



**Timothy M. Keller**  
State Auditor

**Sanjay Bhakta, CPA, CGFM, CFE, CGMA**  
Deputy State Auditor

**State of New Mexico**  
**OFFICE OF THE STATE AUDITOR**

January 21, 2016

Dan Fick, Interim Executive Director  
New Mexico Racing Commission  
4900 Alameda NE,  
Albuquerque, NM 87113

Re: FY 2015 New Mexico Racing Commission Annual Audit

Dear Mr. Fick:

On January 21, 2016 the Office of the State Auditor (OSA) released the Fiscal Year (FY) 2015 financial audit for the New Mexico Racing Commission (Commission). At the request of the OSA, MP Group, Inc., the independent accounting firm that conducted the FY 2015 audit, reviewed various concerns regarding racing purses and the collection of revenue.

The Commission is responsible for ensuring racetracks abide by state law in payment of pari-mutuel taxes. Legislative Finance Committee report #13-02 stated that racetracks self-report and pay pari-mutuel wagering taxes and the Commission does not regularly audit these taxes.

As indicated in Finding 2015-001 "Review of Licensee Taxes," the independent auditing of pari-mutuel taxes and the 20% purse requirement only occurred during live race sessions and not the remainder of the year. As a result the state may have received artificially lower amounts of tax revenue. To address this lack of oversight, the independent auditor recommended that the Commission's policies and procedures be strengthened in order to ensure that race tracks accurately report taxes, and therefore purse revenues, to the Commission.

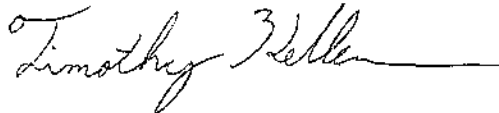
The LFC report also indicated significant differences between the revenues allocable to horse racing purses by the Commission and the revenues allocable to horse racing purses by the Gaming Control Board (GCB). The Commission stated that it is making efforts to manage the information electronically so that revenues can be compared with those on the books of the GCB. This first step will enable greater scrutiny of any unresolved differences between revenues reported by the GCB and revenues reported by the Commission.

In addition, the Commission's audit report included Finding 2015-002 "Reconciliation of Purses," which noted that the Commission is not in compliance with state statute and rules requiring the Commission to receive and maintain monthly reconciliations provided by the New Mexico Horsemen's Association and Horse Breeder's Association. In a positive development, management agreed with the auditor's recommendation to maintain and review these reports moving forward. We also note that the Commission has resolved the two findings from last year,

including a significant deficiency, which we brought to the attention of former Director Mares in FY 2014.

Considering the importance of the issues identified in the audit, we expect these matters to be resolved when the OSA reviews next year's audit. Lack of progress may result in a special audit or other actions by this office. We appreciate the Commission's attention to these issues and please let us know if we can be of assistance in any way.

Sincerely,

A handwritten signature in cursive script that reads "Timothy M. Keller". The signature is written in black ink and includes a horizontal line extending to the right from the end of the name.

Timothy M. Keller  
State Auditor

cc: Robert M. Doughty, III, Chairman  
Beverly Bourguet, Commissioner  
Jerry Cospers, DVM, Commissioner  
Gayla McCulloch, Commissioner  
Ray Willis, Commissioner  
David Abbey, Director, Legislative Finance Committee

**STATE OF NEW MEXICO  
RACING COMMISSION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2015**



**NEW MEXICO RACING COMMISSION**

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**COMMISSIONERS**

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<b>Name</b>	<b>Title</b>
Robert M. Doughty III	Chairman
Beverly Bourguet	Vice Chairman
Gayla McCulloch	Member
Jerry G. Cospers, DVM	Member
Ray Willis	Member

**ADMINISTRATIVE OFFICIALS**

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<b>Name</b>	<b>Title</b>
Vince Mares	Executive Director
Laura Valencia	CFO



## **INDEPENDENT AUDITORS' REPORT**

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Tim Keller  
New Mexico Office of the State Auditor  
The Commissioners of the  
New Mexico Racing Commission  
Albuquerque, New Mexico

### **Report on Financial Statements**

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, 2015, and the related notes 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, 2015, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

### **Opinions**

In our opinion, the financial statements referred to above previously 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, 2015, 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, 2015, 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**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

As discussed in Note A 1, 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, 2015 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.




Our audit was conducted for the purpose of forming opinions on the Commission's 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.

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 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.

  
December 1, 2015



## **OVERVIEW**

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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, 2015. 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**

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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, formerly reported as separate account groups, 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.

**USING THIS ANNUAL REPORT (cont.)**

**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 Acct# 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 Acct. # 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 appropriations from the New Mexico State General Fund and through the collection of pari-mutuel taxes. The Commission is responsible for the regulation of the State's pari-mutuel horse racing industry. During the fiscal year ending June 30, 2015, there were 288 live race days regulated.

Condensed Statement of Net Position  
Table A-1

	Governmental Activities		Increase
	2015	2014	(Decrease)
Current assets	\$ 473,097	\$ 474,136	\$ (1,039)
Capital and non-current assets (net of depreciation)	-	-	-
<b>Total Assets</b>	<b>\$ 473,097</b>	<b>\$ 474,136</b>	<b>\$ (1,039)</b>
Current liabilities	\$ 279,610	\$ 177,728	\$ 101,882
Long-term liabilities	27,040	23,220	3,820
Due to State General Fund	160,616	309,628	(149,012)
Due to other funds	-	-	-
<b>Total Liabilities</b>	<b>\$ 467,266</b>	<b>\$ 510,576</b>	<b>\$ (43,310)</b>
Net Position:			
Restricted	\$ 93,302	-	\$ 93,302
Unrestricted (deficit)	(87,310)	(36,440)	(50,870)
<b>Total Net Position</b>	<b>\$ 5,992</b>	<b>\$ (36,440)</b>	<b>\$ 42,432</b>

**THE NEW MEXICO RACING COMMISSION AS A WHOLE (cont.)**

As summarized in Table A-1, Current liabilities increased due to an increase in accounts payable which was related to payment for equine testing. Net Position of \$5,992 represents the difference between assets and liabilities of the Agency. The deficit presented in unrestricted net position is not a reflection of the agency overspent its funding authority. It represents the estimated future cost of compensated absences that will be funded and paid from future appropriations. The restricted portion relates to the availability of funds for the use of additional equine testing.

Condensed Statement of Activities  
Table A-2

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>
General Revenues/Transfers:			
General fund appropriations	\$ 2,430,200	\$ 2,352,200	\$ 78,000
Special appropriations	-	67,500	(67,500)
Other sources	416,002	-	416,002
Transfer out - reversion	(157,070)	(181,319)	24,249
Total revenues/transfers	<u>2,689,132</u>	<u>2,238,381</u>	<u>450,751</u>
Expenses			
Racing regulation	<u>2,646,700</u>	<u>2,243,069</u>	<u>403,631</u>
Increase (decrease) in net position	42,432	(4,688)	47,120
Beginning of year, net position (deficit)	(36,440)	(31,752)	(4,688)
End of year, net position (deficit)	<u>\$ 5,992</u>	<u>\$ (36,440)</u>	<u>\$ 42,432</u>

**ANALYSIS OF FINANCIAL POSITION**

The Commission receives 88% of its governmental fund revenues from an appropriation from the state legislature and the remainder from the collection of pari-mutuel taxes for equine testing which was established this fiscal year. These SHARE fund accounts are expended by the Commission based on a budget submitted and approved by the state legislature and the Governor. During the current year, the Commission has had an increase in their budget largely due to Equine Testing fund created by the legislature for additional testing of horses and the related expenditures. The remaining increase is due to auditor hired during the year to ensure enforcement of state laws and regulations at each of the state's horse racing facilities.



**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 \$2,430,200 from the General Fund appropriation and \$416,002 in collection of pari-mutuel taxes.

Governmental funds expenditures totaled \$2,623,160 and differs from the government-wide expenses of \$2,646,700 by one item as follows:

Government fund expenditures	\$ 2,623,160
Increase in liability for compensated absences	23,540
Agency government-wide expenses	<u>\$ 2,646,700</u>

**ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

The Commission maintains the General Fund and three fiduciary funds. The General Fund receives an appropriation by the state legislature and par-mutuel taxes. 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 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 2015 fiscal year was \$895,861.

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

**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 and 16.

### **GENERAL FUND BUDGETARY HIGHLIGHTS (cont.)**

The budgetary basis expenditures for the General Fund account was within their budgeted amount in all functions as was the Equine Testing Fund account. The difference in budget to actual expenditures for the SHARE General Fund and Equine Testing fund total categories is \$157,040 and \$27,300 respectively. The Commission came under budget in the other budget categories mostly due to staff turnover and delayed hiring of new staff which caused personnel related expenditures to be lower than budget amounts. The SHARE General Fund account had \$35,000 adjustment within expenditures.

### **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 did not recognize any depreciation on assets acquired in the current year or prior years.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Nationally, the horse racing industry continues to face challenges of success and continued support from their respective communities, however New Mexico horse racing continues to be one of the most competitive nationally with higher than average purses. During the 2015 fiscal year the Racing Commission continued with its focus and objectives of strengthening integrity.

Because purses continue to be competitive, the use of illegal drugs is probable. It is imperative for the Commission to continue improvement of its testing program. In January 2015, the Commission began receiving monies allocated for equine testing to assist with its goal to achieve a comprehensive testing program, to increase the daily tests conducted, Out of Competition testing and necropsy testing. During the fiscal year there was a 23% increase in equine testing completed.

The Commission was approved an increase of two FTE: an internal auditor and financial specialist to work with the agency CFO. The internal auditor has worked with contracted auditors and race track staff to improve on racing oversight and continuity in areas such as racetrack classification, daily monitoring of parimutuals, gaming revenues, and state taxes. The addition of this staff has allowed for segregation of duties and accountability.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (cont.)**

With the approval of FY16 operating budget, authorization for additional staff was established for the hiring of a Medication Manager. This individual must have the knowledge and skills to supervise track veterinarians and testing laboratory. Because significant budget is committed to the equine testing program, the Medication Manager can ensure integrity and accountability is maintained.

The executive director has become proactive in objectives for the subsequent years' budget appropriation including working with legislators. One of the issues that is being addressed and has been successfully executed is the relocation of the Commission staff to allow for its continued growth and autonomy. The agency has also contracted with a second hearing officer to assist the agency with the backlog of cases and will continue to do so until these cases are complete.

With the upcoming fiscal year, the Commission's management will continue to move forward and achieve its goals to progress forward in an industry with constant change. We will seek out alternative ways to improve on services and accountability within our agency and its employees.

**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 RACING COMMISSION  
STATEMENT OF NET POSITION**

**June 30, 2015**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Investment in the State General Fund Investment Pool	473,097
Other receivables	161
Capital assets, net of accumulated depreciation	<u>-</u>
<b>Total assets</b>	<b><u>\$ 473,258</u></b>
<b>Liabilities:</b>	
Accounts payable	194,795
Accrued salaries and benefits	38,885
Due to state general fund	160,616
Compensated absences payable	
Due within one year	45,930
Due after one year	<u>27,040</u>
<b>Total liabilities</b>	<b><u>467,266</u></b>
<b>Net Position:</b>	
Restricted	93,302
Unrestricted (deficit)	<u>(87,310)</u>
<b>Total net position</b>	<b><u>5,992</u></b>
<b>Total liabilities and net position</b>	<b><u>\$ 473,258</u></b>

**The Accompanying Notes Are An Integral Part Of These Financial Statements**

**For the Year Ended June 30, 2015**

	<u>Governmental Activities</u>
<b>Program Expenses:</b>	
Personal services / employee benefits	\$ 1,256,553
Contractual services	1,246,644
Other	143,503
Total program expenses	<u>2,646,700</u>
<b>General Revenues/Transfers:</b>	
State general fund appropriations	2,430,200
Pari-mutuel taxes	416,002
Transfers - reversion to the state general fund	<u>(157,070)</u>
Total general revenues/transfers	<u>2,689,132</u>
<b>Change in net position</b>	42,432
<b>Net Position:</b>	
Beginning of year	<u>(36,440)</u>
End of year	<u>\$ 5,992</u>

June 30, 2015

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	<u>General Fund</u>
<b>Assets:</b>	
Unrestricted investment in the State General Fund	
Investment Pool	473,097
Due from other funds	322,700
Other receivables	161
<b>Total assets</b>	<u><u>\$ 795,958</u></u>
<b>Liabilities:</b>	
Accounts payable	194,795
Accrued salaries and benefits	38,885
Due to other funds	322,700
Due to state general fund	160,616
<b>Total liabilities</b>	<u><u>716,996</u></u>
<b>Fund Balance:</b>	
Restricted:	
Equine testing	93,302
Assigned to:	
General operations	<u>(14,340)</u>
	78,962
<b>Total liabilities and fund balance</b>	<u><u>\$ 795,958</u></u>

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

Fund Balance - Government Funds	78,962
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(72,970)</u>
<b>Net Position of Governmental Activities</b>	<u><u>5,992</u></u>

**The Accompanying Notes Are An Integral Part Of These Financial Statements**



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

**For the Year Ended June 30, 2015**

	<u>General Fund</u>
<b>Expenditures</b>	
Personal services / employee benefits	1,233,013
Contractual services	1,246,644
Other	<u>143,503</u>
Total expenditures	<u>2,623,160</u>
<b>Other Financing Sources (Uses)</b>	
State general fund appropriations	2,430,200
Other Sources - pari-mutuel taxes	416,002
Transfers - reversion to the state general fund	<u>(157,070)</u>
Total other financing sources (uses)	<u>2,689,132</u>
<b>Net change in fund balance</b>	65,972
<b>Fund balance</b>	
Beginning of year	<u>12,990</u>
End of year	<u><u>\$ 78,962</u></u>

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

Net Change in Fund Balances - Total Government Funds \$ 65,972

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

(23,540)

**Change in Net Position - Governmental Activities** \$ 42,432

**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, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>				
State general fund appropriations	\$ 2,430,200	\$ 2,430,200	\$ 2,430,200	\$ -
Other sources	350,000	350,000	322,700	(27,300)
<b>Total revenues</b>	<u>\$ 2,780,200</u>	<u>\$ 2,780,200</u>	<u>\$ 2,752,900</u>	<u>\$ (27,300)</u>
<b>Expenditures</b>				
Personal service/employee benefits	\$ 1,392,200	\$ 1,357,200	\$ 1,233,013	\$ (124,187)
Contractual services	1,271,400	1,276,400	1,246,644	(29,756)
Other	116,600	146,600	143,503	(3,097)
<b>Total expenditures</b>	<u>\$ 2,780,200</u>	<u>\$ 2,780,200</u>	<u>\$ 2,623,160</u>	<u>\$ (157,040)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

BUDGET TO ACTUAL COMPARISON STATEMENT - GENERAL FUND- EQUINE TESTING FUND

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>				
Other Sources-pari-mutuel taxes	\$ 350,000	\$ 350,000	416,002	66,002
<b>Total revenues</b>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 416,002</u>	<u>\$ 66,002</u>
<b>Expenditures</b>				
Other	350,000	350,000	322,700	(27,300)
<b>Total expenditures</b>	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 322,700</u>	<u>\$ (27,300)</u>

NEW MEXICO RACING COMMISSION  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS

June 30, 2015

	<u>Agency Funds</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 107,954
Investment in the State General Fund Investment Pool	382,043
Fines Receivable	<u>530,350</u>
<b>Total assets</b>	<u><u>\$ 1,020,347</u></u>
<b>Liabilities:</b>	
Due to state general fund	\$ 1,020,347
<b>Total liabilities</b>	<u><u>\$ 1,020,347</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

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

**OCCUPATIONAL LICENSE FUND**

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This fund is a statutory required fund to account for all cash proceeds from issuing badges and ordering fingerprints. Excess receipts are transferred to the state general fund.

**RACING RECEIPTS FUND**

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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**

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

**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

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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 for 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 of the tracks with the exception of those receipts and disbursements for which the Commission operates as an agent of the tracks.

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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:

**1. 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 on 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 an Comprehensive Annual Financial Report (CAFR) inclusive of all agencies of the primary government for fiscal year 2015.



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

**2. 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 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, 2015. 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 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.

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

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.

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.

**3. 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** - 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** - 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.

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

**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.

**4. 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.

**5. 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. The budgets presented had an amendment of \$35,000 during the fiscal year.

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.

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

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;
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.

**6. 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.

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

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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

**7. 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.

**8. 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 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 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.

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

**9. 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, 2015.

**10. 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 following is a computation of the reversion amount due at June 30, 2015:

Fund balance assigned at July 1, 2014	\$ 12,990
State general fund appropriation and other revenue	2,846,202
Budgetary basis expenditures	(2,623,160)
Reversion due to the State General Fund June 30, 2015	<u>(157,070)</u>
Fund balance-assigned	<u>\$ 78,962</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.

**11. 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, 2015.

**Unrestricted Deficit** - represents the deficit of total assets over total liabilities and net position invested in capital assets at June 30, 2015.



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

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**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 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.

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

**12. 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 government's 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.

- Nonspendable fund balance- amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance- amounts constrained to specific purposes by their providers (such as grantors), through constitutional provisions, or by enabling legislation;
- 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;
- 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 delegates the authority;
- Unassigned fund balance- amounts that are available for any purpose.

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

**13. 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**

The Commission maintained a combined cash balance of \$107,954 at June 30, 2015 in two 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.

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, 2015, the Commission's bank balances of \$107,954 were not exposed to custodial credit risk because they were fully insured by the FDIC.

**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 \$473,097. The Commission's general program share of the GFIP investment balance held at the State Treasury. The Commission's fund is reverting which does not allow excessive build up 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.

**NOTE C - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL (cont.)**

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 GFIP balance of \$473,097 materially approximates their share of the GFIP at June 30, 2015. Any adjustments to the SGFIP balance that might exist at June 30, 2015 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, 2015 is as follows:

	<u>Fair Value 6/30/2015</u>
Investment in New Mexico State Treasurer's Office	
General Fund Investment Pool	<u>\$ 855,140</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 6/30/2015</u>
General Fund	69000	\$ 473,097
Agency Funds	95100	382,043
		<u>\$ 855,140</u>

Of the \$473,097 in the State General Fund Investment Pool, \$93,302 is restricted for purposes of additional equine testing.

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 for the fiscal year ended June 30, 2015, 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 June 30, 2015:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
<b>Governmental Activities</b>				
<b>Capital assets being depreciated</b>				
Furniture and fixtures	\$ 17,332	\$ -	\$ -	\$ 17,332
Equipment	48,028	-	-	48,028
Data processing equipment	198,872	-	-	198,872
	<u>264,232</u>	<u>-</u>	<u>-</u>	<u>264,232</u>
<b>Less accumulated depreciation</b>				
Furniture and fixtures	(17,332)	-	-	(17,332)
Equipment	(48,028)	-	-	(48,028)
Data processing equipment	(198,872)	-	-	(198,872)
	<u>(264,232)</u>	<u>-</u>	<u>-</u>	<u>(264,232)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE E - COMPENSATED ABSENCES PAYABLE**

Long-term liability activity for the Commission for the year ended June 30, 2015, is as follows:

	Balance 6/30/2014	Increase	Decrease	Balance 6/30/2015	Due Within One Year
<b>Governmental Activities</b>					
<b>Other Liabilities</b>					
Compensated absences	\$ 49,430	\$ 45,004	\$ 21,464	\$ 72,970	\$ 45,930

Compensated absences are paid out of the general fund.

**NOTE F - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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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, 2015. 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 administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

**NOTE G - POSTEMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN**

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**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.

**NOTE G - POSTEMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (cont.)**

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Commission's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$15,651, \$13,591, and \$11,001, respectively, which equal the required contributions for each year.

**NOTE H - DEFERRED COMPENSATION PLAN**

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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.



**NOTE H - DEFERRED COMPENSATION PLAN (cont.)**

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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**

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	<u>Expenses</u>
Budget basis expenditures	\$ 2,623,160
Increase in compensated absences	23,540
GAAP basis expenses	<u>\$ 2,646,700</u>

**NOTE J - RISK MANAGEMENT**

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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**

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During the year ended June 30, 2015, State General Fund Appropriations consist of the following:

Laws of 2014, Chapter 227, Section 4	\$ 2,430,200
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**NOTE L - TRANSFERS TO STATE GENERAL FUND**

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

	<u>Amount</u>
Racing Receipts Fund:	
Transfer from Fund #81400 to Fund #85300	<u>\$ 895,861</u>
General Fund Reversions:	
Transfer from Fund #19200 to Fund #85300 for FY14 fund balance	<u>\$ 181,319</u>

**NOTE M - DUE TO STATE GENERAL FUND**

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Due to state general fund consists of the following items as of June 30, 2015:

General Fund Reversions:	
FY15 reversion	\$ 157,070
Stale dated checks	3,546
	<u>\$ 160,616</u>

**NOTE N - NET POSITION- UNRESTRICTED (DEFICIT)**

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The net position - unrestricted (deficit) of \$87,310 in the Statement of Net Position is primarily due to the following: created from \$72,970 of compensated absences that were accrued at June 30, 2015 but will be paid for out of future appropriations.

**NOTE O - GENERAL FUND INVESTMENT POOL NOT RECONCILED**

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For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent expert diagnostic report revealed that Pool balances had not reconciled at a business unit by fund+level since the inception of the Statewide Human Resource, Accounting, and Management Reporting (SHARE) system in July of 2006.

**NOTE O - GENERAL FUND INVESTMENT POOL NOT RECONCILED (cont.)**

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By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State. Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE system configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the State's fiscal agent bank to the SHARE general ledger on a go-forward basis beginning February 1, 2013. However, additional critical business process changes and corrections to configurations within the SHARE system remain to be completed; therefore, Cash Management Remediation Project, Phase II, commenced July 2014. Its scope was to perform reconciliations from July 2000 to January 2013.

In fiscal year 2013, DFA recorded a loss contingency of \$ 101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool; that estimate has not been changed to date. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable.

The results of the historical Cash Reconciliation Project did not reconcile the accounts, but, progress was made in the overall reconciliation process and FCD has an operational model that effectively compares statewide claims against the SGFIP and resources held at the State Treasurer's office. This process has been operational since March 2015. FCD believes the \$101.7 million allowance in the General Operating Reserve Fund is sufficient to accommodate the current calculated difference in resources held in the SGFIP and agency claims and any adjustments will be applied against the allowance. No portion of the adjustment shall be allocated to any specific business unit that participates in the SGFIP.

**NOTE P - MEMORANDUM OF UNDERSTANDING**

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In April 1, 2015, the Commission signed a memorandum of understanding (MOU) with the State Personnel Office (SPO) for the fiscal year ending June 30, 2015. The SPO provided the maintenance of the personnel files and performed other human resource functions. The commission paid SPO \$4,600 for these services. The Commission has contracted with SPO for FY 16 for human resource functions for \$12,700.

**NOTE Q - SUBSEQUENT EVENTS**

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Events subsequent to June 30, 2015 have been evaluated by management through December 1, 2015, the date the financial statements are available for issuance. In the opinion of management, no events occurring after June 30, 2015 required disclosure or adjustment to the financial statements.

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

**June 30, 2015**

	19200	12140	
	General	Equine	
	Fund	Testing	Total
	<u>Fund</u>	<u>Fund</u>	
<b>Assets:</b>			
Unrestricted investment in the State General Fund			
Investment Pool	57,095	\$ 416,002	\$ 473,097
Due to other fund	322,700	-	322,700
Other receivables	161	-	161
<b>Total assets</b>	<u>\$ 379,956</u>	<u>\$ 416,002</u>	<u>\$ 795,958</u>
<b>Liabilities:</b>			
Accounts payable	194,795	-	194,795
Accrued salaries and benefits	38,885	-	38,885
Due to other fund	-	322,700	322,700
Due to state general fund	160,616	-	160,616
<b>Total liabilities</b>	<u>394,296</u>	<u>322,700</u>	<u>716,996</u>
<b>Fund Balance:</b>			
Assigned to:			
Equine testing	-	93,302	93,302
General operations	(14,340)	-	(14,340)
	<u>(14,340)</u>	<u>93,302</u>	<u>78,962</u>
<b>Total liabilities and fund balance</b>	<u>\$ 379,956</u>	<u>\$ 416,002</u>	<u>\$ 795,958</u>

**The Accompanying Notes Are An Integral Part Of These Financial Statements**

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

**For the Year Ended June 30, 2015**

	19200	12140	
	General	Equine	
	Fund	Testing	
	<u>          </u>	<u>          </u>	<u>          </u>
	Fund	Fund	Total
<b>Expenditures</b>			
Personal services / employee benefits	1,233,013	-	1,233,013
Contractual services	923,944	322,700	1,246,644
Other	143,503	-	143,503
Total expenditures	<u>2,300,460</u>	<u>322,700</u>	<u>2,623,160</u>
<b>Other Financing Sources (Uses)</b>			
State general fund appropriations	2,430,200	-	2,430,200
Other Sources - Para Mutuel Tax	-	416,002	416,002
Transfers - reversion to the state general fund	(157,070)	-	(157,070)
Total other financing sources (uses)	<u>2,273,130</u>	<u>416,002</u>	<u>2,689,132</u>
<b>Net change in fund balance</b>	(27,330)	93,302	65,972
<b>Fund balance</b>			
Beginning of year	12,990	-	12,990
End of year	<u>\$ (14,340)</u>	<u>\$ 93,302</u>	<u>\$ 78,962</u>

**The Accompanying Notes Are An Integral Part Of These Financial Statements**

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

**June 30, 2015**

	Occupational License	Racing Receipts	Suspense Refunds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 107,954	\$ -	\$ 107,954
Investment in the State				
General Fund Investment Pool	14,052	334,866	33,125	382,043
Fines Receivable	-	530,350	-	530,350
	<u>\$ 14,052</u>	<u>\$ 973,170</u>	<u>\$ 33,125</u>	<u>\$ 1,020,347</u>
<b>Liabilities</b>				
Due to state general fund	\$ 14,052	\$ 973,170	\$ 33,125	\$ 1,020,347
	<u>\$ 14,052</u>	<u>\$ 973,170</u>	<u>\$ 33,125</u>	<u>\$ 1,020,347</u>

**The Accompanying Notes Are An Integral Part Of These Financial Statements**

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

**For the Year Ended June 30, 2015**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>Occupational License - Assets</b>				
Investment in SGF investment pool	\$ 14,052	\$ -	\$ -	\$ 14,052
Due from other funds	-	-	-	-
Total assets	<u>\$ 14,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,052</u>
<b>Occupational License - Liabilities</b>				
Due to state general fund	\$ 14,052	-	-	\$ 14,052
Total liabilities	<u>\$ 14,052</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,052</u>
<b>Racing Receipts - Assets</b>				
Investment in SGF investment pool	\$ 116,811	\$ 218,055	\$ -	\$ 334,866
Cash and cash equivalents	67,960	935,855	895,861	107,954
Fines Receivable	449,200	81,150	-	530,350
Due from other funds	-	-	-	-
Total assets	<u>\$ 633,971</u>	<u>\$ 1,235,060</u>	<u>\$ 895,861</u>	<u>\$ 973,170</u>
<b>Racing Receipts - Liabilities</b>				
Due to state general fund	\$ 633,971	\$ 1,235,060	\$ 895,861	\$ 973,170
Total liabilities	<u>\$ 633,971</u>	<u>\$ 1,235,060</u>	<u>\$ 895,861</u>	<u>\$ 973,170</u>
<b>Suspense Funds - Assets</b>				
Investment in SGF investment pool	\$ 33,125	\$ -	\$ -	\$ 33,125
Total assets	<u>\$ 33,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,125</u>
<b>Suspense Funds - Liabilities</b>				
Due to state general fund	\$ 33,125	\$ -	\$ -	\$ 33,125
Total liabilities	<u>\$ 33,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,125</u>
<b>All Agency Funds - Total Assets</b>				
Cash and cash equivalents	\$ 67,960	\$ 935,855	\$ 895,861	\$ 107,954
Investment in SGF investment pool	163,988	218,055	-	382,043
Fines Receivable	449,200	81,150	-	530,350
Due from other funds	-	-	-	-
Total assets	<u>\$ 681,148</u>	<u>\$ 1,235,060</u>	<u>\$ 895,861</u>	<u>\$ 1,020,347</u>
<b>All Agency Funds - Total Liabilities</b>				
Due to state general fund	681,148	1,235,060	895,861	1,020,347
Total liabilities	<u>\$ 681,148</u>	<u>\$ 1,235,060</u>	<u>\$ 895,861</u>	<u>\$ 1,020,347</u>

**The Accompanying Notes Are An Integral Part Of These Financial Statements**



**For the Year Ended June 30, 2015**

Account Name	Account Type	Financial Statement Balance
<b>Cash and cash equivalents in area banks:</b>		
Compass Bank - Albuquerque	Checking	\$ 50,615
Compass Bank - Albuquerque	Checking	12,312
Wells Fargo Bank - Farmington	Checking	3,580
Wells Fargo Bank - Ruidoso	Checking	35,838
Wells Fargo Bank - Hobbs	Checking	2,533
Wells Fargo Bank - Dona Ana County	Checking	3,076
		<u>\$ 107,954</u>

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

	NMRC Fund Number	Fund Balance
General Fund:		
General Fund	19200	\$ 57,095
Equine Testing Fund	12140	416,002
Occupational License Fund	37900	14,052
Racing Receipts Fund	81400	334,866
Suspense Refunds Fund	84500	33,125
		<u>\$ 855,140</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.

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
40-469-15-00001	Request for Proposal	Dave E. Fly, D.V.M.	64,980.30	n/a	P.O. Box 2426 Edgewood, NM 87015	N	N	Veterinary services for live horse race meet at Sunland Park Racetrack

**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***

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Tim Keller  
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 Commission as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the New Mexico Racing Commission's (Commission) basic financial statements, and the combining statement of fiduciary assets and liabilities presented as supplemental information and have issued our report thereon dated December 1, 2015.

**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 auditing 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.

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 that we consider to be significant deficiencies, including items 2015-001.

### **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*, which is described in the accompanying schedule of findings and responses as items 2015-002.

### **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.



December 1, 2015

**NEW MEXICO RACING COMMISSION  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

Finding	Status
2013-001 Monthly Reconciliation	Resolved
2013-002 Reversion to the State General Fund	Resolved
2014-001 Reversion of Special Appropriations to the State General Fund	Resolved
2014-002 Procurement -Other	Resolved

**Section I - Summary of Auditors' Results**

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**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 2015-001

“ Noncompliance and other matters identified? Yes

Finding 2015-002



**Section II - Financial Statement Findings**

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**2015-001 - Review of Licensee Taxes (Significant Deficiency)**

***CONDITION***

The agreed upon procedures performed by independent public accountants concerning the testing of the pari-mutuel taxes and 20% purse requirement does not cover the entire year ended June 30, 2015.

***CRITERIA***

The NMRC requires taxes paid to be audited during live race meets by their contracted auditors, and confirmed to the LFC that they randomly check tax revenues at other points in the year as well. The Taxation and Revenue Department (TRD) does not track these tax dollars, so the NMRC becomes the de facto enforcement entity to ensure racetracks are abiding by state law in payment of pari-mutuel taxes.

***CAUSE***

The Commission has only contracted with the IPA's during live race sessions and not the remainder of the year.

***EFFECT***

The Commission is not auditing the remainder of the year that the race track is not running live races. Because of this, the tracks could be improperly reporting the information to the Commission.

***RECOMMENDATION***

The Commission should establish policies and procedures to monitor the tracks activity that is not comprised during live race days.

***MANAGEMENT RESPONSE***

Upon receipt of an LFC audit of our agency, areas were identified that needed improvement, one of these areas is racing oversight. In order to improve on racing oversight, management concluded that successful compliance would require additional staff. In April 2015, the agency hired an internal auditor to concentrate on strengthening audit and racing oversight including pari-mutuel taxes. During fiscal year 2015, staff developed a work sheet to ensure receipt of PM taxes, this worksheet is compared monthly by the Administrative Manager to ITW reports received from respective racetracks, however, in previous years, the comparison was completed randomly. Changes have been made to ensure that this process is improved and that receipt of taxes is timely, calculations are correct and the reporting of information is accurate. This task is the responsibility of our internal auditor and is currently being completed on a weekly basis manually thru a mix of paper and electronic reporting. If any errors are found, the reports are looked at daily until corrections are complete. Management is seeking to obtain a program to manage the information electronically (i.e. live, comparable to Gaming Control Board). Staff has already begun to reach out to companies that can provide the software. This will require additional staff and funding, which receipt of this funding is unknown at this time.

**Section III - Other Matters as Required by New Mexico State Statute 12-6-5, NMSA 1978**

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**2015-002 - Reconciliation of Purses (Other noncompliance)**

***CONDITION***

The Horseman's and Horsebreeder's associations are required to provide monthly reconciliations of amounts collected to the account statements. The reconciliations could not be located.

***CRITERIA***

Per that state statutes Chapter 60 NMSA 1978, and NMAC 15.2.2.9, The Commission is required to receive and maintain the monthly reconciliations provided by the NM Horseman's and Horsebreeder's Associations.

***CAUSE***

The Commission didn't appropriate sufficient resources to perform the work needed for the review and reconciliation of the purses from the tracks.

***EFFECT***

The Commission is not in compliance with the State statutes in Section 60 of the Horse Racing Compliance Act

***RECOMMENDATION***

The management at the Commission should establish policies and procedures related to reconciliations to ensure that they are maintained and reviewed on a regular basis. In addition the Commission should ensure that monthly reports from the NM Horseman's and Horsebreeder's Associations are maintained and reviewed.

***MANAGEMENT RESPONSE***

The staff did not receive the monthly reconciliations as stated above in the Condition, per NMSA 15.2.2.9. The Internal Auditor is responsible for receipt of these reports; they will be requested from both the NM Horseman's and the NM Horse Breeder's Associations to allow Internal Auditor a monthly review of reconciliation to ensure accuracy and accountability; the monthly reports will be maintained at the Commission. During the first week of the following month, if the reports have not been received, the Internal Auditor will contact the respective associations for submittal. It should be noted that currently these reports are being provided to the auditor.



**For the Year Ended June 30, 2015**

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An exit conference was held on December 1, 2015, with the following in attendance:

New Mexico Racing Commission

Jerry G. Coper, DVM, Board Member

Vince Mares, Agency Director

Laura Valencia, CFO

MP Group, Inc.

Scott Peck, Partner

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.