



**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2008**

(With Auditors' Report Thereon)



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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD**

OFFICIAL ROSTER  
JUNE 30, 2008

<u>Name</u>	<u>Board</u>	<u>Title</u>
Mary Lou Cameron		Chairperson
Ray Camp		Vice-Chair
Gene Valdes		Member
Phil Ewing		Member
Michelle Welby		Member
<u>Administrative Officials</u>		
Sandra K. Perez		Director and Board Secretary
Dominic Garcia		Chief of Staff

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**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD**

FOR THE YEAR ENDED JUNE 30, 2008  
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**FINANCIAL SECTION**

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# Griego Professional Services, LLC

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Sandra K. Perez, Director  
State Personnel Board  
And  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the basic financial statements of the governmental activities, each major fund, budgetary comparisons for the general fund and major special revenue fund and the aggregate remaining fund information of the State Personnel Board, as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State Personnel Board's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the State Personnel Board, State of New Mexico, are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the State Personnel Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the State Personnel Board as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2008 on our consideration of the State Personnel Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State Personnel Board's basic financial statements and budgetary comparisons.

*Grigo Professional Services, LLC*

Albuquerque, New Mexico  
December 11, 2008

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**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)**

**December 10, 2008**

As management of the State Personnel Board (Board), we offer readers this discussion and analysis to provide and overview of the financial activities of the Board for the fiscal year ended June 30, 2008.

This is the seventh year the Board has reported under Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, which established new financial reporting requirements for state and local governments throughout the United States. The requirements were developed by GASB to make annual reports more comprehensive and easier to understand and use.

Since this is the seventh year the Board's financial report is being presented in this new format, comparison to the prior year is presented in this report.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

In compliance with requirements of accounting principles generally accepted in the United States of America (US GAAP) the Boards 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 over-view of the Boards finance, 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 assets inclusively presents current and long term assets and liability with a difference between the assets and liability reported as net assets. Statement and activities present all changes in net assets as soon as the underlined 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, earned but unused vacation leave.

#### **Fund Financial Statements**

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)**

**December 10, 2008**

This Office has two types of funds:

- ◆ General Appropriation Fund - All of the Office'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 Office's program. This fund is a reverting fund. All money remaining at the end of the fiscal year reverts to the state's general fund.
- ◆ Governors Career Fund – this fund is specifically for the yearly Governors career conference that allows the opportunity for state employees to attend the training courses offered.

**GOVERNMENT-WIDE HIGHLIGHTS**

Condensed Financial Comparison for current and prior Fiscal Year:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current Assets	\$ 681,872	\$ 845,618
Capital Assets	<u>6,975</u>	<u>14,230</u>
Total Assets	<u>688,847</u>	<u>859,848</u>
Current Liabilities	\$ 793,644	\$ 912,739
Long Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>793,644</u>	<u>912,739</u>
Net Assets		
Invested in Capital Assets	6,975	\$ 14,230
Restricted	-	
Unrestricted deficit	<u>(111,772)</u>	<u>(67,121)</u>
Total net assets	<u>\$ (104,797)</u>	<u>\$ (52,891)</u>
Program Revenue	\$ -	\$ -
General Revenue – Appropriation	<u>4,541,700</u>	<u>4,314,100</u>
Total Revenue	4,541,700	4,314,100
Expenses – General Fund	\$ 4,574,247	\$ 3,912,993
Reversions to State of NM	<u>19,359</u>	<u>357,737</u>
Total Expenses	<u>4,593,606</u>	<u>4,270,730</u>
Change in net assets	<u>\$ (51,906)</u>	<u>\$ 43,370</u>
Ending net assets	<u>\$ (104,797)</u>	<u>\$ (57,891)</u>



**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)**

**December 10, 2008**

**Overall Financial Position:**

The overall financial position of the State Personnel Office is much better than in the previous year.

The increase in the personnel services was due to a reorganization of the Single Point of Contact Group in the Human Resource Division, which resulted in an increase of pay for those employees.

**Individual Fund Highlights:**

As of June 30, 2008 the Governor career fund has a balance of 60,000 that will be used for the up-coming Governor Career Conference on FY09

**Budgetary Highlights:**

The operating budget from July, 2007 to June, 2008 consisted of General Fund \$4,541,700 of which 65 FTE's were authorized.

Budget Adjustment Requests during the year were made from the 200 category into the 400 other category. Budget results were essentially as originally anticipated. An initial BAR request was for \$50,000 in order to meet the increase of GSD billing. The last BAR was for \$80,000 from the 200 category to the 400 category this BAR was necessary for our agency to continue to pay for Information Technology Services provided by DOIT and HCM support on PEOPLESOFT witch is an essential function of the agency.

**Capital Assets and Long Term Debt:**

The Office's capital assets consist of personal property. Net of accumulated depreciation, the ending asset value for the Office is \$ 6,975.00. The decrease in the net value of capital assets is due to the depreciation with no additional purchases in FY08. The purchase of equipment was greater than the current year's depreciation expense of \$7,255. This Office does not own any real property or infrastructure assets.

**Other Financial Highlights:**

The Office 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 Office.

**AGENCY HIGHLIGHTS:**

Our mission is to provide a flexible and responsive system for Human Resource Management. The State Personnel Office shall actively serve as a resource for supporting and facilitating better management and development of Human resources in state government. To attain the mission of the State Personnel Office based on statutory requirements, Board philosophy, 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.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT:**

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

Dominic Garcia  
Chief Finance Officer  
State Personnel Office  
2600 Cerrillos Rd  
Santa Fe, New Mexico 87502  
(505) 476-7730

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**NEW MEXICO STATE PERSONNEL BOARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Exhibit A-1

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Interest in General Fund Investment Pool	\$ 650,128
Petty Cash	50
Inventory	31,694
Total Current Assets	681,872
Noncurrent Assets	
Capital assets	634,552
Less: accumulated depreciation	(627,577)
Total capital assets	6,975
Total assets	\$ 688,847
 <b>LIABILITIES AND NET ASSETS</b>	
Current Liabilities	
Accounts payable	37,923
Accrued payroll	166,669
Due to State General Fund for Reversions	377,096
Current portion of accrued compensated absences	211,956
Total Current Liabilities:	793,644
Total liabilities	793,644
Invested in capital assets	6,975
Unrestricted	(111,772)
Total net assets	(104,797)
Total liabilities and net assets	\$ 688,847

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**NEW MEXICO STATE PERSONNEL BOARD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit A-2

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net</b>
<b>Expenses</b>	<b>Charges for</b>	<b>Operating</b>	<b>Revenues</b>	<b>(Expenses)</b>
<b>Expenses</b>	<b>Services</b>	<b>Grants</b>	<b>Revenues</b>	
<b>Expenses</b>	<b>Services</b>	<b>Grants</b>	<b>(Expenses)</b>	
Governmental activities:				-
Current:				
Personal services and employee benefits	\$ 4,046,519	\$ -	\$ -	\$ (4,046,519)
Contractual services	33,881	-	-	(33,881)
Other	486,592	-	-	(486,592)
Depreciation - unallocated	7,255	-	-	(7,255)
Total governmental activities	\$ 4,574,247	\$ -	\$ -	(4,574,247)
<b>General Revenues:</b>				
Other Financing Sources				146,800
Transfer - State General Fund Appropriation				4,394,900
Transfer - Reversion to the State General Fund				(19,359)
Total general revenues and transfers				4,522,341
Change in net assets				(51,906)
Beginning net assets				(52,891)
Ending net assets				\$ (104,797)

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**NEW MEXICO STATE PERSONNEL BOARD**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2008**

Exhibit B-1  
 (Page 1 of 2)

	<u>General Fund 18100</u>	<u>Special Revenue Fund 72800</u>	<u>Total</u>
<b>ASSETS</b>			
<i>Current:</i>			
Interest in General Fund Investment Pool	\$ 581,688	\$ 68,440	\$ 650,128
Petty cash	50	-	50
Inventory	31,694	-	31,694
	<u>31,694</u>	<u>-</u>	<u>31,694</u>
<i>Total current assets</i>	<u>\$ 613,432</u>	<u>\$ 68,440</u>	<u>\$ 681,872</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<i>Current Liabilities:</i>			
Accounts payable	37,923	-	37,923
Accrued payroll	166,669	-	166,669
Due to State General Fund for Reversions	377,096	-	377,096
	<u>377,096</u>	<u>-</u>	<u>377,096</u>
<i>Total liabilities</i>	<u>581,688</u>	<u>-</u>	<u>581,688</u>
<i>Fund balance:</i>			
Reserved-			
Inventory	31,694	-	31,694
Subsequent year's expenditures	-	68,440	68,440
Petty cash	50	-	50
	<u>31,694</u>	<u>-</u>	<u>31,694</u>
<i>Total fund balance</i>	<u>31,744</u>	<u>68,440</u>	<u>100,184</u>
	<u>31,744</u>	<u>68,440</u>	<u>100,184</u>
<i>Total liabilities and fund balance</i>	<u>\$ 613,432</u>	<u>\$ 68,440</u>	<u>\$ 681,872</u>

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

**STATE OF NEW MEXICO**  
**NEW MEXICO STATE PERSONNEL BOARD**  
**GOVERNMENTAL FUND**  
**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

Exhibit B-1  
(Page 2 of 2)

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

Fund balances - total governmental funds	\$ 100,184
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	
Capital Assets	634,552
Accumulated Depreciation	<u>(627,577)</u>
Total Capital Assets	<u>6,975</u>
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:</p>	
Compensated absences	<u>(211,956)</u>
Total Net Assets	<u><u>\$ (104,797)</u></u>

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

**STATE OF NEW MEXICO**  
**NEW MEXICO STATE PERSONNEL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit B-2  
(Page 1 of 2)

	General Fund 18100	Special Revenue Fund 72800	Total
<i>Revenues:</i>			
Miscellaneous	\$ -	\$ -	\$ -
<i>Total revenues</i>	-	-	-
<i>Expenditures:</i>			
Current			
Personnel Services and Benefits	4,006,330	-	4,006,330
Contractual Services	33,881	-	33,881
Other	486,592	-	486,592
<i>Total expenditures</i>	4,526,803	-	4,526,803
<i>Excess (deficiency) of revenues over expenditures</i>	(4,526,803)	-	(4,526,803)
<i>Other financing sources (uses):</i>			
State General Fund Appropriation	4,394,900	-	4,394,900
State Compensation Appropriation	146,800	-	146,800
Reversions to the State General Fund	(19,359)	-	(19,359)
<i>Total other financing sources (uses)</i>	4,522,341	-	4,522,341
<i>Net change in fund balances</i>	(4,462)	-	(4,462)
<i>Fund balances - beginning of year</i>	36,206	68,440	104,646
<i>Fund balances - end of year</i>	\$ 31,744	\$ 68,440	\$ 100,184
	-	-	-

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



**STATE OF NEW MEXICO**  
**NEW MEXICO STATE PERSONNEL BOARD**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUND TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit B-2  
 (Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	(4,462)
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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:

Depreciation expense		(7,255)
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The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Increase in accrued compensated absences		<u>(40,189)</u>
--	--	-----------------

Changes in Net Assets	\$	<u><u>(51,906)</u></u>
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The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
**NEW MEXICO STATE PERSONNEL BOARD**  
**GENERAL FUND**

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
State General Fund Appropriations	4,394,900	4,394,900	4,394,900	\$ -
Other financing sources	146,800	146,800	146,800	-
<i>Total revenues</i>	4,541,700	4,541,700	4,541,700	-
<i>Expenditures:</i>				
Current:				
Personal Services & Benefits	4,146,900	4,016,900	4,006,330	10,570
Contractual services	36,500	36,500	33,881	2,619
Other	358,300	488,300	482,130	6,170
Other financing uses	-	-	-	-
<i>Total expenditures</i>	4,541,700	4,541,700	4,522,341	19,359
<i>Excess (deficiency) of revenues over expenditures</i>	\$ -	\$ -	\$ 19,359	\$ (19,359)
<i>Reconciliation to GAAP Basis:</i>				
To adjust inventory to current year ending balance			(4,462)	
To post current year general fund reversion			(19,359)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (4,462)	

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

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STATE OF NEW MEXICO

Exhibit C-2

NEW MEXICO STATE PERSONNEL BOARD  
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable )
	Original	Final		
<i>Revenues:</i>				
State General Fund Appropriations	\$ -	\$ -	\$ -	\$ -
Other financing sources	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
Personal Services & Benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	\$ -	\$ -	\$ -	\$ -
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -	

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

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**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**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 Governor and confirmed by the Senate, who shall serve staggered five-year terms, with one board member's term 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. 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 general services department; 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 FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 1. History and Organization (Continued)**

Finally, 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 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.

**NOTE 2. Summary of Significant Accounting Policies**

The financial statements of the State personnel 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 US GAAP for governmental units. The more significant of the State Personnel Board accounting policies are described below.

The Agency follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

In June 1999, the 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 State Personnel Board implemented the provisions of GASB 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 State Personnel 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 State Personnel Board is not included in any other governmental "reporting entity" and defined in Section 2100, *Codification of Governmental Account and Financial Reporting Standards*. Included within the reporting entity is the State Personnel Board as described above. There are no component units. Other Executive Branch entities of government are excluded because they are established separately by statutes.

**B. Basic Financial Statements – GASB Statement No. 34**

The basic financial statements include both government-wide (based on the State Personnel Board as a whole) and fund financial statements. The GASB No. 34 reporting model focus is on either the State Personnel Board 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. The State Personnel 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 governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt and obligations.



**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*B. Basic Financial Statements – GASB Statement No. 34 (Continued)*

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 State Personnel 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 State Personnel 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 State Personnel Board 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.

*C. Basis of Presentation – Fund Accounting*

The financial transactions of the State Personnel 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 no program revenues. 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 State Personnel Board uses the following fund types:

**GOVERNMENTAL 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 State Personnel Board.

**General Fund** – The General Fund (Fund #181 – 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 #728 – nonreverting) It is used to account for the Governor's Career Development Conference. The fund was established by Executive Order 01-23, effective July 2, 2001. This fund is also considered a major individual fund under GASB 34 criteria.

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*D. Basis of Accounting*

The basis of accounting refers to that 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.

When both restricted and unrestricted resources are available for use, it is the government’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 Governmental Accounting Standards Board Statement No. 33 (GASB 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, should be reported as advances by the provider and deferred revenue by the recipient.

*E. Budgets and Budgetary Accounting*

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. 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 Department of Finance and Administration’s Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendation and adjusts the appropriation request, which becomes the Governor’s proposal to Legislature
4. LFC holds hearing on the appropriation request also submitting recommendation and adjustments before presentation to the Legislature.

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*E. Budgets and Budgetary Accounting (Continued)*

5. Both DFA and LFC's recommendation 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 ending June 30, 2008 was amended in a legally permissible manner by reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.
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, Laws of 2005, Section 3, Subsection N. Therefore, there are no differences between the budget basis and fund financial statements because both are reported on a modified accrual basis.

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 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 authorizes 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 unexpended 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*

The General Appropriations Act of 2004, which applied to fiscal year 2005 budgets, established the modified accrual basis of accounting as the budgetary basis of accounting for the State of New Mexico. Under the law, encumbrances related to single year appropriations lapse at year end. Encumbrance 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 and amounts subject to reversion. The Agency has no encumbrances outstanding at year-end.

*G. Cash on Deposit and Investments*

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

*H. Inventory*

Inventory in the General Fund consists of expendable supplies held for consumption, mainly toner and office supplies, and is valued at cost. These supplies are recorded as expenditures at the time of purchase and are adjusted at year end with an audit journal entry.

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*I. 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
Date Processing Equipment (including software)	3-7 years
Furniture and Fixtures	7 years

*J. 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 payroll related taxes.

*K. 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 compensations 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.

Nonexempt employees accumulate compensation time for hours worked in excess of forty hours per week, based on their regular hourly rate. Such overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

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 2008. In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave and related salary payments employers' matching FICA and Medicare payroll taxes.)

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2. Summary of Significant Accounting Policies (Continued)**

*L. Reversions*

Unexpected and unencumbered balances are generally reverted to the State General Fund. Chapter 33, Laws of 2005 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 General Fund appropriations. Also, unexpected and unencumbered balances of special appropriations are reverted when required by law.

**NOTE 3. Cash on Deposit and Investments**

All funds, except \$50 in petty cash, are on deposit with the State Treasurer.

As of June 30, 2008, the Office had the following investments and maturities:

<u>Investment Type</u>		<u>Fair Value</u>	<u>Investment Maturities</u>			
			<u>Less than 1 Year</u>			
Interest in the State Treasurer						
General Fund Investment Pool		\$ 650,128	\$ 650,128			
<u>Account Name</u>	<u>Fund Type</u>	<u>SHARE Fund #</u>	<u>Balance per Depository</u>	<u>Reconciling Items</u>		<u>Balance per Financial Statements</u>
				<u>Outstanding Warrants</u>	<u>Other</u>	
State Treasurer:						
State Personnel Office	General	378-18100	\$ 581,688	\$ —	\$ —	\$ 581,688
State Employee Career Development Conf.	Special Revenue	378-72800	68,440	—	—	68,440
Total Investment			\$ 650,128	\$ —	\$ —	\$ 650,128

In general, state statutes require that all deposits held by the State Treasurer be collateralized at the minimum level of 50%. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits and not immediately needed for the operation of state government securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended. The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended in:

- a. Securities issued by the United States (U.S) government or by its departments or agencies and direct obligations of the U.S or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- b. Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract.
- c. Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or the other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged.

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3. Cash on Deposit and Investments (Continued)**

- d. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars.
- e. Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
  - 1. commercial paper rated “prime” quality by the national rating service, issued by corporations organized and operating within the U.S.;
  - 2. medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by the corporation organized and operating in the U.S.; or
  - 3. an asset-backed obligation with a maturity not exceeding five years that is rated AA by a nationally recognized rating service.
- f. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- g. Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2008.

**NOTE 4. Inventory**

Supplies inventory consists of expendable supplies held for consumption. Supplies are recorded as expenditures at the time the individual inventory items are purchased and adjusted at year-end for supplies on hand. Inventory is valued at cost using the first-in, first-out method. The reported fund balance reservation indicates that supplies inventory does not represent available expendable resources.

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 5. Capital Assets**

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

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Primary Government				
<b>Capital assets, being depreciated:</b>				
Machinery & Equipment	119,278	-	-	119,278
Data Processing Equipment	515,274	-	-	515,274
Total capital assets, being depreciated	634,552	-	-	634,552
<b>Less accumulated depreciation for:</b>				
Machinery & Equipment	(105,220)	(7,083)	-	(112,303)
Data Processing Equipment	(515,102)	(172)	-	(515,274)
Total accumulated depreciation	(620,322)	(7,255)	-	(627,577)
<b>Governmental activities capital assets, net:</b>	<b>\$ 14,230</b>	<b>\$ (7,255)</b>	<b>\$ -</b>	<b>\$ 6,975</b>

Depreciation expense for the year ended June 30, 2008 was unallocated.

At June 30, 2008, the Board held a total of \$304,233 cost of idle assets, all of which have been fully depreciated.

**NOTE 6. Due to State General Fund**

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund by September 30. An Agency may adjust the reversion within forty-five days of release of the audit report. The current year reversion and prior year amounts due to the State General Fund are as follows:

*General Fund:*

Current-year reversion amounts:

2008 fiscal year general appropriation reversion (budget basis surplus)	\$ 19,359
2007 fiscal year general appropriation reversion (budget basis surplus)	357,737

Due to State General Fund \$ 377,096

**NOTE 7. Compensated Absences**

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

A summary of changes in long-term debt is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Compensated Absences Payable	\$ 171,767	\$ 190,950	\$ (150,761)	\$ 211,956	\$ 211,956

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
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**JUNE 30, 2008**

**NOTE 8. Operating Leases**

The Board leases servers and data storage hardware at \$807 per month and copiers and fax machine at \$213 per month.

Future minimum lease payments on the equipment are as follows:

Year Ending June 30	Amount
2009	\$ 10,110
2010	9,684
2011	6,456
	\$ 26,250

**NOTE 9. Fund Equity**

Reservation of fund balance of the governmental fund are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for fixture expenditures.

Specific reservation of the fund balance account are summarized below:

Reserved for supplies inventory – This reserve indicates that supplies inventory does not represent available expendable resources.

Reserved for subsequent year’s expenditures – This reserve (\$68,440) is the amount of cash balance re-budgeted in FY 2009 to balance the special revenue fund budget.

Reserved for petty cash – This reserve is not appropriable for expenditures or legally segregated for specific use.

**NOTE 10. Other Financing Sources (Uses) – Inter-agency Transfers**

	From	To
Department of Finance and Administration (Fund #6200X) State Personnel Board (Fund #18100)	\$ 146,800	\$ 146,800
State Personnel Board (Fund #18100) State General Fund (Fund #8530X)	19,359	19,359
State General Fund (Fund #8530X) State Personnel Board (Fund #18100)	4,394,900	4,394,900

**NOTE 11. 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 General Services Department, Risk Management Division (RMD), to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both.

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 RMD. There are no pending or threatened legal proceedings involving material matters to which the Board is party.



**STATE OF NEW MEXICO**  
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**JUNE 30, 2008**

**NOTE 12. Pension Plan – Public Employees Retirement Association**

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

**Funding Policy.** Plan members are required to contribute 7.42% of their gross salary. The Agency is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Agency are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Agency’s contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$467,713, \$400,483 and \$421,961, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan**

**Plan Description.** The Agency 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque NM 87107.

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

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

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**NOTE 13. Post-Employment Benefits – State Retiree Health Care Plan (Continued)**

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

The Agency's contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006 were \$35,636, \$31,033, and \$33,065, respectively, which equal the required contributions for each year.

**NOTE 14. Subsequent Accounting Standard Pronouncements**

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions, which is effective for the period beginning 2008/2009. This statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The Agency is analyzing the effect that this standard will have on its financial statements.

**SUPPLEMENTARY INFORMATION**

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**COMPLIANCE SECTION**

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# Griego Professional Services, LLC

Certified Public Accountants

## **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***

Sandra K. Perez, Director  
State Personnel Board  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, budgetary comparisons for the general fund and major special revenue fund and the aggregate remaining fund information of the State Personnel Board (the “Board”) as of and for the year ended June 30, 2008, which collectively comprise the Board’s basic financial statements as listed in the table of contents, and have issued our report thereon dated December 11, 2008. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Personnel Board’s internal control over financial reporting as a basis for designing our auditing procedures 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 agency’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board’s financial statements that is more than inconsequential will not be prevented or detected by the Board’s internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as findings FS 07-01, FS 07-03, FS 07-04, and FS 07-06.

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

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item FS 07-06 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items FS 07-01, FS 07-03 and FS 07-04.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Board's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, the Department of Finance and Administration and the legislature and is not intended to be and should not be used by anyone other than these specified parties.



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Albuquerque, New Mexico  
December 11, 2008

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**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2008**

**Section I – Summary of Audit Results**

*Financial Statements:*

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

**Section II – Financial Statement Findings**

**FS 07-01 – Internal Controls Receipts Repeat**

*Condition:* During our testwork we found that receipts were not recorded at the time they were received, were not entered in a prenumbered receipt book or cash receipt log, and were not deposited by the close of the following business day after being received. Receipts are kept in a desk drawer until close to year end and then one deposit is made for the entire year's receipts. When deposits are taken there is no verification of the Deposit Ticket and receipts with the amounts recorded to ensure that they agree. The one deposit made at year end was for \$1,077.77. In addition, the 2007 report was sent to the State Auditor in July of 2008. As of date, the report has not been approved by the State Auditor. Once approval is received, the Agency will implement policy changes with their Board.

*Criteria:* Per the State of New Mexico Manual of Model Accounting Practices, Section FIN2.1-8 and Sections 6-10-2, 3, 13, NMSA 1978, State agencies must log or receipt all monies received at the time received, and shall document all monies received either with a prenumbered receipt, or by entering them in a cash receipt log, that specifies the amount and date of the receipt, the source of revenue, and complete account coding information. Additionally, state agencies must deposit all monies received with the STO or with the authorized banking institution by the close of the next business day after receipt. Also, the amount deposited must be verified by an individual independent of the personnel who had access to the monies and/or deposit. Finally all monies collected by state agencies should be adequately safeguarded to ensure that they are deposited with the STO or with an authorized banking institution.

*Effect:* Not having a receipt book or cash log, not making deposits within the required timeline, and not having the deposits verified place the Board in violation of New Mexico State Statutes. This also allows the Board to be vulnerable to risk of fraud and misuse of public funds.

*Cause:* When discussed with staff, GPS found that staff were unaware of the need for a receipt book or cash log, and were also unaware of the requirements to deposit receipts by the close of the next business day. GPS was informed that the process required by banks for deposit was time consuming and this is the reason for deposit made only once a year. Additionally, staff was not aware of the need to have the Deposit Ticket verified with records for accuracy.

*Auditor's Recommendation:* We recommend that the Board begin using a receipt book or cash log in order to trace the monies that are being received. The Board must also start making deposits in a timely manner, and ensuring that those deposits are verified by an individual independent of the person who received the monies and prepared the deposits.

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**FS 07-01 – Internal Controls Receipts** Repeat (Continued)

*Management's Response:* All receipts are kept in a locked deposit box until deposits are made. A deposit ticket book is maintained that is provided from the Bank Of America. These deposits are verified currently by the ASD Bureau Chief. Our agency will comply with Section FIN2.1-8 and Sections 6-10-2, 3,13, NMSA 1978. We have purchased receipt books and will be complying with the required process in order to not be at risk for fraud and misuse of public funds. Fiscal Bureau will improve policy regarding deposits.

Our agency received the approved audit report from the State Auditors office for the FY07 audit on 12-04-08 (FY 09) having received this report after the 08 fiscal year end did not allow our agency to implement any changes or corrections to any of the following findings. We will make the necessary adjustments and corrections after the final report becomes available to our agency in order to prevent a repeat of these findings.

**FS 07-03 – Compensated Absences** Repeat (Modified)

*Condition:* During the review of the compensated absence spread sheet, the following was noted:

- The reports presented for accrued compensated absences did not tie out mathematically and we were unable to recalculate the ending balances for thirty-one (31) out of sixty-two (62) employees on the listing. In total this variance accounted for \$436.16 vacation hours and a total of \$11,580.76.

*Criteria:* NMAC 2.2.2.10 L Compensated absences: (1) Vacation pay and other compensated absences should be computed in accordance with the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, and be reported in the financial statements.

*Effect:* The State Personnel Board provided an inaccurate balance of compensated absences at June 30, 2008. An inaccurate calculation of compensated absences may result in the Board misstating liabilities and possibly processing payments to terminated employees in excess of the liability due.

*Cause:* Internal controls were not maintained to provide reasonable assurance that the compensated absences liability was calculated accurately. Management did not monitor the compensated absence balances periodically to ensure accurate calculation by the payroll system.

*Auditor's Recommendation:* Management should implement a policy in which it reviews the information provided by the system periodically to ensure that any differences are investigated, resolved and corrected. This process should occur periodically and in all cases, prior to disbursing funds related to compensated absences to a terminated employee.

*Management's Response:* During the change of HR Managers within SPO this function switched from the previous HR Manager to the payroll clerk. Previously, the HR Manager did all functions of HR Management, file maintenance and payroll/benefits processing. This individual balanced the compensated absences spreadsheet. At the time that the duties were divided it appears that the details of this function were not properly transferred and/or trained. The State Personnel Office has filled an HR position with the ASD Bureau that is currently assisting with reconciling the compensated absences. This will allow our agency to comply and complete the required data and reports for the fiscal year end.

**FS 07-04 – Capital Assets** Repeat (Modified)

*Condition:* No annual capital assets inventory was performed for the year ended June 30, 2008 as required per NMAC 2.20.1.16.

*Criteria:* NMAC 2.20.1.16 Annual Inventory indicates "A. At the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets consisting of those with a historical cost of five thousand dollars (\$5,000) or more, under the control of the governing authority." This is a requirement of all State of New Mexico agencies.

*Effect:* Lack of performing an annual inventory of capital assets may result in a misappropriation of assets and noncompliance with state statutes. The performance of an annual inventory is vital to reducing the agency's risk related to possible fraudulent activity.

**STATE OF NEW MEXICO**  
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**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2008**

**FS 07-04 – Capital Assets Repeat (Modified) (Continued)**

*Cause:* The State Personnel Board was not aware of the requirement to perform an annual inventory in compliance with NMAC 2.20.1.16.

*Auditor's Recommendation:* An annual physical count of capital assets must be conducted for all assets to ensure compliance with the requirements of NMAC 2.20.1.16. In addition, management should review all requirements associated with State Statutes as they relate to capital assets to ensure future compliance. This may require the Board assigning an individual to perform these functions for the Board.

*Management's Response:* The State Personnel Office will ensure that all capital assets be entered into the system correctly and an annual physical count of capital assets will be conducted for all assets to ensure compliance with the requirements of NMAC 2.20.1.16.

**FS 07-06 – Internal Control over Financial Reporting (SAS 112) Repeat**

*Condition:* The individuals responsible for the accounting and reporting functions for the State Personnel Board lack the skills and knowledge to apply generally accepted accounting principles in preparing the entity's financial statements. The accounting management has not obtained training to adequately apply generally accepted accounting principles, which includes GASB 34 and subsequent pronouncements. In addition, the 2007 report was sent to the State Auditor in July of 2008. As of date, the report has not been approved by the State Auditor. Once approval is received, the Agency will post a position requiring these skills.

*Criteria:* Statement on Auditing Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

*Effect:* The State Personnel Board, without the aid of its auditors, is not capable of preparing financial statements in accordance with governmental accounting standards with regard to applying generally accepted accounting principles.

*Cause:* Individuals responsible for the accounting and reporting functions for the State Personnel Board have not received training in preparing governmental financial statements in accordance with GASB (Governmental Accounting Standards Board) Statement No. 34 and subsequent pronouncements.

*Auditor's Recommendation:* We recommend that the State Personnel Board's accounting management receive the training relating to the preparation of the State Personnel Board financial statements in accordance with generally accepted accounting principles. This would give the individuals responsible for the accounting and reporting functions the skills, knowledge and capability to apply generally accepted accounting principles to the financial statements.

*Management's Response:* The State Personnel Office will be posting a position for hiring a governmental accountant that would manage the preparation of the financial statements. This will allow our agency to adequately apply generally accepted accounting principles, which includes GASB 34 and subsequent pronouncements.

This will also assist the State Personnel Office with the internal control of reconciliations of significant accounts and will also provide our agency with tools needed to reconcile to the general ledger account in a timely and accurate manner as stated in SAS No.112.

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**Section III – Prior Year Audit Findings**

- FS 07-01 – Internal Controls Receipts**- *Repeat*
- FS 07-02 – Internal Controls Payroll**- *Cleared*
- FS 07-03 – Compensated Absences**- *Repeat (Modified)*
- FS 07-04 – Capital Assets** – *Repeat (Modified)*
- FS 07-05 – Timely Submission of Audit Report**- *Cleared*
- FS 07-06 – SAS 112 Compliance**- *Repeat (Modified)*
- FS 2006-1 – Reversions to State General Fund**- *Cleared*

**Section IV – Other Disclosures**

Auditor Prepared Financials

The financial statements presented in this report were prepared by the auditors, Griego Professional Services, LLC, but are the responsibility of Management.

Exit Conference

The contents of this report were discussed on December 12, 2008. The following individuals were in attendance.

New Mexico State Personnel Board

Michelle Welby, Board Member  
Dominic Garcia, Chief of Staff  
Anthony Sandoval, Deputy Director, Administrative Services  
Chris Gonzales, Procurement Officer

Griego Professional Services, LLC

Diana Cordova, CPA