

**STATE OF NEW MEXICO  
RACING COMMISSION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**With Independent Auditor's Report Thereon**

**RANDY W. SALAS  
Certified Public Accountant  
7305 Helen Ct., SW  
Albuquerque, New Mexico 87121**

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**NEW MEXICO RACING COMMISSION**

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**NEW MEXICO RACING COMMISSION**

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**NEW MEXICO RACING COMMISSION**

**Official Roster**

**June 30, 2009**

**Commissioners**

Arnold J. Rael	Chairman
Thomas "Eddie" Fowler	Vice Chairman
Marty Cope	Member
Ray Willis	Member
Larry Delgado	Member

**Administrative Officials**

Julian Luna	Executive Director
Laura Valencia	Administrative Manager

MEMBER  
AMERICAN INSTITUTE OF CPA's  
NEW MEXICO SOCIETY OF CPA's

OFFICE  
ALBUQUERQUE, NEW MEXICO

RANDY W. SALAS  
Certified Public Accountant  
7305 Helen Ct., SW  
Albuquerque, New Mexico 87121

### **Independent Auditors' Report**

To the Board of Directors of the  
New Mexico Racing Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

I have audited the accompanying financial statements of the governmental activities, the general fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of the New Mexico Racing Commission (Commission), as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements as listed in the table of contents. I also have audited the combining statement of fiduciary assets and liabilities presented as supplementary information as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 2(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 general fund, the budgetary comparison for the general 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, 2009 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Commission as of June 30, 2009, and the respective changes in financial position thereof, and the respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary fund of the Commission and the respective changes in financial position presented as supplementary information for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors of the  
New Mexico Racing Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

In accordance with *Government Auditing Standards*, I have also issued my report dated December 7, 2009, on my consideration of the Commission's internal control over financial reporting and my test 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 my 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* and should be considered in assessing the results of my audit.

Management's Discussion and Analysis on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the basic financial statements and on the combining statement of fiduciary assets and liabilities presented as supplemental information. The accompanying supplemental information listed in the table of contents consisting of the schedules on pages 33 to 36 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Albuquerque, New Mexico  
December 7, 2009

Randy W. Salvo, CPA

**NEW MEXICO RACING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
Required Supplementary Information  
June 30, 2008 and 2009**

**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, 2009. 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 Assets 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 financial statements 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 statement 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, formerly reported as separate account groups, are included in these financial statements. State general fund appropriations finance these activities. The General fund is included in the government-wide financial statements.

Fund Financial Statements

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 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 use.

**NEW MEXICO RACING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued  
Required Supplementary Information  
June 30, 2008 and 2009**

*Using This Annual Report (continued)*

Fund Financial Statements (continued)

*Governmental Funds.* All of the Commission's basic services are reported in the governmental funds, which focus on the establishment of an appropriation by the state legislature and the expenditures of this money in accordance with a budget. Funds not expended or encumbered at the 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. The difference between governmental activities and governmental fund 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 assets and changes in net assets and employes 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 appropriations from the New Mexico State General Fund. The Commission is responsible for the regulation of the State's pari-mutuel horse racing industry. During the fiscal year ending June 30, 2009, there were 300 live race days regulated.

Condensed Statement of Net Assets  
Table A-1

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2008</u>	<u>2009</u>	<u>(Decrease)</u>
Current assets	\$ 507,850	\$ 238,164	\$ (269,686)
Capital and non-current assets (net of depreciation)	<u>24,396</u>	<u>16,136</u>	<u>( 8,260)</u>
Total assets	<u>532,246</u>	<u>254,300</u>	<u>(277,946)</u>
Current liabilities	249,730	130,236	(119,494)
Long-term liabilities	37,775	67,157	29,382
Due to State General Fund	90,251	73,900	(16,351)
Due to other funds	<u>58,895</u>	<u>58,958</u>	<u>63</u>
Total liabilities	<u>436,651</u>	<u>330,251</u>	<u>(106,400)</u>
Net assets			
Invested in capital assets	24,396	16,136	( 8,260)
Unrestricted (deficit)	<u>71,199</u>	<u>(92,087)</u>	<u>(163,286)</u>
Total net assets (deficit)	<u>\$ 95,595</u>	<u>\$ (75,951)</u>	<u>\$( 171,546)</u>



**NEW MEXICO RACING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued  
Required Supplementary Information  
June 30, 2008 and 2009**

**The New Mexico Racing Commission as a Whole (continued)**

As summarized in Table A-1, Net Assets of the Commission's governmental activities decreased by \$ 171,546. Unrestricted net assets showed a \$ 92,087 negative balance at the end of the year. During the current year the Commission reverted back to the State General Fund \$ 106,000 for fiscal year 2007, \$ 127,600 for the fiscal year ended 2008 and \$ 73,900 for the fiscal year ended 2009 for a total reversion of \$ 307,500. This deficit does not mean that the Commission does not have resources available to pay its bills next year. Rather, it is the result of the compensated absences balance of \$ 78,157 that was accrued at June 30, 2009 but will be paid for out of future appropriations. In addition, the Commission reverted \$ 13, 930 more to the State General Fund for the three year period than what was actually due.

**Condensed Statement of Activities  
Table A-2**

	<u>Governmental Activities</u>	<u>Increase</u>	
	<u>2008</u>	<u>2009</u>	<u>(Decrease)</u>
<b>General Revenues/Transfers</b>			
General fund appropriations	\$ 2,363,100	\$ 2,359,100	\$ ( 4,000)
Transfer out - reversion FY07	-0-	( 106,000)	(106,000)
Transfer out - reversion FY08	-0-	( 127,600)	(127,600)
Transfer out - reversion FY09	-0-	( 73,900)	( 73,900)
<b>Total revenues/transfers</b>	<u>2,363,100</u>	<u>2,051,600</u>	<u>( 311,500)</u>
<b>Expenses</b>			
Racing regulation	<u>2,247,046</u>	<u>2,312,463</u>	<u>65,417</u>
<b>Increase (decrease) in net assets</b>	116,054	( 260,863)	(376,917)
Beginning of year, net assets (deficit)	<u>( 20,459)</u>	<u>( 184,912)</u>	<u>205,371</u>
End of year, net assets (deficit)	<u>\$ 95,595</u>	<u>\$ ( 75,951)</u>	<u>\$ (171,546)</u>

The Commission's general fund expenditures increased by \$ 65,417 from the prior year as a result of the Commission filling four job vacancies that were available.

**Analysis of Financial Position**

The Commission receives 100% of its governmental funds from an appropriation from the state legislature. These funds are expended by the Commission based on a budget submitted and approved by the state legislature and the Governor. During the current year and fiscal year 2010 the Commission continues to have its budget reduced by the New Mexico State Legislature due to budget shortfalls that the State of New Mexico is confronting.

**NEW MEXICO RACING COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued**  
**Required Supplementary Information**  
**June 30, 2008 and 2009**

**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 \$ 2,359,100 from the General Fund and Compensation Package Appropriation.

Governmental funds expenditures totaled \$ 2,285,070 and differs from the government-wide expenses of \$ 2,312,463 by two items as following:

Governmental fund expenditures	\$ 2,285,070
Increase in liability for compensated absences	19,133
Excess of depreciation over capital capital outlay	<u>8,260</u>
Agency government-wide expenses	<u>\$ 2,312,463</u>

**Analysis of Balances and Transactions of Individual Funds**

The Commission maintains one governmental and three fiduciary funds. The governmental fund is an appropriation by the state legislature and the expenditures of this money are in accordance with a budget.

The Commission's three fiduciary funds consist of racing receipts, fee and fine refund, and occupational license fee.

The Racing Receipts Fund consist 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 during the 2009 fiscal year was \$ 1,977,213.

The Fee and Fine Refund Fund is a statutory required fund to allow for the refund of fines and licensing fees adjudicated to be refunded. The maximum authorized balance of this fund is \$ 4,000.

The Occupational License Fee Fund holds all cash proceeds from issuing badges and ordering fingerprints.

**NEW MEXICO RACING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued  
Required Supplementary Information  
June 30, 2008 and 2009**

**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 15.

The budgetary basis expenditures were within the approved budgeted amounts. The difference in budget to actual expenditures for the total categories is \$ 74, 031. The original budget of \$2,419,500 for the fiscal year ended June 30, 2009 was reduced by \$ 60,400 to \$ 2,359,100 through HB10 and SB79, Section 1 - General Fund Reduction bill as required by the New Mexico State Legislature to address budget shortfalls that the State of New Mexico is confronting and measures that are being taken to balance the budget for the state as a whole

During the current year some additional expenditures were incurred by the Commission that had not been included in the original budget. The Commission had not anticipated the transfer of the deputy director position and the hiring of three additional vacancy positions available. The original budget had to be modified to accommodate for these additional expenditures.

In September 2009, the Commission received an Executive Order to reduce the fiscal year 2010 budget by 3%. The Commission submitted plans for the reduction in the budget to Department of Finance and Administration, State Budget Division which included a reduction in equine testing expenditures and cutbacks in employee travel and supplies.

**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 depreciation in the current year of \$ 8,260 on assets acquired in prior years.

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

**NEW MEXICO RACING COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) - Continued  
Required Supplementary Information  
June 30, 2008 and 2009**

**Economic Factors and Next Year's Budget**

While current economic conditions continue to be of concern statewide, the New Mexico Racing Commission will strive to sustain its current services to the racing industry, while maintaining a flat growth budget. However, some of the main obstacles for the current fiscal year 2010 budget will be additional funding for equine drug monitoring expenditures and anticipated expenditures to be incurred with the opening of the new La Mesa Racetrack in Raton, New Mexico. Due to budget cutbacks required by the New Mexico Legislature, the Commission cannot fund expenditures to be incurred at La Mesa Racetrack to accommodate the opening and operation of a steward and license office with the current budget and the Commission will have to seek alternative funding to assist with the operation of the new racetrack.

With the approval and anticipate opening of the new racetrack in La Mesa Racetrack in Raton, New Mexico, the New Mexico Racing Commission anticipates the horseracing industry to continue to grow in both quantity of race days and quality of horseracing. The New Mexico Racing Commission must not only efficiently utilize its existing resources, but also must aggressively seek an increase to its budgeted resources to continue to maintain the integrity of the horseracing 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, New Mexico 87113.  
(505)222-0700  
nmrc@state.nm.us

**NEW MEXICO RACING COMMISSION**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Investment in State Treasurer General Fund Investment Pool	\$ 238,004
Other receivables	160
Capital assets, net of accumulated depreciation	16,136
Total assets	<u>254,300</u>
<b>LIABILITIES</b>	
Accounts payable	67,158
Accrued salaries and benefits	52,078
Due to other fund - agency fund	58,958
Due to state general fund - reversion FY 09	73,900
Compensated absences payable	
Due within one year	67,157
Due after one year	11,000
Total liabilities	<u>330,251</u>
<b>NET ASSETS</b>	
Net assets - Investment in capital assets	16,136
Net assets - unrestricted (deficit)	<u>(92,087)</u>
Total net assets	<u>(75,951)</u>
Total liabilities and net assets	<u>\$ 254,300</u>

**NEW MEXICO RACING COMMISSION**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2009

	<b><u>Governmental Activities</u></b>
<b>Program Expenses</b>	
General government services	\$ <u>2,312,463</u>
<b>General Revenue/Transfers</b>	
State general fund appropriation	2,333,700
Compensation appropriation	25,400
Transfers - reversion to the state general fund - FY 07	(106,000)
Transfers - reversion to the state general fund - FY 08	(127,600)
Transfers - reversion to the state general fund - FY 09	(73,900)
Total General Revenues/Transfers	<u>2,051,600</u>
<b>Change in net assets</b>	(260,863)
Beginning net assets	95,595
Restatement - FY 07 funds not reverted to state general fund in prior year	89,317
Beginning net assets as restated	<u>184,912</u>
<b>Ending net assets</b>	<u>\$ (75,951)</u>

See Notes to Financial Statements.

**NEW MEXICO RACING COMMISSION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2009

	<b><u>General Fund</u></b>
<b>ASSETS</b>	
Investment in State Treasurer General Fund Investment Pool	\$ 238,004
Other receivable	160
Total assets	<u>238,164</u>
<b>LIABILITIES</b>	
Accounts payable	67,158
Accrued salaries and benefits	52,078
Due to other funds	58,958
Due to state general fund - reversion FY 09	73,900
Total liabilities	<u>252,094</u>
<b>FUND BALANCE</b>	
Fund balance - unreserved, undesignated (deficit)	<u>(13,930)</u>
Total liabilities and fund balance	<u>\$ 238,164</u>

*See Notes to Financial Statements.*

**NEW MEXICO RACING COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009**

Fund balance - governmental funds	\$	(13,930)
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds		16,136
Compensated absences are not due and payable in the current period and therefore are not reported in the funds		<u>(78,157)</u>
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>(75,951)</u></b>



**NEW MEXICO RACING COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
Year Ended June 30, 2009**

	<b>General Fund</b>
<b>Expenditures</b>	
Current	
Personal services/employee benefits	\$ 1,086,725
Contractual services	929,274
Other	269,071
<b>Total Expenditures</b>	<u>2,285,070</u>
<b>Other Financing Sources (Uses)</b>	
State General Fund appropriation	2,359,100
Transfers - reversion to the state general fund - FY 07	(106,000)
Transfers - reversion to the state general fund - FY 08	(127,600)
Transfers - reversion to the state general fund - FY 09	(73,900)
<b>Total other financing sources (uses)</b>	<u>2,051,600</u>
<b>Net change in fund balance</b>	(233,470)
Beginning fund balance	130,223
Restatement - FY 07 funds not reverted to state general fund in prior year	<u>89,317</u>
Beginning fund balance as restated	<u>219,540</u>
<b>Ending fund balance</b>	<u>\$ (13,930)</u>

See Notes to Financial Statements.

**NEW MEXICO RACING COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009**

Net change in fund balances - total government funds \$ (233,470)

Amounts reported for governmental activities in the statement  
of net assets are different because:

The Governmental Fund reports capital outlays as expenditures.  
However, in the Statement of Activities, the cost of capital  
assets is allocated over their estimated useful lives and reported  
as depreciation expense. Depreciation expense for the current  
year was (8,260)

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 decrease in the  
liability for compensated absences payable for the year was (19,133)

**Change in net assets - governmental activities** \$ (260,863)

**NEW MEXICO RACING COMMISSION**  
**BUDGET TO ACTUAL COMPARISON STATEMENT - GENERAL FUND**  
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues:</b>				
State general fund appropriations	\$ 2,394,100	2,333,700	2,333,700	\$ -
Compensation appropriation	25,400	25,400	25,400	-
Total revenues	<u>\$ 2,419,500</u>	<u>235,910</u>	<u>2,359,100</u>	<u>\$ -</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Expenditures:</b>				
Personal service/employee benefits	\$ 1,202,800	1,123,800	1,086,725	\$ 37,075
Contractual services	925,000	959,900	929,274	30,626
Other	291,700	275,400	269,070	6,330
Total expenditures	<u>\$ 2,419,500</u>	<u>2,359,100</u>	<u>2,285,069</u>	<u>\$ 74,031</u>

Budgetary basis expenditures were equal to GAAP basis expenditures.

**NEW MEXICO RACING COMMISSION**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
June 30, 2009

**ASSETS**

Investment in State Treasurer General Fund Investment Pool	\$ 525,441
Taxes receivable	9,260
Other receivable	21,489
Due from other funds	<u>58,958</u>
	<u>615,148</u>

**LIABILITIES**

Accounts payable	29,550
Due to other state agencies	2,603
Due to state general fund	506,265
Other liabilities	<u>76,730</u>
	<u>\$ 615,148</u>

*See Notes to Financial Statements.*

**NEW MEXICO RACING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1. NATURE OF ORGANIZATION**

The New Mexico Racing Commission (Commission) is administratively attached to the State of New Mexico, Economic Development and Tourism Department. The Commission consists of five members, all of whom are appointed by the Governor of the State of New Mexico. The objectives of the Commission are to license and regulate the operation of all horse races held in the State of New Mexico. 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 of the tracks with the exception of those receipts and disbursements for which the Commission operates as an agent of the tracks.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the (Commission) have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. 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. 14, the financial reporting Entity, effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. The requirements of GASB No. 14 apply at all levels to all state and local governments.

GASB No. 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government".

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 an audited Comprehensive Annual Financial Report (CAFR) inclusive of all agencies of the primary government for fiscal year 2009.

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

**NEW MEXICO RACING COMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2. SUMMARY OF 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 new 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 Assets, the governmental activities are presented and are reflected on a full accrual, economic resources basis measurement 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, 2009. The effect of material interfund activity is removed from the government-wide statements. There was no interfund activity during the year.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (education, labor, transportation, etc.) that are otherwise being supported by general governmental revenues. The Statement of Activities reduce gross expenses (including depreciation) by related program revenues, operating 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.

This 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 Commission has elected not to apply FASB pronouncements issued after November 30, 1989.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major fund in the governmental category. Due to the limited fund structure of the Commission, the only governmental fund is the General Fund, which has been classified as a major fund, as required.

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.

**NEW MEXICO RACING COMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basic Financial Statements (continued)**

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 presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column on the government-wide presentation.

The Commission's fiduciary fund (agency fund) is 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 source 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** – The General Fund is the general operating fund and 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 unreserved, undesignated fund balance reverts back to the State General Fund at fiscal year end.

**NEW MEXICO RACING COMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Presentation (continued)

**Agency Funds** – A fiduciary fund (agency fund) is used to account for the Occupational License Fund, Racing Receipts Fund and the Suspense Refund Fund used to account for funds received from issuing badges, ordering fingerprints, pari-mutuel license, fines and fee receipts, fines etc. that are disbursed to the State of New Mexico General Fund per state statute. The Commission has no budgetary control over these funds and acts solely as an agent. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

D. Basis of Accounting and Measurement Focus

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.

The government-wide financial statements and the fiduciary financial statements are presented on an accrual basis of accounting using an economic resources measurement focus. The governmental funds in the fund financial statements are presented on a modified accrual basis using a current financial resources measurement focus.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Available is defined as within 60 days of the fiscal year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any is recognized when due. Since the Commission is funded entirely by state appropriations and all appropriations had been received by year-end, there were no revenues susceptible to accrual at June 30, 2009.

E. Budgets and Budgetary 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. The budgets presented have been so amended during the fiscal year.



**NEW MEXICO RACING COMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Budgets and Budgetary Accounting (continued)**

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 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 1<sup>st</sup>, 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;
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 Commissions 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;
8. Beginning with fiscal year 2005, the General Appropriation Act establishes the modified accrual basis of accounting for governmental funds as the budgetary basis as the budgetary basis of accounting for the State of New Mexico.

**NEW MEXICO RACING COMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. For years before fiscal year 2005, the capitalization threshold was \$1,000.

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

Furniture & Fixtures	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.

**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;

**NEW MEXICO RACING COMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Compensated Absences Payable (continued)**

- c) Compensatory time – An employee may accrue not more than 240 hours of compensatory time. 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 acquired. If compensation is paid to an employee for accrued compensatory time off, such compensation shall be paid at the regular rate earned by the employee at the time the employee receives such payment.

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

**I. 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”.

The Commission made the following reversions to the State General Fund for the following years:

	Reversion Per Audit	Reversion Per Books	(Over) Under Variance
Reversion to the State General Fund – FY 07	\$ 89,317	\$ 106,000	\$ ( 16,683)
Reversion to the State General fund – FY 08	130,223	127,600	2,623
Reversion to the State General Fund – FY 09	<u>74,030</u>	<u>73,900</u>	<u>130</u>
Total reversions	<u>\$293,570</u>	<u>\$ 307,500</u>	<u>\$ ( 13,930)</u>

The Commission reverted \$ 13,930 back to the State General Fund more than what was due as per the above summary.

**J. Net Assets**

The Government –Wide Fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets, restricted and unrestricted.

**Investment in Capital Assets** – is intended to reflect the portion of net 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, 2009.

**NEW MEXICO RACING COMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Net Assets (continued)**

**Unrestricted Deficit** – represents the deficit of total assets over total liabilities and net assets invested in capital assets at June 30, 2009.

**Restricted Net Assets** – net assets should be reported as restricted when constraints placed on net assets use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Enabling legislation 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.

There were no net assets restricted by enabling legislation during the current year.

**K. Use of Estimates**

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3. CASH AND INVESTMENTS IN STATE TREASURER GENERAL FUND INVESTMENT POOL**

**A. Cash**

The Commission maintained a combined cash balance of \$ 151,433 at June 30, 2009 in six different financial institutions throughout the state. These balances for demand deposits were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000 for each of these financial institutions. Congress has temporarily increased FDIC deposit insurance from \$ 100,000 to \$ 250,000 per depositor through December 31, 2009.

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.

**Actual Risk**

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 us. As of June 30, 2009, the Commission's bank balances of \$ 151,433 were not exposed to custodial credit risk because they were fully insured by the FDIC.

**NEW MEXICO RACING COMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 3. CASH AND INVESTMENTS IN STATE TRERASURER GENERAL FUND INVESTMENT POOL  
(continued)**

**B. Investment in State Treasurer General Fund Investment Pool**

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, 2009 is as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value June 30, 2009</u>
New Mexico State Treasurer's Office General fund investment pool	1 day to 3 years	<u>\$ 763,445</u>

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

<u>Fund</u>	<u>SHARE Fund No.</u>	<u>Fair Value June 30, 2009</u>
General Fund	69000	\$ 238,004
Agency Fund	95100	<u>525,441</u>
Total interest in State General Fund Investment Pool		<u>\$ 763,445</u>

The commission is not permitted to have any other investments, and the Commission did not have any other investments during the year ended June 30, 2009.

**Interest Rate Risk**

The Commission does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

The New Mexico State Treasurer's investment pools are not rated.

For additional GASB 40 disclosure information related to the above investment pool, the reader should refer to the separate audit report of the New Mexico State Treasurer for the fiscal year ended June 30, 2009.

**NOTE 4. TAXES RECEIVABLE**

Taxes receivable for the Racing Receipts Agency Fund consist primarily of pari-mutuel taxes earned by not received at June 30, 2009. These taxes were received shortly after the fiscal year-end

**NOTE 5. INTERFUND RECEIVABLE AND PAYABLE**

Individual fund interfund receivable and payable balance as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable fund</u>	<u>Amount</u>
Agency Fund – Racing Receipts	Major – Governmental Fund	<u>\$ 58,958</u>

The interfund balance is due to racing receipts from the Agency Fund incorrectly posted to the Governmental Fund. This interfund balance will be transferred into the proper fund during the fiscal year ended June 30, 2010.

**NEW MEXICO RACING COMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 6. CAPITAL ASSETS**

B. Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance <u>June 30, 2008</u>	Increase	Decrease	Ending Balance <u>June 30, 2009</u>
Governmental Activities				
Capital assets being depreciated				
Furniture and fixtures	\$ 17,332			\$ 17,332
Equipment	58,301			58,301
Data processing equipment	<u>198,872</u>			<u>198,872</u>
Total capital assets being depreciated	<u>274,505</u>			<u>274,505</u>
Less accumulated depreciation for:				
Furniture and fixtures	( 17,332)			( 17,332)
Equipment	( 49,630)	( 2,793)		( 52,423)
Data processing equipment	<u>( 183,147)</u>	<u>( 5,467)</u>		<u>( 188,614)</u>
Total accumulated depreciation	<u>( 250,109)</u>	<u>( 8,260)</u>		<u>( 258,369)</u>
Governmental activities capital assets, net	<u>\$ 24,396</u>	<u>( 8,260)</u>		<u>\$ 16,136</u>

Depreciation expense was charged to governmental activities as follows:

General government	<u>\$ 8,260</u>
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**NOTE 7. COMPENSATED ABSENCES PAYABLE**

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

	Beginning Balance <u>June 30, 2008</u>	Increase	Decrease	Ending Balance <u>June 30, 2009</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other liabilities					
Compensated absences	<u>\$ 59,024</u>	<u>87,406</u>	<u>68,273</u>	<u>78,157</u>	<u>\$ 11,000</u>

Accrued annual leave, sick leave and compensatory time are recorded as a current liability in the government-wide financial statements. Compensated absences are paid out of the general fund.

**NEW MEXICO RACING COMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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

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](http://www.pera.state.nm.us).

Funding Policy. Plan members are required to contribute 7.42% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Commission is required to contribute 16.59% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. 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, 2009, 2008 and 2007 were \$ 125,061, \$ 127,298, AND \$ 125,655, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 9 – Post-Employment Benefits – State Retiree Health Care Plan**

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

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

**NEW MEXICO RACING COMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 9 – Post-Employment Benefits – State Retiree Health Care Plan (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](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employer and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Commission's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$ 8,812, \$ 8,710, and \$ 8,574, respectively, which equal the required contributions for each year.

**NOTE 10 – DEFERRED COMPENSATION PLAN**

The State offers its employees a deferred compensation plan created in accordance with the 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.



**NEW MEXICO RACING COMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 10 – DEFERRED COMPENSATION PLAN (continued)**

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 the due care that would be required on 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 11. COMMITMENTS AND CONTINGENCIES**

**Operating Lease Obligations**

The Commission is currently sharing general office space with the New Mexico Gaming Control Board under a lease which is considered an operating lease for accounting purposes. Lease expenditures for the year ended June 30, 2009 amounted to \$ 80,936.

The following is a schedule by years of future minimum lease payments for the next five years required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009.

<u>Year</u>	<u>Amount</u>
2010	\$ 83,543
2011	86,280
2012	89,088
2013	91,968
2014	94,854
Thereafter	<u>\$ 1,126,862</u>
	<u>\$ 1,572,595</u>

**NOTE 12. RISK MANAGEMENT**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; and natural disaster 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.

**NEW MEXICO RACING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 13. CAPITAL IMPROVEMENT TAX OFFSET AGENCY FUND**

Section 60-1-15(A) of NMSA 1978, imposes a pari-mutuel tax on the daily handle of each licensed racetrack. In accordance with Section 60-1-15(B) of NMSA 1978, two percent (2%) of the pari-mutuel tax on the first two hundred and fifty thousand dollars (\$250,000) of daily handle, "shall be offset by the amount that each licensee shall expend for capital improvement at existing race track facilities".

Capital improvements are limited to "any capital investment in items that are subject to depreciation under the United States Internal Revenue Code". The capital expenditures are subject to approval by the Commission. However, the Commission does not reflect such capital improvement activity and related credits in its financial statements.

The Commission has permitted racetracks to carry forward capital improvement expenditures which will offset future period pari-mutuel taxes. Through June 30, 2009, capital improvements cumulatively exceeded available capital improvement credits by \$ 3,184,334.

**NOTE 14. TRANSFERS TO AND FROM STATE GENERAL FUND**

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

	NMRC Fund <u>Number</u>	SHARE Fund <u>Number</u>	<u>Amount</u>
Racing Receipts Fund	46500	85300	<u>\$ 1,977,213</u>
General fund reversions:			
FYE June 30, 2007	19200	85300	\$ 106,000
FYE June 30, 2008	19200	85300	127,600
FYE June 30, 2009	19200	85300	<u>73,900</u>
Total reversions			<u>\$ 307,500</u>

During the year ended June 30, 2009, the following cash transfers were made from the State of New Mexico's General Fund to the Commission:

	NMRC Fund <u>Number</u>	SHARE Fund <u>Number</u>	<u>Amount</u>
State general fund appropriations, laws of 2007, Chapter 28, Section 4	19200	85300	\$ 2,333,700
Compensation appropriation, Laws of 2007, chapter 28, Section 8	19200	85300	<u>25,400</u>
Total appropriation			<u>\$ 2,359,100</u>

**NEW MEXICO RACING COMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**NOTE 14. NEGATIVE NET ASSETS**

The net assets – unrestricted (deficit) of \$ 92,087 in the Statement of Net Assets is the result of the Commission reverting \$ 13,930 more to the State General Fund than what was due for the fiscal years 2007, 2008 and 2009 (see Note 2 (I)). In addition, this negative balance includes \$ 78,157 of the compensated absences that were accrued at June 30, 2009 but will be paid for out of future appropriations.

**NOTE 15. RESTATEMENTS**

The Commission incorrectly reclassified the reversion to the state General Fund –FY 07 by setting up a Due to the State General Fund and reducing fund balance at June 30, 2008. The reversion for FY 07 was not made. During the current year this restatement was required to correctly reflect beginning fund balance.

## AGENCY FUNDS

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

**Occupational License Fund** - This fund is a statutory required fund to account for all cash proceeds from issuing badges and ordering fingerprints.

**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 refund of fines and licensing fees adjudicated to be refunded.

**NEW MEXICO RACING COMMISSION**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Year Ended June 30, 2009

	<u>Occupational License</u>	<u>Racing Receipts</u>	<u>Suspense Refunds</u>	<u>Total</u>
<b>ASSETS</b>				
Investment in State Treasurer				
General Fund Investment Pool	\$ 106,708	\$ 338,297	\$ 80,436	\$ 525,441
Taxes receivable	-	9,260	-	9,260
Other receivable	-	21,489	-	21,489
Due from other funds	-	58,958	-	58,958
	<u>\$ 106,708</u>	<u>\$ 428,004</u>	<u>\$ 80,436</u>	<u>\$ 615,148</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 29,550	\$ -	\$ 29,550
Due to other state agencies	2,603	-	-	2,603
Due to state general fund	104,105	398,454	3,706	506,265
Other liabilities	-	-	76,730	76,730
	<u>\$ 106,708</u>	<u>\$ 428,004</u>	<u>\$ 80,436</u>	<u>\$ 615,148</u>

NEW MEXICO, RACING COMMISSION  
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

Year Ended June 30, 2009

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<b>Occupational License</b>				
<b>Assets</b>				
Investment in STGF investment pool	\$ 150,525	-	43,817	\$ 106,708
Taxes receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 150,525</b>	<b>-</b>	<b>43,817</b>	<b>\$ 106,708</b>
<b>Liabilities</b>				
Due to other state agencies	\$ 14,918	31,502	43,817	\$ 2,603
Due to local governments	-	-	-	-
Due to state general fund	135,607	-	31,502	104,105
<b>Total liabilities</b>	<b>\$ 150,525</b>	<b>31,502</b>	<b>75,319</b>	<b>\$ 106,708</b>
<b>Racing Receipts</b>				
<b>Assets</b>				
Investment in STGF investment pool	\$ 1,435,628	879,882	1,977,213	\$ 338,297
Taxes receivable	5,805	3,455	-	9,260
Other receivable	-	21,489	-	21,489
Due from other funds	58,895	63	-	58,958
<b>Total assets</b>	<b>\$ 1,500,328</b>	<b>904,889</b>	<b>1,977,213</b>	<b>\$ 428,004</b>
<b>Liabilities</b>				
Accounts payable	\$ -	29,550	-	\$ 29,550
Due to local governments	-	-	-	-
Due to state general fund	1,500,328	875,339	1,977,213	398,454
<b>Total liabilities</b>	<b>\$ 1,500,328</b>	<b>904,889</b>	<b>1,977,213</b>	<b>\$ 428,004</b>
<b>Suspense Funds</b>				
<b>Assets</b>				
Investment in STGF investment pool	\$ 85,836	-	5,400	\$ 80,436
Taxes receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 85,836</b>	<b>-</b>	<b>5,400</b>	<b>\$ 80,436</b>
<b>Liabilities</b>				
Due to state general fund	3,706	-	-	3,706
Other liabilities	82,130	-	5,400	\$ 76,730
<b>Total Liabilities</b>	<b>\$ 85,836</b>	<b>-</b>	<b>5,400</b>	<b>\$ 80,436</b>
<b>Totals</b>				
<b>Assets</b>				
Investment in STGF investment pool	\$ 1,671,989	879,882	2,026,430	\$ 525,441
Taxes receivable	5,805	3,455	-	9,260
Other receivable	-	21,489	-	21,489
Due from other funds	58,895	63	-	58,958
<b>Total assets</b>	<b>\$ 1,736,689</b>	<b>904,889</b>	<b>2,026,430</b>	<b>\$ 615,148</b>
<b>Liabilities</b>				
Accounts payable	-	29,550	-	29,550
Due to other state agencies	14,918	31,502	43,817	2,603
Due to state general fund	1,639,641	875,339	2,008,715	506,265
Other liabilities	82,130	-	5,400	76,730
<b>Total liabilities</b>	<b>\$ 1,736,689</b>	<b>936,391</b>	<b>2,057,932</b>	<b>\$ 615,148</b>

See notes to Financial Statements.

**NEW MEXICO RACING COMMISSION**  
**SCHEDULE OF CASH ACCOUNTS AND INVESTMENTS**  
Year Ended June 30, 2009

<u>Account Name</u>	<u>Account Type</u>	<u>Financial Statement Balance</u>
Cash in area banks:		
Wells Fargo Bank - Ruidoso	(1)	\$ 19,423
Wells Fargo Bank - Hobbs	(1)	248
Compass Bank - Albuquerque	(1)	120,199
Wells Fargo Bank - Dona Ana County	(1)	611
Compass Bank - Albuquerque	(1)	950
Wells Fargo Bank - Farmington	(1)	10,002
		<u>\$ 151,433</u>

**Investment in State Treasurer General Fund Investment Pool**

	<u>NMRC Fund Number</u>	<u>Fund Balance</u>
General Fund	192	\$ 238,004
Occupational License Fund	379	106,708
Racing Receipts Fund	814	186,864
Suspense Refunds Fund	845	80,436
		<u>\$ 612,012</u>

(1) checking

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 Federal Deposit Insurance Corporation according to Section 6-10-16 NMSA 1978.

See Notes to Financial Statements.

**NEW MEXICO RACING COMMISSION**  
**SCHEDULE OF CAPITAL IMPROVEMENT PROJECTS**  
Year Ended June 30, 2009

	<u>Project Costs</u>		
<u>Projects</u>	<u>Additional</u>	<u>Projects</u>	
<u>Approved as of</u>	<u>Projects</u>	<u>Approved as of</u>	
<u>June 30, 2008</u>	<u>Approved</u>	<u>June 30, 2009</u>	
<b>Track</b>			
Downs at Albuquerque	\$ 10,128,095	-	\$ 10,128,095
Downs at Santa Fe	5,883,376	-	5,883,376
La Mesa Park	1,958,432	-	1,958,432
Sunland Park	18,094,434	234,874	18,329,308
New Mexico State Fair	3,326,134	-	3,326,134
Ruidoso Downs	12,040,907	-	12,040,907
Sun Ray Park	1,339,588	36,000	1,375,588
	<u>\$ 52,770,966</u>	<u>270,874</u>	<u>\$ 53,041,840</u>

See Notes to Financial Statements.



**NEW MEXICO RACING COMMISSION**  
**SCHEDULE OF CAPITAL IMPROVEMENT TAX OFFSET CARRYOVERS**  
**Year Ended June 30, 2009**

	<b>Carryover (Deficiency) <u>June 30, 2008</u></b>	<b>2% Credit Refund</b>	<b>Capital Improvement Expenditures</b>	<b>Carryover (Deficiency) <u>June 30, 2009</u></b>
<b>Track</b>				
Downs at Albuquerque	\$ (2,645,615)	(384,861)	-	\$ (3,030,476)
Downs at Santa Fe	190,732	-	-	190,732
La Mesa Park	36,986	-	-	36,986
Sunland Park	6,203,126	(391,566)	-	5,811,560
New Mexico State Fair	(25,898)	(27,170)	-	(53,068)
Ruidoso Downs	385,590	(144,853)	33,018	273,755
Sun Ray Park	(390,491)	(64,953)	151,929	(303,515)
Zia Park	65,721	(91,942)	284,581	258,360
	<u>\$ 3,820,151</u>	<u>(1,105,345)</u>	<u>469,528</u>	<u>\$ 3,184,334</u>

See Notes to Financial Statements.

MEMBER  
AMERICAN INSTITUTE OF CPA's  
NEW MEXICO SOCIETY OF CPA's

OFFICE  
ALBUQUERQUE, NEW MEXICO

RANDY W. SALAS  
Certified Public Accountant  
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(505)332-2441

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With *Governmental  
Auditing Standards***

To the Board of Directors of the  
New Mexico Racing Commission  
and  
Hector H. Balderas  
New Mexico State Auditor

I have audited the financial statements of the governmental activities, the general fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of the New Mexico Racing Commission (Commission), as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued my report thereon dated December 7, 2009. I have also audited the combining statement of fiduciary assets and liabilities of the Commission as of June 30, 2009, presented as supplemental information. I conducted my 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.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting and are identified as items 04-4, 07-3, 08-1, 08-2, 09-1 and 09-2.

To the Board of Directors of the  
New Mexico Racing Commission  
and  
Hector H. Balderas  
New Mexico State Auditor

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that none of the significant deficiencies described above is a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed test 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 my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Commission's responses and, accordingly, I express no opinion on them.

This report is intended solely for the information and use of management, board of directors of the Commission, the state auditor, the New Mexico Department of Finance and Administration and the New Mexico Legislature and is not intended to be, and should not be used by anyone other than these specified parties.

Albuquerque, New Mexico  
December 7, 2009

*Randy W. Salas, CPA*

NEW MEXICO RACING COMMISSION  
SUMMARY OF PRIOR YEARS AUDIT FINDINGS  
JUNE 30, 2009

<u>Finding Description</u>	<u>Status</u>
04-4 Cash Management	Repeated
07-3 Qualifications and Training to Apply Generally Accepted Accounting Principles (GAAP)	Repeated
07-4 Reversion to State General Fund (FY 07)	Resolved
07-5 Cash in General Fund is not being Reconciled	Resolved
08-1 Capital Improvement Tax Offset Agency Fund Schedules are not reconciled	Modified and Repeated
08-2 Compensated Absences Records	Repeated
08-3 Reversion to State General Fund (FY 08)	Resolved
08-4 Audit Report Late	Resolved

**NEW MEXICO RACING COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2009**

**04-4: Cash Management**

**CONDITION**

During my review of transfers from the track accounts to the State Treasurer accounts, I noted that transfers from the track accounts to the State Treasurer Transfer account were not being done on a timely basis. As part of the reporting to the State Treasurer, the Administrative Manager must sign off that the balance in the local bank accounts must not exceed the maximum balance of \$4,000. Since funds have not been transferred out of those accounts, the balances are exceeding the \$4,000.

**CRITERIA**

Per Section 12-6-5 NMSA 1978, "any violation of law or good accounting practice should be presented as a finding." The Commission is a pass through entity for the purposes of the State Treasurer funds. Prudent money management policies would require the agency to transfer the funds from the various track accounts to the State Treasurer in a reasonable amount of time.

**EFFECT**

The State of New Mexico does not receive money due to the State General Fund on a timely basis.

**CAUSE**

The Commission has poorly designed policies and procedures to ensure transfers are done on a specific timetable.

**RECOMMENDATION**

The Administrative Manager should set up a system to ensure transfers are done on a timely manner. In addition, the amount of the liabilities should be determined on each agency fund and thus the Commission would know the amount that needs to be transferred.

**MANAGEMENT RESPONSE**

Although the Administrative Manager understands the importance of transferring monies to the State Treasurer's Office, the Commission needs to consider liabilities that need to be paid before funds are transferred such as invoices for fingerprinting costs and funds owed to the different municipalities. The Administrative Manager is training with the State Treasurer's Office staff on identify liabilities owed by the Commission before funds are transferred.

**NEW MEXICO RACING COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
Year Ended June 30, 2009**

**07-3: Qualifications and Training to Apply Generally Accepted Accounting Principles (GAAP)**

**CONDITION**

The employees or management do not have the qualifications and training to apply GAAP in recording their financial transactions and preparing their financial statements.

**CRITERIA**

Per Statement on Auditing Standards No. 112, employees or management should possess the qualifications and training to apply generally accepted accounting principles in recording the Commission's financial transactions or preparing its financial statements.

**EFFECT**

The Commission will not be able to apply generally accepted accounting principles and prepare their own financial statements.

**CAUSE**

Employees and management upon being employed with the Commission were not required to possess these qualifications or training.

**RECOMMENDATION**

I recommend that employees or management obtain training to develop their qualifications to be able to prepare their own financial statements.

**MANAGEMENT RESPONSE**

Although the Commission has a small staff to operate, the Commission concurs with this finding and will have the Administrative Manager attend seminars and workshops when possible to improve her qualifications to start drafting the Commission's financial statements.

**NEW MEXICO RACING COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
Year Ended June 30, 2009**

**08-1: Schedule of Capital Improvement Projects and Schedule of Capital Improvement Tax Offset Carryovers are not reconciled.**

**CONDITION**

The Schedule of Capital Improvement Projects and the Schedule of Capital Improvement Tax Offset Carryovers maintained by the Commission do not account for the Downs at Santa Fe and La Mesa Park. The additional projects approved, 2% credit refund and the capital improvement expenditures in the above schedules maintained by the Commission are not being reconciled to the schedules maintained by the various racetrack locations.

**CRITERIA**

Section 60-1-15(A) of NMSA 1978, imposes a pari-mutuel tax on the daily handle of each licensed racetrack. In accordance with Section 60-1-15(B) of NMSA 1978, two percent (2%) of the pari-mutuel tax on the first two hundred and fifty thousand dollars (\$250,000) of daily handle, "shall be offset by the amount that each licensee shall expend for capital improvement at existing race track facilities".

**EFFECT**

The ending balances in the Schedule of Capital Improvement Projects and the Schedule of Capital Improvement Tax Offset Carryovers for the two racetracks that terminated operations needs to be reviewed to determine any potential liability or receivable due to the Commission as a result of the ceased operations. In addition, the data in these two schedules maintained by the Commission is unreliable as it has not been reconciled to the schedules maintained by the various racetrack operating in the State of New Mexico.

**CAUSE**

When racing activities at the Downs at Santa Fe and La Mesa Park were terminated the Commission deleted the ending balances from its capital project schedules without consideration of the consequences of the ending balances. Also, the Commission at its Board of Directors meetings reviews, authorizes and approves additional projects approved and capital improvement expenditures incurred for the current year by the various racetrack locations, but this cost data is not being summarized and reconciled to the schedules maintained by the Commission.

**RECOMMENDATION**

I recommend that the Commission consult with its legal council to determine the consequences, if any, of the ending balances in its Capital Improvement Tax Offset Agency Fund for the two race tracks that have ceased operations. In addition, the Commission needs to keep track of the additional projects approved, the capital improvement expenditures incurred and reconcile these schedules to reflect accurate and reliable data.

**MANAGEMENT RESPONSE**

The Commission concurs with the finding and will consult with legal council to determine the appropriate action to take on the ending balances for the race tracks that have terminated operations. In addition, the cost of additional projects approved and expenditures incurred for each racetrack will be maintained and the schedules will be reconciled to reflect accurate and reliable data.

**NEW MEXICO RACING COMMISSION**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**Year Ended June 30, 2009**

**08-2 Compensated Absences Records**

**CONDITION**

Annual, sick and compensatory earning records maintained by the Commission are incorrect. The total liability computed by the Commission does not consider the limitation amounts applicable to each category (i.e. annual leave is limited to a maximum of 240 hours, sick leave is limited to 120 hours in excess of 600 hours etc.) and thus the total liability amount is grossly overstated.

**CRITERIA**

The State Audit Rule Section 2.2.2.10 (L) (1) states "Vacation pay and other compensated absences should be computed in accordance with the requirements of GASB Statement No. 16, Accounting for Compensated Absences, and be reported in the financial statements".

**EFFECT**

The Commission does not have an accurate liability amount for compensated absences payable. The liability amount would be misleading to Commission management in the preparation of and the monitoring of the annual budget due to the overstated liability for compensated absences payable.

**CAUSE**

The schedule used to summarize and compute the compensated absences liability by the Commission is not formatted to compute the liability amount subject to the limitations for each category of compensated time earned.

**RECOMMENDATION**

The Administrative Manager should review the annual, sick and compensatory earning records and reformat the computation of balances due to include the limitation amounts in each category of time being earned and used.

**MANAGEMENT RESPONSE**

When an employee is terminated the compensated time owed is individually reviewed and computed subject to the maximum amounts allowed. But in order to prepare an accurate schedule of the Compensated Absences Liability, the Commission will work on correcting the schedule currently used.



**NEW MEXICO RACING COMMISSION  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
Year Ended June 30, 2009**

**09-1: Agency Fund Receipts not posted to Statewide Human Resource Accounting and Management Reporting System (SHARE) General Ledger**

**CONDITION**

The Commission made deposits with the Office of the State Treasurer for the Racing Receipts Fund (Agency Fund) in the total amount of \$ 186,864. Although the deposits had been made by the Commission these funds were not posted to the SHARE general ledger at June 30, 2009.

**CRITERIA**

Section 2.20.5.8.C(7) NMAC requires all subsidiary systems shall record transactions timely, completely, and accurately, and the agency shall reconcile the subsidiary systems' transactions to the corresponding SHARE general ledger accounts daily.

**EFFECT**

The State of New Mexico does not receive funds due to the state general fund on a timely basis. Also, the general ledger will be incomplete and incorrect resulting in misstated financial statements.

**CAUSE**

The Commission has not developed and implemented internal accounting controls to reconcile subsidiary system transactions to the SHARE general ledger account.

**RECOMMENDATION**

I recommend that the Commission develop and implement internal accounting controls to reconcile subsidiary system transactions to the SHARE general ledger account on a timely basis.

**MANAGEMENT RESPONSE**

The Commission concurs with this finding and is in the process of developing and implementing internal accounting controls to insure that deposits made by the Commission with the Office of the State Treasurer are posted to the SHARE general ledger.

**NEW MEXICO RACING COMMISSION  
SCHEDULE OF FINDINGS AND RESPONES (CONTINUED)  
Year Ended June 30, 2009**

**09-2: Agency Fund Receipts collected by the various racetracks are not being deposited on a daily basis.**

**CONDITION**

The SunRay Racetrack did not deposit receipts collected on a daily basis to its account with its authorized bank. My testing revealed that during the month of April 30, 2009 five days had not been deposited in the day collected but instead were deposited one or two days later.

**CRITERIA**

Section 2.2.2.10 (G)(4)NMAC, Public Money Act requires that funds collected daily be deposited on a daily basis.

**EFFECT**

The possibility that public funds could be misplaced, lost or misappropriated exist. In addition, the State of New Mexico does not receive money due the state general fund on a timely basis.

**CAUSE**

The administrative office of the Commission has not communicated the requirements of depositing funds daily to the various race tracks locations.

**RECOMMENDATION**

The administrative office needs to monitor the daily cash reports submitted by the various racetrack locations to insure that funds are being deposited on a daily basis.

**MANAGEMENT RESPONSE**

The Commission concurs with this finding and will monitor the daily revenue reports submitted to the administrative office by the various racetracks to insure that funds are being deposited on a daily basis. The administrative office will inform the various racetrack through memorandums if deficiencies are noted.

**NEW MEXICO RACING COMMISSION  
EXIT CONFERENCE  
June 30, 2009**

Randy W. Salas, CPA, our auditor, 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.

An exit conference was held at the office of the New Mexico Racing Commission in Albuquerque, New Mexico on December 7, 2009.

Representing the New Mexico Racing Commission:

Arnold Rael	Chairman
India Hatch	Executive Director
Laura Valencia	Administrative Manager
Rosemary Leeder	Manager

Representing the firm of Randy W. Salas, CPA:

Randy Salas	Audit Manager
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