net position are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law constitutional provisions or enabling legislation.
- Enabling legislation must be legally enforceable. Legal enforceability means that a government can be compelled by an external party - such as citizens, public interest groups or the judiciary - to use resources only for the purposes specified by the legislation.

The Equine Testing Fund account is restricted by enabling legislation under Chapter 60, Article 1A, Section 14.1.

**NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019**

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

I. FUND BALANCE

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a governments fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- i. Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- ii. Restricted fund balance- amounts constrained to specific purposes by their providers such as grantors), through constitutional provisions, or by enabling legislation;
- iii. Committed fund balance- amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- iv. Assigned fund balance- amounts a government intends to use for a specific; intent can be expressed by the governing body or by an official or body to which the governing body the authority;
- v. Unassigned fund balance- amounts that are available for any purpose.

m. 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.

NOTE B - CASH AND CASH EQUIVALENTS

No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation according to Section 6-10-16 NMSA 1978.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits (in excess of FDIC insurance) may not be returned to them. As of June 30, 2019, the transfer of the Commission's bank balances reduced Commission's cash to zero and as such not exposed to custodial credit risk.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE C - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

For cash management and investment purposes, the Commission's funds are deposited in the State General Fund Investment Pool (Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by various agencies investing in the Pool, including the Commission. The Commission has restricted cash that is restricted for the purpose of additional equine testing.

State law (Section 8-6-3 NMSA 1978) requires the Commission's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Office consist of their pro-rata interest in the State General Fund Investment Pool in the amount of \$(93,665). The Commission's general program share of the SGFIP investment balance held at the State Treasury. The Commission's fund is reverting which does not allow excessive buildup of cash at the end of the year. Unspent funding is reverted and appropriations and corresponding reversions have been audited each year. The consumer settlement fund is characterized by larger, less numerous transactions that are reviewed in depth by the legislature in addition to the Commission.

Such transactions have been validated by the Office each year. Additionally, the Commission maintains certain compensating controls for the monitoring of cash receipts and cash disbursements.

Due to characteristics of the primary revenue sources for the Commission and the presence of compensating controls, management believes that the SGFIP balance of \$(93,665) materially approximates their share of the SGFIP at June 30, 2019. Any adjustments to the SGFIP balance that might exist at June 30, 2019 are not known at this time.

Investments of the Commission consist of its interest in the State General Fund Investment Pool, which is managed by the New Mexico State Treasurer. The fair value of the investments maintained at the New Mexico State Treasurer's Office at June 30, 2019 is as follows:

	<u>Fair Value</u> <u>6/30/2019</u>
Investment in New Mexico State Treasurer's Office General Fund Investment Pool	<u>\$ (93,665)</u>

Detailed information of the Commission's interest in the State General Fund Investment Pool is as follows:

<u>Fund</u>	<u>SHARE</u> <u>Fund No.</u>	<u>Fair Value</u> <u>6/30/2019</u>
General Fund	19200	\$ (93,665)
Agency Funds	81400	(65,416)
		<u>\$ (159,081)</u>

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE C - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL
(CONTINUED)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have an investment policy that limits investment interest rate risk. Management estimates that the State General Fund Investment Pool is presented at a value which approximates fair value. For additional disclosure information regarding the investment in the State Treasurer's SGFIP, the reader should see the separate audit report for the State Treasurer's Office the fiscal year ended June 30, 2019, and review the State Treasurer's Investment Policy at <http://www.stonm.org/Investments/InvestmentPolicy>.

NOTE D - CAPITAL ASSETS

Following are the changes in capital assets for the year ended:

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
Governmental Activities:				
Capital Assets Being Depreciated				
Furniture and fixtures	\$ 17,332	\$ -	\$ -	\$ 17,332
Equipment	48,028	-	-	48,028
Data Processing Equipment	198,872	-	-	198,872
Leasehold Improvements	13,217	-	-	13,217
	<u>277,449</u>	<u>-</u>	<u>-</u>	<u>277,449</u>
Less accumulated depreciation				
Furniture and fixtures	17,332	-	-	17,332
Equipment	48,028	-	-	48,028
Data Processing Equipment	198,872	-	-	198,872
Leasehold Improvements	4,867	1,888	-	6,755
	<u>269,099</u>	<u>-</u>	<u>-</u>	<u>270,987</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,350</u>	<u>\$ 1,888</u>	<u>\$ -</u>	<u>\$ 6,462</u>

Depreciation expense of \$1,888 is included in "Other" category in the statement of activities.

NOTE E - COMPENSATED ABSENCES PAYABLE

Long-term liability activity for the Commission for the year ended June 30, 2019, is as follows:

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019	Due Within One Year
Governmental Activities					
Other Liabilities					
Compensated Absences	<u>\$ 68,856</u>	<u>\$ 23,768</u>	<u>\$ 14,052</u>	<u>\$ 78,572</u>	<u>\$ 17,672</u>

Compensated absences are paid out of the general fund.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE F - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Plan Description

Substantially all of the Commission'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.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary if they earn over \$20,000 a year and 7.42% of their gross salary if they earn \$20,000 or less a year. The Commission is required to contribute 16.59% of their gross covered salary. In fiscal year 2019, the Commission will contribute 16.99% of the gross covered salary of employees. The contribution requirements of plan members and the Commission are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's contributions to PERA for the fiscal years ending June 30, 2019, 2018, and 2017 were \$146,728, \$148,233 and \$142,313, respectively, which equal the amount of the required contributions for each fiscal year.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2019. The Commission, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan 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 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 expenses, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE G - POSTEMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description. The Commission 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;
- (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.

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.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE G - POSTEMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN
(CONTINUED)

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 statutes required each participating employer to contribute 2.50% 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 2.00% of each participating employee's annual salary; each participating employee was required to contribute 1.00% 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 Commission's contributions to the RHCA for the years ended June 30, 2019, 2018, and 2017 were \$17,941, \$16,004 and \$16,899, respectively, which equal the required contributions for each year.

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE H - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account of each participant.

It is the opinion of the State's legal counsel that the State has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The State believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Neither the Commission nor the State of New Mexico make any contributions to the deferred compensation plan. All contributions withheld from participants by the Commission have been paid to the New Mexico Public Employees' Retirement Association which administers the plan.

NOTE I - RECONCILIATION OF BUDGET BASIS TO GAAP - EXPENSES

	<u>Expenses</u>
Budget basis expenditures - General Fund # 19200	\$ 2,883,995
Depreciation Expense	1,888
Increase in compensated absences	<u>9,715</u>
GAAP basis expenses	<u>\$ 2,895,598</u>

NOTE J - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commission carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, and Transportation Property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

NOTE K - STATE GENERAL FUND APPROPRIATIONS

During the year ended June 30, 2019, State General Fund Appropriations consist of the following:

Laws 2018, 1st Session Chapter 73, Section 4	\$ <u>1,372,112</u>
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**NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019**

NOTE L - TRANSFERS TO STATE GENERAL FUND

During the year, the following cash transfers were made from the Commission to the State of New Mexico's General Fund:

Racing Receipts Fund:

Transfer from Fund #81400 Affiliate of # 34101 to Fund #85300	<u>\$ 1,894,479</u>
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Racing Commission Fund:

Transfer from SHARE Fund #85300 to Fund #19200	\$ 2,052,700
Transfer from DFA SHARE Fund #62000 to Fund #19200	19,800

Transfer from Fund #81400 Affiliate of # 34101 to Fund #19200	<u>\$ 680,588</u>
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NOTE M - NET POSITION- UNRESTRICTED (DEFICIT)

The net position - unrestricted (deficit) of \$339,355 in the Statement of Net Position is primarily due to the following: created from \$78,572 of compensated absences that were accrued at June 30, 2019 but will be paid for out of future appropriations and an overspend budget \$132,295.

NOTE N - MEMORANDUM OF UNDERSTANDING

The Commission has a memorandum of understanding (MOU) with the State Personnel Office (SPO) for the fiscal year ending June 30, 2019. The SPO provided the maintenance of the personnel files and performed other human resource functions. The commission paid SPO \$12,700.

NOTE O - SUBSEQUENT EVENTS

Events subsequent to June 30, 2019 have been evaluated by management through October 31, 2019, the date the financial statements are available for issuance. In the opinion of management, no events occurring after June 30, 2019 required disclosure or adjustment to the financial statements.

NOTE P - LEASES

In October 2015, the Commission signed a 9 year 7 month lease of office space ending in April 2025. The lease has yearly escalation clauses, but can be terminated if certain conditions are met by the Lessee with penalty.

NEW MEXICO RACING COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019

NOTE Q - RACING FINES

The Racing Commission is governed under 60.1A.14 NMAC. and under this statute has a program that tests race horses to determine if there have been any improper substances administered to enhance performance. If these various tests detect the use of improper substances fines are imposed on the owner of the horse and also the trainer by the stewards of the Commission.

Fines imposed by the Stewards are to be paid within 30 days after the ruling is issued unless otherwise ordered. The fines that are not paid at the end of the 30 days period will have their racing license suspended until such fines are paid. The suspension of a racing license is recognized throughout the United States and is the main deterrent available to the Racing Commission with respect to maintaining a fair environment to this sport administered by the State of New Mexico.

A reconciliation of the fines as recorded in the Commission Records is provided below:

Fines Receivable June 30, 2018	\$ 1,076,175
Assessments made	114,550
Fines Paid	<u>(178,150)</u>
Fines Receivable June 30, 2019	1,012,575
Uncollectable portion as estimated by the Commission	<u>945,325</u>
Current portion	<u><u>\$ 67,250</u></u>

The amount of the fines imposed remain on the records of the Commission until paid but the ability to collect the imposed fines is limited and often impossible, as a result the uncollectable portion is very high. The Commission set the allowance amount to be fines in excess of 90 days old.

**NEW MEXICO RACING COMMISSION
COMBINING BALANCE SHEET – GENERAL FUND ACCOUNTS**

June 30, 2019

	19200	12140	
	General	Equine	
	Fund	Testing	Total
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Assets:			
Other receivables	\$ 321	\$ -	\$ 321
Total assets	<u>321</u>	<u>-</u>	<u>321</u>
Liabilities:			
Unrestricted investment in the State			
General Fund Overdraft	93,665	-	93,665
Accounts payable	128,415	-	128,415
Accrued salaries and benefits	45,486	-	45,486
Total liabilities	<u>267,566</u>	<u>-</u>	<u>267,566</u>
Fund Balance:			
Assigned to:			
General operations	(267,245)	-	(267,245)
	(267,245)	-	(267,245)
Total liabilities and fund balance	<u>\$ 321</u>	<u>\$ -</u>	<u>\$ 321</u>

The Accompanying Notes Are An Integral Part Of These Financial Statement

NEW MEXICO RACING COMMISSION

**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – GENERAL FUND ACCOUNTS**

For the Year Ended June 30, 2019

	19200 General Fund	12140 Equine Testing Fund	Total
Revenues:			
Taxes	\$ -	\$ 669,543	\$ 669,543
Expenditures:			
Personal services / employee benefits	1,316,477	-	1,316,477
Contractual services	1,193,710	-	1,193,710
Other	373,808	-	373,808
Total expenditures	<u>2,883,995</u>	<u>-</u>	<u>2,883,995</u>
Other Financing Sources (Uses)			
State general fund appropriations	2,052,700	-	2,052,700
Other uses -Transfers in	19,800	-	19,800
Other uses -Intra Agency-Transfers In	680,588	-	680,588
Other uses -Intra Agency-Transfers Out	-	(680,588)	(680,588)
Total other financing sources (uses)	<u>2,753,088</u>	<u>(680,588)</u>	<u>2,072,500</u>
Net change in fund balance	(130,907)	(11,045)	(141,952)
Fund balance			
Beginning of year	(136,338)	11,045	(125,293)
End of year	<u>\$ (267,245)</u>	<u>\$ -</u>	<u>\$ (267,245)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statement

NEW MEXICO RACING COMMISSION

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS

June 30, 2019

	Racing Receipts	Suspense Refunds	Total
Assets			
Investment in SGF investment pool	\$ (66,596)	\$ 1,180	\$ (65,416)
Fines Receivable, net of allowance of \$945,325	7,250	-	67,250
	<u>654</u>	<u>1,180</u>	<u>1,834</u>
Liabilities			
Due to State general fund	(67,250)	1,180	(66,070)
Due to other agencies	67,904	-	67,904
	<u>\$ 654</u>	<u>\$ 1,180</u>	<u>\$ 1,834</u>

The Accompanying Notes Are An Integral Part Of These Financial Statement

NEW MEXICO RACING COMMISSION

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS

For the Year Ended June 30, 2019

	Balance		Balance	
	June 30, 2018	Additions	Deletions	June 30, 2019
Racing Receipts - Assets				
Investment in SGF investment pool	\$ -	\$ 1,827,883	\$ 1,894,479	\$ (66,596)
Cash and cash equivalents	-	1,827,883	1,827,883	-
Fines Receivable, net of allowance \$945,325	79,139	114,550	126,439	67,250
Total assets	79,139	3,770,316	3,848,801	654
Racing Receipts - Liabilities				
Voucher payables	-	-	-	-
Due to state general fund	-	-	67,250	(67,250)
Due to other agencies	79,139	115,204	126,439	67,904
Total liabilities	\$ 79,139	\$ 115,204	\$ 193,689	\$ 654
Suspense Funds - Assets				
Investment in SGF investment pool	\$ 1,180	\$ -	\$ -	\$ 1,180
Total assets	1,180	-	-	1,180
Suspense Funds - Liabilities				
Due to state general fund	1,180	-	-	1,180
Total liabilities	\$ 1,180	\$ -	\$ -	\$ 1,180
All Agency Funds - Total Assets				
Cash and cash equivalents	\$ -	\$ 1,827,883	\$ 1,827,883	\$ -
Investment in SGF investment pool	1,180	1,827,883	1,894,479	(65,416)
Fines Receivable	79,139	114,550	126,439	67,250
Total assets	80,319	3,770,316	3,848,801	1,834
All Agency Funds - Total Liabilities				
Due to state general fund	1,180	-	67,250	(66,070)
Due to other agencies	79,139	115,204	126,439	67,904
Total liabilities	\$ 80,319	\$ 115,204	\$ 193,689	\$ 1,834

The Accompanying Notes Are An Integral Part Of These Financial Statement

**NEW MEXICO RACING COMMISSION
SCHEDULE OF CASH ACCOUNTS AND INVESTMENT**

For the Year Ended June 30, 2019

Account Name	Account Type	Financial Statement Balance
Cash and cash equivalents in area banks:		
Wells Fargo Bank - Hobbs	Checking	\$ -
		<u>\$ -</u>

Investment in State Treasurer General Fund Investment Pool

	NMRC Fund Number	Fund Balance
General Fund:		
General Fund	19200	\$ -
Equine Testing Fund	12140	-
Racing Receipts Fund	81400	-
Suspense Refunds Fund	84500	<u>1,180</u>
		<u>\$ 1,180</u>

Collateral Pledged

The above cash with area banks represents balances for demand deposits which were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for each of the financial institutions.

No security is required for the deposit of public money that is insured by the FDIC according to Section 6-10-16 NMSA 1978.

The Accompanying Notes Are An Integral Part Of These Financial Statement

NEW MEXICO RACING COMMISSION

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**



INDEPENDENT AUDITOR'S 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

Brian S. Colón, ESQ.
New Mexico Office of the State Auditor
The Commissioners of the
New Mexico Racing Commission
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and the equine testing fund of the New Mexico Racing Commission as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and the combining statement of fiduciary assets and liabilities presented as supplemental information and have issued our report thereon dated October 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

NEW MEXICO RACING COMMISSION

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

8500 Menaul NE, Ste A220 • Albuquerque, NM 87112 • Phone: 505-340-2020

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be significant deficiencies.

Compliance and Other Matters

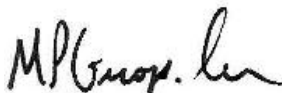
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2019-002 and 2019-003.

The Commission's Response to Findings

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



October 31, 2019

**NEW MEXICO RACING COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

Finding	Status
None	

**NEW MEXICO RACING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control Over Financial Reporting:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes

Finding 2019-001

- Noncompliance and other matters identified? Yes

Finding 2019-002

Finding 2019-003

**NEW MEXICO RACING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

Section II - Financial Statement Findings

2019-001 Budget Overspending (Significant Deficiency/Compliance)

Condition

We noted that the Commission overspent its approved budget in the Other Category by \$161,210.

Criteria

Per statute 5.3.4.10 NMAC, total expenditures may not exceed amounts shown in the approved budgets. Adequate internal controls to minimize budget overspending should ensure that budgets are not exceeded by any amount. The point in the disbursement cycle in which the transaction should be cancelled if budget is not available is at the beginning with the purchase request.

Cause

The Commission had a \$300,000 budget for other, but the monies were never received. As a result, expenditures were approved for payment when budgeted funds were not available. Budget adjustment requests were not completed to cover the decrease in the Other category.

Effect

Overspending of the budget resulted in a shortfall of cash funds.

Recommendation

We recommend that budget controls and processes at the Commission be strengthened to ensure that budgeted amounts are not overspent and budget adjustment requests are completed on a timely basis.

Management Response

The overspent was the result of human error and beginning balance not adjusted on reconciliation report used to balance the contractual category. Staff used beginning balance prior to wire transfer adjustment being made, resulting in miscalculation of available budget. Management has designated that financial staff attend training with CAFR analyst (scheduled in November 2019) on reconciliation process. The CFO will have monthly meetings with Director to ensure that the staff monitors budget timely to ensure budget availability beginning in December 2019.

**NEW MEXICO RACING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION III - NONCOMPLIANCE AND OTHER MATTERS FINDINGS

2019-002 Procurement (Other Matter/Non-compliance in Accordance with the New Mexico State Audit Rule)

Condition

During our testing of procurement, the Commission notified us that a vendor provided services prior to having a signed contract and purchase order in place. The vendor was paid on invoice of \$15,000 dated in December 2018.

Criteria

Not having a signed contract in place prior to services rendered, is a violation of the State statute Sec. 6-5-3 NMSA 1978 and the relevant DFA Model Accounting Practices (MAP) FIN 4.4 "Encumbrances".

Effect

The Commission was not in compliance with Sec. 6-5-3 NMSA 1978 and the relevant DFA Model Accounting Practices FIN 4.4 "Encumbrances".

Cause

The procedures in place to ensure compliance with the NM State Statute and MAP were not operating as designed.

Recommendation

We recommend that the Commission reevaluate controls and procedures that will ensure the Commission remains in compliance with State requirements.

Management Response

This error was a result of miscommunication between management and previous CFO, who upon realizing the error, communicated with management on the importance of following up processes in place to ensure compliance with MAPs. In FY20, a new employee was designated CPO for the Commission and completed CPO training in October, 2019. Re-evaluation of agency procurement control and process will eliminate future violations and ensure compliance, which are expected to be completed by January 2020.

**NEW MEXICO RACING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION IV - OTHER MATTERS AS REQUIRED BY
NEW MEXICO STATE STATUTE 12-6-5, NMSA 1978**

2019-003 Timely Deposit of Cash Receipts (Other Matter/Non-compliance in Accordance with the New Mexico State Audit Rule)

CONDITION

During our test work, we noted one instance out of 20 items tested where cash receipts collected by the individual racetracks were not deposited within the twenty-four hour required timeframe.

CRITERIA

Per sections 2.2.2.10 (G)(4)NMAC of the Public Money Act requires that funds collected daily be deposited on a daily basis.

CAUSE

Administrative staff at the Commission's office did not deposit within the 24 hours as required by the policy set forth by the State of New Mexico and the Racing Commission.

EFFECT

The possibility exists that public funds could be misplaced, lost or misappropriated.

RECOMMENDATION

The administrative office needs to monitor the daily cash reports to ensure that funds are being deposited on a daily basis. The administrative staff need to review the policy set forth by the State of New Mexico and the Racing Commission.

MANAGEMENT RESPONSE

There are times when clerks will hold deposits, if the bank is closed or if they leave the office late and don't make bank run timely. The CFO will ensure that back up is in place to ensure deposits are received on a timely basis and adhere to the 24 hour required timeframe by December 2019.

**NEW MEXICO RACING COMMISSION
EXIT CONFERENCE**

For the Year Ended June 30, 2019

An exit conference was held on October 31, 2019, with the following in attendance:

New Mexico Racing Commission

Beverly Bourguet, Chairwoman
Ismael Trejo, Executive Director
Kira Frazier, CPO

MP Group, Inc.

Scott Peck, Partner
Yang Lin, Staff

MP Group, Inc. prepared draft financial statements and note disclosures from trial balances and records provided by the Commission's management which was subsequently reviewed and approved by management.