

State of New Mexico
State Personnel Board

Financial Statements

June 30, 2018



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

June 30, 2018

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**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Official Roster

June 30, 2018

<u>Name</u>	<u>Board</u>	<u>Title</u>
Christine Romero		Chairperson
Jerry Manzagol		Vice Chair
Megan Muirhead		Member
Carmen Chavez		Member
 <u>Administrative Officials</u>		
Justin Najaka		Director
Nivia Thames		Deputy Director
Stuart Hamilton		CFO

INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
New Mexico State Auditor
and
Mr. Justin Najaka, Director
State Personnel Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the New Mexico State Personnel Board (the Board), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund of the Board as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the New Mexico State Personnel Board (the Board) are intended to present the net position and the changes in net position of only that portion of the governmental activities, the major fund and the budgetary comparison for the general fund that are attributable to the transactions of the Board. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2018, and the changes in its net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Albuquerque, New Mexico
October 31, 2018

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Management Discussion and Analysis
June 30, 2018**

As management of the State Personnel Board (the Board), we offer readers this discussion and analysis to provide an overview of the financial activities of the Board for the fiscal year ended June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

In compliance with requirements of accounting principles generally accepted in the United States of America (U.S. GAAP) the Board's basic financial statements include the following:

- Government-wide financial statements;
- Fund financial statements;
- Budget comparison statements; and,
- Notes to the financial statements.

Government-Wide Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to private sector business reporting. These statements report information about the overall governmental activities and business-type activities. However, the Board does not have any business-type activities to report.

The statement of net position inclusively presents current and long-term assets and liability with a difference between the assets and liability reported as net assets. The statement of activities presents all changes in net position as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are included in this statement for some items that will only result in cash flows in future fiscal periods, such as earned but unused vacation leave.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's significant governmental funds – not the Board as a whole. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes.

The Board has two types of funds:

General Appropriation Fund – All of the Board's services are reflected in the general appropriation fund and provide information to help the user determine whether there are more or fewer financial resources that can be used to finance the Board's program. This fund is a reverting fund. All money remaining at the end of the fiscal year reverts to the State General Fund.

Governor's Career Fund – This fund is specifically for the yearly Governor's Career Development Conference that allows the opportunity for state employees to attend the training courses offered. This fund had no revenue or expenditures, during fiscal year 2018.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Management Discussion and Analysis
June 30, 2018**

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Condensed financial information for current and prior fiscal year:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current assets	\$ 959,325	758,301
Capital assets (net)	35,473	78,426
Total assets	<u>994,798</u>	<u>836,727</u>
Current liabilities	441,362	678,916
Long-term liabilities	-	80,258
Total liabilities	<u>441,362</u>	<u>759,174</u>
Net position:		
Net investment in capital assets	35,473	78,426
Restricted	685,000	143,695
Unrestricted (deficit)	<u>(167,037)</u>	<u>(144,568)</u>
Total net position	<u>\$ 553,436</u>	<u>77,553</u>
Program revenue	\$ 257,981	297,553
General revenue – appropriation	<u>4,497,900</u>	<u>4,733,100</u>
Total revenue	<u>4,755,881</u>	<u>5,030,653</u>
Expenses – Governmental Activities	4,152,790	4,820,881
Reversions to State General Fund	<u>115,997</u>	<u>104,574</u>
Total expenses and reversions	<u>4,268,787</u>	<u>4,925,445</u>
Change in net position	487,094	105,198
Transfer of Asset to GSD	(11,211)	-
Beginning net position (deficit)	<u>77,553</u>	<u>(27,645)</u>
Ending net position (deficit)	<u>\$ 553,436</u>	<u>77,553</u>

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Management Discussion and Analysis
June 30, 2018**

Overall Financial Position

The overall financial position of the Board remains stable.

Individual Fund Highlights

As of June 30, 2018, the General Fund has a balance in net position of \$553,436.

Budgetary Highlights

The operating budget from July 2017 to June 2018 consisted of State General Fund appropriation of \$4,497,900 with 48 FTE's authorized.

Capital Assets and Long-Term Debt

The Board's capital assets consist of personal property. Net of accumulated depreciation, the ending capital asset value for the Board is \$35,743. The Board does not own any real property or infrastructure assets. The Board also has no long-term debt. The Board does have accrued compensated absences.

Other Financial Highlights

The Board will continue to operate under the same financial procedures and policies as it has in the past. There are no other pending financial matters that could have significant impact on the Board. There was a general fund balance of \$685,050 as a result of the unexpended multiyear special appropriation.

Agency Highlights

The Board's mission is to provide a flexible and responsive system for Human Resource Management as required by statute, the Board Rules, and the latest human resource management techniques that meet the evolving needs of our agencies, employees, and the public in a timely and accountable manner. The Board shall actively serve as a resource for supporting and facilitating better management and development of human resources in state government.

The Board was designated by the Governor as the union contract administrator to ensure proper guidance, training, and oversight for all state agencies. The Board's Labor Relations Bureau works closely with various state agencies to ensure consistent application of the three (3) Collective Bargaining Agreements to ensure they are properly administered in the spirit in which they were negotiated. State government has current Collective Bargaining Agreements with AFSCME, CWA, and NMMTEA.

During fiscal year 2018, the Board has offered Shared Services to agencies of less than 100 staff through a Memorandum of Understanding. The Board employs staff with specialized human resource skills and abilities. Shared Services enables smaller agencies to receive quality, standardized, accurate, and efficient human resource services.

The Training Bureau conducted 119 trainings with a total of 1,953 classroom participants and 1,235 online participants in fiscal year 2018; trainings included Managing Employee Performance, Fundamentals of Supervision, Workplace Ethics, Harassment Free Workplace, Leadership: Practical Application, Introduction to Conflict Management in the Workplace, Conflict Management in the Workplace 1, Time Management, Introduction to Professional Writing, Managing Workplace Stress and Negativity and Cultural Competency.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Management Discussion and Analysis
June 30, 2018**

Agency Highlights (Continued)

The State Personnel Office began limited consolidation of the HR function within Executive agencies in FY13 with the implementation of its Shared Services model. This successful model was expanded to include Service Level Agreement agencies via Executive Order 2017-002 in FY18.

The State Personnel Office is comprised of seven Centers of Excellence, an Administrative Services Division (CFO, CIO, CPO) and the Executive team (Director, Deputy Director, Chief Legal Counsel and an Administrative Assistant). The seven Centers of Excellence are: Classification & Compensation, Employee and Labor Relations, Federally Funded Agencies, HR Solutions, Quality Assurance and Data Analytics, Talent Acquisition and Training & Employee Development.

Adjudication Division received a total of 42 new appeals and disposed of 49 in fiscal year 2018. (As of the end of June 2018, there were 23 appeals pending).

Compensation and Classification Division implemented a new classified salary structure for Engineers/Surveyors/Water Resources/Engineering Technicians and one for Architects, completed various smaller classification studies including Property/Casualty and Workers' Compensation Adjuster Studies and Aircraft Pilot Study and developed criteria for two models of IT Apprenticeships that could be implemented in state agencies to develop IT talent pool for state.

Leave Management Implemented dynamic database to track all episodes of leave for all employees in consolidated agencies, developed new processes and forms for a more consistent approach to leave management throughout 36 consolidated agencies and managed over 400 episodes from January 18, 2018 through June 30, 2018 (270 episodes under the Family and Medical Leave Act, 43 Non- FML leave requests, 23 Worker's Compensation claims, 21 Short Term Disability claims, 4 Long Term Disability claims 18 requests for accommodation under the American's with Disabilities Act, 12 leave donation requests and 13 military leave requests.

The IT Division achieved 100% IT asset integration into the Board domain based on Phase 1 of consolidation of executive agencies, boards and commissions.

The Call Center received 4,683 calls and completed 1,809 emails. All calls were answered under 20 seconds.

Contacting the Agency's Financial Management:

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

Stuart Hamilton, CFO
State Personnel Office
2600 Cerrillos Road
Santa Fe, New Mexico 87505
(505) 476-7741

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Statement of Net Position
June 30, 2018**

	Governmental Activities
	<hr/>
ASSETS	
Current Assets	
Interest in General Fund Investment Pool	\$ 952,131
Petty Cash	50
Due From Other State Agencies	7,144
	<hr/>
Total Current Assets	959,325
	<hr/>
Noncurrent Assets	
Capital Assets	646,246
Less: Accumulated Depreciation	(610,773)
	<hr/>
Total Capital Assets	35,473
	<hr/>
Total Assets	\$ 994,798
	<hr/> <hr/>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 120,761
Accrued Payroll	116,504
Due to State General Fund	15,579
Unearned Revenues	21,431
Current Portion of Accrued Compensated Absences	167,087
	<hr/>
Total Current Liabilities	441,362
	<hr/>
Total Liabilities	441,362
	<hr/>
NET POSITION	
Net Investment in Capital Assets	35,473
Restricted	685,000
Unrestricted (Deficit)	(167,037)
	<hr/>
Total Net Position	\$ 553,436
	<hr/> <hr/>

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

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Statement of Activities
For the Year Ended June 30, 2018**

	<u>Governmental Activities</u>
Expenses:	
Personal Services and Employee Benefits	\$ 3,313,276
Contractual Services	102,279
Other Expenses	705,493
Depreciation Expense - Unallocated	<u>31,742</u>
	<u>4,152,790</u>
Revenues:	
Personnel Services Fees	244,230
Miscellaneous Revenue	<u>13,751</u>
Total Program Revenues	257,981
Net Program Expense	<u>3,894,809</u>
Transfers:	
State General Fund Appropriations	3,812,900
Special Appropriation	685,000
Reversion Fiscal Year 2018	<u>(115,997)</u>
Net Transfers	<u>4,381,903</u>
Change in Net Position	487,094
Transfer of Asset to GSD	(11,211)
Net Position, Beginning of Year	<u>77,553</u>
Net Position, End of Year	<u>\$ 553,436</u>

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

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Balance Sheet – Governmental Fund
June 30, 2018**

	General Fund 18100
	<hr/>
ASSETS	
Current Assets	
Interest in General Fund Investment Pool	\$ 952,131
Petty Cash	50
Due from Other State Agencies	7,144
	<hr/>
Total Current Assets	\$ 959,325
	<hr/> <hr/>
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts Payable	\$ 120,761
Accrued Payroll	116,504
Unearned Revenues	21,431
Due to State General Fund	15,579
	<hr/>
Total Liabilities	274,275
	<hr/>
Fund Balance	
Restricted	685,000
Unassigned	50
	<hr/>
Total Fund Balance	685,050
	<hr/>
Total Liabilities and Fund Balance	\$ 959,325
	<hr/> <hr/>

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

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Reconciliation of the Balance Sheet to the
Statement of Net Position - Governmental Fund
June 30, 2018**

Total fund balance for governmental fund	\$	685,050
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Amounts reported for governmental activities in the statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

These assets consist of:

Property, plant and equipment	646,246	
Accumulated depreciation	<u>(610,773)</u>	
Total capital assets		35,473

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

Compensated absences	<u>(167,087)</u>	
Total liabilities		<u>(167,087)</u>

Net Position of governmental activities	\$	<u><u>553,436</u></u>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Statement of Revenues, Expenditures, and Changes
In Fund Balance – Governmental Fund
For the Year Ended June 30, 2018**

	General Fund 18100
	<u> </u>
Revenues	
Personnel Services Fees	\$ 244,230
Miscellaneous Revenues	13,751
Total Revenues	<u>257,981</u>
Expenditures	
Current	
Personnel Services and Benefits	3,290,807
Contractual Services	102,279
Other	705,493
Total Current Expenditures	<u>4,098,579</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,840,598)</u>
Other Financing Sources (Uses)	
State General Fund Appropriation	3,812,900
Special Appropriation	685,000
Reversion to the State General Fund	(115,997)
Total Other Financing Sources (Uses)	<u>4,381,903</u>
Net Change in Fund Balance	541,305
Fund Balance - Beginning of Year	<u>143,745</u>
Fund Balance - End of Year	<u><u>\$ 685,050</u></u>

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

STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Fund to the
Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Fund (Statement of Revenues, Expenditures, and Changes in Fund Balance)	\$ 541,305
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Depreciation Expense	(31,742)
Increase in Compensated Absences	<u>(22,469)</u>

Change in Net Position in Governmental Activities	\$ <u><u>487,094</u></u>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
STATEMENT OF REVENUES AND EXPENDITURES
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2018**

	General Fund – Single Year			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 3,812,900	3,812,900	3,812,900	-
Personnel Service Fees	269,100	269,100	244,230	(24,870)
Miscellaneous	-	-	13,753	13,753
Total Revenues	<u>4,082,000</u>	<u>4,082,000</u>	<u>4,070,883</u>	<u>(11,117)</u>
Expenditures				
Current				
Personal Services and Benefits	3,759,900	3,319,900	3,290,807	29,093
Contractual Services	37,900	77,900	74,630	3,270
Other	284,200	684,200	600,407	83,793
Total Expenditures	<u>\$ 4,082,000</u>	<u>4,082,000</u>	<u>3,965,844</u>	<u>116,156</u>
<i>Excess Revenues Over Expenditures</i>			105,039	
 Items Not Budgeted:				
Reversion to State General Fund			<u>(105,039)</u>	
Net Changes in Fund Balance			<u>\$ -</u>	

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
STATEMENT OF REVENUES AND EXPENDITURES
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2018**

	General Fund – Multiple Year					Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual Amounts	Prior Year Amounts	Total	
	Original	Final				
Digitization and Modernization Project Laws of 2015, Chapter 101, Section 7(13)						
Revenues						
Special Appropriations	\$ 800,000	800,000	-	800,000	800,000	-
Total Revenue	<u>800,000</u>	<u>800,000</u>	<u>-</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Expenditures						
Contractual Services	790,000	790,000	132,737	649,724	782,461	7,539
Other	10,000	10,000	-	6,581	6,581	3,419
Total Expenditures	\$ <u>800,000</u>	<u>800,000</u>	<u>132,737</u>	<u>656,305</u>	<u>789,042</u>	<u>10,958</u>
 <i>Excess Revenues Over Annual and Multi Year Expenditures</i>			10,958	<u>143,695</u>	<u>10,958</u>	<u>10,958</u>
Reconciliation to GAAP Basis						
Reversion Fiscal Year 2018			(10,958)			
Adjustment to Record Expense			<u>(143,695)</u>			
Net Change in Fund Balance			\$ <u>(143,695)</u>			

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
STATEMENT OF REVENUES AND EXPENDITURES
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2018**

	General Fund – Multiple Year			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Laws of 2018, Chapter 73, Section 5(42-44)				
Revenues				
Special Appropriations	\$ -	685,000	685,000	-
Total Revenues	<u>-</u>	<u>685,000</u>	<u>685,000</u>	<u>-</u>
Expenditures				
Current				
Contractual Services	-	392,000	-	392,000
Other	-	293,000	-	293,000
Total Expenditures	<u>\$ -</u>	<u>685,000</u>	<u>-</u>	<u>685,000</u>
<i>Excess Revenues Over Expenditures</i>			685,000	
Reconciliation to GAAP Basis			-	
Net Changes in Fund Balance			<u>\$ 685,000</u>	

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 1. History and Organization

The State Personnel Board was created by Laws of 1961, Chapter 240 (Sections 10-9-1 to 10-9-25, NMSA, 1978 Comp. the "Personnel Act".) The purpose of the Personnel Act is to establish for New Mexico a system of personnel administration based solely on qualification and ability, which will provide greater economy and efficiency in the management of the state affairs. The Board consists of five members appointed by the Governor and confirmed by the Senate, who shall serve staggered five-year terms, with one board member's terms expiring each year. The board member may not be a state employee, hold public office, or be an officer of a political organization. The Board and State Personnel Office are administratively attached to the General Services Department (GSD).

The Board's purpose is to:

- promulgate relations to effectuate the Personnel Act;
- hear appeals and make recommendations to the employers;
- hire, with the approval of the Governor, a director experienced in the field of personnel administration;
- review budget requests prepared by the director for the operation of the personnel program and make appropriate recommendations thereon;
- make investigations, studies and audits necessary to the proper administration of the Personnel Act;
- establish and maintain liaison with the GSD; and,
- represent the public interest in the improvement of personnel administration.

The State Personnel Director shall:

- supervise all administrative and technical personnel activities of the state;
- act as secretary to the Board;
- establish, maintain and publish annually a roster of all state employees, showing for each employee his division, title, pay rate and other pertinent data;
- make annual reports to the Board;
- recommend to the Board, rules he considers necessary or desirable to effectuate the Personnel Act; and
- supervise all tests and prepare lists of persons passing them to submit to prospective employers.

Also, laws of 1959, Chapter 73 (Sections 10-10-1 to 10-10-5, NMSA, 1978 Comp.) established under the personnel board the office of inter-university and college training, to administer a program for securing, placing, and training qualified university and college students who are New Mexico residents in positions within the state government. This is commonly known as the "State Government Internship Program."

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 1. History and Organization (Continued)

Effective July 2, 2001, through Executive Order 01-23, the Governor's Career Development Conference was created and established as part of the State Personnel Office. Included within was the establishment of officers, executive, and steering committees. The purpose of these committees is to plan the annual conference, to determine its participation of state employees in the conference, to acquire and expend the funds necessary to achieve the conference purposes in compliance with the Procurement Code, Department of Finance and Administration (DFA) regulations and other state laws applicable to the expenditure of public funds, and to report to the State Personnel Director on the conference's programs, activities, and accomplishments. The separate special revenue fund balance was transferred to the general fund in accordance with House Bill 2.

NOTE 2. Summary of Significant Accounting Policies

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

The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units. The most significant of the Board accounting policies are described below.

The Board follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidelines Contained in Pre November 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 incorporates FASB statements that apply to governmental accounting into GASB statements.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. This Statement provided for the most significant change in financial reporting in over twenty years and was phased in based on size of government. As required, the Board implemented the provisions of GASB Statement No. 34 effective July 1, 2001 and also as required, implements GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*.

A. Financial Reporting Entity

The Board is legally separate and fiscally independent of other state agencies. Although the Director is hired by and serves at the pleasure of the five-member Board, that person has decision-making authority, the power to manage the daily activities of the Board, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Account and Financial Reporting Standards. Included within the reporting entity is the Board as described above. There are no component units. Other Executive Branch entities of government are excluded because they are established separately by statutes.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 2. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements - GASB Statement No. 34

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The GASB Statement No. 34 reporting model focus is on either the Board as a whole or major individual fund (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. The Board has only government type activities. Fiduciary funds, component units that are fiduciary in nature and business-type activities are not included. In the government-wide statement of net assets, the government column reflects a full accrual, economic resources basis, which incorporates long-term assets plus deferred outflows of resources as well as long-term debt, other obligations including deferred inflows of resources. There are no deferred outflows of resources and no deferred inflows of resources for the year ended June 30, 2018.

The government-wide statement of activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The statement of activities reduced gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Board includes only one function (general government).

General revenues (General Fund appropriations, transfers-in from other state agencies, miscellaneous revenue, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity. This government-wide focus is more on the sustainability of the Board as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Board's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column on the government-wide presentation.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 2. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation – Fund Accounting

The financial transactions of the Board 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, 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 and reported by generic classification in the accompanying financial statements.

There are \$257,981 of program revenues that are related to the personnel service fees and other services performed under memorandums of understanding. All revenues are considered general revenues which come from state appropriations.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on the percentage of assets, liabilities, revenues, and expenditures. The general fund is always considered a major fund. The Board uses the following fund types:

Government Fund Types

The focus of Governmental Fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Board.

General Fund – The General Fund (Fund # 18100 – reverting) is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – (Fund #72800) is used to account for the Governor's Career Development Conference. The fund was established by Executive Order 01-23, effective July 2, 2001 and had no current year revenue or expenditure activity.

D. Basis of Accounting

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

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

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or expected to be received within sixty days of year end to be used to pay liabilities of the current period.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first then unrestricted resources as they are needed.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. There are no interfund transactions to be eliminated.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, are reported as unearned revenue by the Board. Funds received in advance of costs incurred relating to the collective bargaining agreement are recorded as unearned revenue.

E. Budgets and Budgetary Accounting

Per the General Appropriation Act, 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 DFA." 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. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

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

1. No later than September 1, the Board prepares a budget appropriation request of proposed expenditures and the means of financing them.
2. The appropriation request is submitted to the DFA's Budget Division and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjusts the appropriation request, which becomes the Governor's proposal to Legislature.
4. LFC holds a hearing on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both DFA and LFC's recommendations on appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the appropriation unit level and changes are approved by DFA.
7. Formal budgetary integration is employed as a management control device during the year. The Board's budget for the fiscal year ended June 30, 2018, was amended in a legally permissible manner by reallocating appropriation unit totals as the need arose during the fiscal year.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 2. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

8. Appropriations lapse at the end of the year except those amounts related to goods and services received by June 30.
9. Budgets for the governmental funds are adopted on a modified accrual basis per the General Appropriation Act. Therefore, any differences between the budget basis and fund financial statements are reflected as reconciling items.

In accordance with the requirements of Section 2.2.2.10, A(2)(b) of 2.2.2 NMAC Requirements for contracting and conducting audits of agencies and the allowance made by GASB Statement No. 34, footnote 53, the major fund budgetary comparison statements have been included as a part of the basic financial statements.

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorized these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpected portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

F. Encumbrances

Under the law, encumbrances related to single year appropriations lapse at year end. Encumbrances representing goods and services received by the last day of the fiscal year are reclassified as accounts payable. Any remaining encumbrances related to single year appropriations must be reclassified as unreserved fund balance and a liability recorded to recognize any amounts subject to reversion. The Board has no encumbrances outstanding at year end.

G. Cash on Deposit and Investments

The Board has defined cash on deposit and investments to include investments with the State Treasurer and petty cash.

H. Capital Assets

Capital assets are tangible assets that are used in operation and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using zero salvage value and the straight-line method over their estimated useful lives. Before the 2005 legislative session, only items costing more than \$1,000 were capitalized. Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. There is no debt related to capital assets. The major classification of capital assets and their related depreciable lives are as follows:

Machinery and Equipment	6 years
Data Processing Equipment (including software)	3-7 years
Furniture and Fixtures	7 years
Building Improvements	15 years

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 2. Summary of Significant Accounting Policies (Continued)

I. Accounts Payable and Accrued Salaries

Vendor invoices not paid are accrued as accounts payable if the goods/services are incurred by fiscal year end. Accrued salaries are for services performed during the fiscal year and not paid until after year end and for the related payroll taxes.

J. Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if:

- The employees' right to receive compensation is attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

Employees accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated leave as of the date of termination, up to a maximum of 240 hours.

Employees accumulate sick leave at the rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 720 hours.

Payment may be made only once per fiscal year at a specified pay period in either January or July. Additionally, upon retirement those employees with over 600 hours accumulated sick leave have the option to convert 400 hours of such leave to cash at one half of their hourly rate.

Payment of this liability can be made by compensated leave time or cash payment. The Board normally does not pay for compensated time.

The compensated absences liability is usually presented in two parts, a current portion and a long-term portion, in the government-wide financial statements. The current portion is the amount expected to be expended during fiscal year 2019.

K. Fund Equity

The Board follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The effect of GASB Statement No. 54 on the Board's fund balance is that the reserve for petty cash is a non spendable fund balance. Spendable fund balance is shown by the most binding constraint, which is restricted by an external resource or enabling legislation. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

Restricted. Amounts can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The Board's general fund is a reverting fund enabling legislation to carry out the provisions of the Board.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 2. Summary of Significant Accounting Policies (Continued)

K. Fund Equity (Continued)

A special appropriation was received by the Board during fiscal year 2017 for the digitization and modernization of personnel records. The unexpended balance remaining at the end of fiscal year 2017 was extended through fiscal year 2018 to continue the project to digitize state personnel records. All unexpended balances remaining at end of the fiscal year were reverted to the computer systems enhancement fund.

Three special appropriations were received during fiscal year 2018 in total amount of \$685,000. The following amounts were appropriated from the general fund or other funds as indicated for the purposes specified:

For software licenses \$335,000; for scanning personnel records \$200,000; and for the finalization of fiscal year 2009 back pay \$150,000.

The special appropriations may be expended in fiscal years 2018 and 2019. Unless otherwise indicated, any unexpended balances of the appropriations remaining at the end of fiscal year 2019 shall revert to the appropriate fund.

Committed. Amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority, which is the Board of Directors.

Assigned. Amounts intended to be used by the Board for specific purposes but that do not meet the criteria to be classified as restricted or committed.

Unassigned. The residual classification for the Board's general fund. This includes all amounts not contained in the other classifications.

L. Net Position

The government-wide Fund Financial Statements utilize a net position presentation. Net positions are categorized as net investment in capital assets, net of related debt, if any. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Net investment in capital assets – is intended to reflect the portion of net assets which are associated with non-liquid, capital assets.

Restricted net position – represents revenues which have third-party (statutory, or granting agency) limitation on their use.

Unrestricted net position – represent unrestricted liquid assets. Unrestricted deficit results mainly from the recording of the compensated absences liability for which future state appropriations will pay for the liability.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 2. Summary of Significant Accounting Policies (Continued)

M. Reversions and Other Financing Sources (Uses)

Unexpected and unencumbered balances are generally reverted to the State General Fund. As the annual appropriation states that unexpected or unencumbered balances of the State General Fund appropriation to the Board shall revert. Reversions have been recorded in the current year for the unspent portion of the General Fund appropriation of \$3,812,900. An agency may adjust the reversion within forty-five days of release of the audit report. Also, unexpected and unencumbered balances of special appropriations are reverted when required by law. The Board received special appropriations during fiscal year 2018 of \$685,000 for the software licenses, scanning personnel records, and finalization of fiscal year 2009 back pay.

N. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3. New Mexico State Treasurer Investment Pool and Cash on Hand

Interest in the General Fund Investment Pool

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

New Mexico State Treasurer's State Investment Pool	\$	952,131
Petty Cash		50

The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by state statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

The Board follows GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 requires certain disclosures when balances with financial institutions exceed depository insurance. The Board does not have credit quality, Deposit Custodial Credit, Security Custodial Credit, Concentration of Credit, or Foreign Currency Risks.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 3. New Mexico State Treasurer Investment Pool and Cash on Hand (Continued)

Interest Rate Risk for Investments

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

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

Custodial Credit Risk-Deposit

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Board. Therefore, collateralization of the Board's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Board is not permitted to have any investments other than what is held at the State Treasurer's Office and the Board did not have any other investments during the year ended June 30, 2018. There is no custodial risk at the Board's level since the Board's investments are under the contract of the Office of the State Treasurer.

For further information regarding the SGFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB Statement No. 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, New Mexico, 87504-0708.

Reversions

DFA adopted a change of accounting policy applicable to all state agencies in fiscal year 2017 for amounts reverted to the state general fund. Under the new policy, DFA requires state agency reversions to the state general fund to be accounted for as both a reversion and a reduction in the reverting agency's "Investment in State General Fund Investment Pool" as of June 30, using the State's adjustment period, if the entry was processed by September 30, 2018.

Historically, the DFA's Year-End Deadlines policy (commonly referred to as 'closing instructions') required state agencies to record reversions to the state general fund not settled by June 30 to the "Due to State General Fund" liability account (234900) as of June 30 of each fiscal year end. The historical policy required state agencies to execute a transfer in the subsequent fiscal year to relieve the amount "Due to State General Fund" and reduce the agency's "Investment in State General Fund Investment Pool".

In accordance with the new policy, no "Due to State General Fund" liability should be reported in the Board's financial statements as of June 30, 2018 because the Board's "Investment in State General Fund Investment Pool" balance should have been reduced by the amount reverted to the state general fund. However, Due to the State General Fund consists of stale dated warrants and the remaining FY 2018 reversion that were still outstanding and are scheduled as follows:

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 3. New Mexico State Treasurer Investment Pool and Cash on Hand (Continued)

Due to State General Fund

<i>General Fund</i>	
State Dated Warrants	\$ 396
FY 2018 Reversion	15,183
Due to State General Fund	\$ 15,579

Due from Other State Agencies

Due from other state agencies at June 30, 2018 consists of \$7,144 from NM Department of Homeland Security and Emergency Management (#79500) for Human Resource Management services provided in fiscal year 2016.

NOTE 4. Capital Assets

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

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Primary Government				
Capital assets, being depreciated				
Building improvements	\$ 12,692	-	(12,692)	-
Website	83,811	-	-	83,811
Machinery & equipment	148,972	-	-	148,972
Data processing equipment	413,463	-	-	413,463
Total capital assets, being depreciated	<u>658,938</u>	<u>-</u>	<u>(12,692)</u>	<u>646,246</u>
Less accumulated depreciation for				
Building improvements	(846)	(635)	1,481	-
Website	(83,811)	-	-	(83,811)
Machinery & equipment	(110,893)	(8,432)	-	(119,325)
Data processing equipment	(384,962)	(22,675)	-	(407,637)
Total accumulated depreciation	<u>(580,512)</u>	<u>(31,742)</u>	<u>1,481</u>	<u>(610,773)</u>
Government activities capital assets, net	<u>\$ 78,426</u>	<u>(31,742)</u>	<u>(11,211)</u>	<u>35,473</u>

Depreciation expense of \$31,742 for the year ended June 30, 2018 was unallocated.

The Board had included in capital assets the installation of a modular wall and building improvements made to the office building owned by NM GSD which the Board transferred to NM GSD in fiscal year 2018.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 5. Compensated Absences

The Board’s general fund has been used to liquidate compensated absences in prior years.

The following is a summary of the changes in compensated absences:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated absences payable	\$ 144,618	178,614	(156,145)	167,087	167,087

NOTE 6. Risk Management and Litigation

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the GSD, Risk Management Division (RMD), to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow the RMD to insure, self-insure or use a combination of both.

For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Board are accounted for in the general fund. Any claims are processed through the RMD. There are no pending or threatened legal proceedings involving material matters to which the Board is a party.

NOTE 7. Pension Plan – Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature.

The Board's contributions to PERA for the fiscal years ending June 30, 2018 and 2017 were \$394,025 and \$439,722, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 8. GASB Statement No. 68 – Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pensions Plans by Employers

The State of New Mexico follows the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). 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 9. Post-Employment Benefits – State Retiree Health Care Plan

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment 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, New Mexico, 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-1 3 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.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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 <https://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, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

Compliant with the requirements of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico CAFR for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

The Board's contributions to the RHCA for the fiscal years ended June 30, 2018 and 2017, were \$46,383 and \$51,762, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Notes to the Financial Statements
June 30, 2018**

NOTE 10. Memorandum of Understanding

The Board entered into a Memorandum of Understanding (MOU) with the following agencies:

Administrative Hearings Office, Aging & Long-Term Services Department, Children, Youth & Families Department, Commission for the Blind, Department of Cultural Affairs, Department of Health, Department of Transportation, Department of Workforce Solutions, Department of Information Technology, Department of Vocational Rehabilitation - PED, Environment Department, EXPO New Mexico, General Services Department, Human Services Department, Miners Colfax Medical Center, New Mexico Corrections Department, Public Education Department, Public Regulation Commission, Regulation & Licensing Department, State Treasurer's Office, Office of the Superintendent of Insurance, Taxation & Revenue Department, Workers' Compensation Administration, Department of Veteran Services, and Department of Public Safety.

Each agency/department has been assessed its share of costs in preparation for collective bargaining negotiation. The unspent balance of \$21,431 is recorded as unearned revenue at June 30, 2018.

The Board has entered into Memorandums of Understanding with the following agencies to provide Human Resources Management:

NM Tourism Department, NM Higher Education Department, NM Department of Veteran Services, NM Indian Affairs Department, State Investment Council, Office of African American Affairs, NM Developmental Disabilities Planning Council, NM Governor's Commission on Disability, NM Gaming Control Board, NM Board of Medical Examiners, NM State Racing Commission, NM Board of Nursing, NM Administrative Hearings Office, and NM Crime Victims Reparation Commission.

These fees are recorded as personnel services fees of \$244,230 in the accompanying financial statements.

NOTE 11. Subsequent Events

Subsequent events have been evaluated through October 31, 2018, the date which the financials were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2018. Management believes no material subsequent events have arisen that would require adjustment or disclosure to the financial statements.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Schedule of Interest in State General Fund Investment Pool
June 30, 2018**

	<u>Fund Number</u>	<u>Book Balance</u>	<u>Current Status</u>
Operating Account	18100	\$ <u><u>952,131</u></u>	Active

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Schedule of Transfers
For the Year Ended June 30, 2018**

	Agency Fund	SHARE Fund	Transfers In	Transfers Out	Purpose
DFA - State General Fund	37800	85300	\$ 685,000	-	Special Appropriations
DFA - State General Fund	37800	85300	3,812,900	-	State General Fund Appropriation
			<u>4,497,900</u>	<u>-</u>	
DFA - State General Fund	37800	85300	-	115,997	State General Fund Reversion
			\$ <u>4,497,900</u>	<u>115,997</u>	

STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Schedule of Due to State General Fund
June 30, 2018

	<u>Business Unit</u>	<u>SHARE Fund</u>	<u>Amount</u>	<u>Purpose</u>
Governmental Funds:				
	34101	85300	\$ 396	Stale Dated Warrants
	34101	85300	<u>15,183</u>	FY 2018 Reversion
			<u>\$ 15,579</u>	

**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**

Mr. Wayne Johnson
New Mexico State Auditor
and
Mr. Justin Najaka, Director
State Personnel Board

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund for the New Mexico State Personnel Board (the "Board"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Albuquerque, New Mexico
October 31, 2018

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Schedule of Findings and Responses
June 30, 2018**

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness Identified? | No |
| b. Significant deficiency identified not considered to be a material weakness? | No |
| c. Noncompliance material to financial statements noted? | No |

Section II – Current Year Findings

No matters were reported.

Section III – Prior Year Findings

2017-001 Late Reversion of Funds (Compliance and Other Matters) - Resolved

2017-002 Improper Purchase of High Grade Fuel (Compliance) - Resolved

2017-003 Lack of Submission Fair and Equal Pay Report (Compliance) - Resolved

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD
Exit Conference
June 30, 2018**

Exit Conference

An exit conference was held on October 30, 2018 to discuss the current report. Those individuals in attendance were as follows:

New Mexico State Personnel Board

Justin Najaka, Director
Stuart Hamilton, CFO

Axiom CPAs and Business Advisors LLC

Jaime Rumbaoa, CPA – Partner

Auditor Prepared Financial Statements

Axiom Certified Public Accountants and Business Advisors LLC prepared the GAAP-basis financial statements, related footnotes and supporting schedules from the original books and records provided to them by the management of the Board. The Board is responsible for the fair presentation of the financial statements.