

STATE OF NEW MEXICO

STATE PERSONNEL BOARD

Financial Statements

Year Ended June 30, 2012

(With Independent Auditors' Report Thereon)



Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

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STATE OF NEW MEXICO
STATE PERSONNEL BOARD

OFFICIAL ROSTER

JUNE 30, 2012

Name

Title

Board

Paul T. Yarbrough

Chairperson

Christine Romero

Vice Chair

Devon Day

Member

Chris Sanchez

Member

Rebecca Long

Member

Administrative Officials

Eugene Moser

Director

Nivia Thames

Deputy Director/CFO

"27 Years of Excellence"



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ba@barracough.com

Principals
John E. Barracough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.

Managers
Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.
Katherine M. Rowe, C.P.A.
Rhonda G. Williams, C.P.A.

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas
New Mexico State Auditor
and
Mr. Eugene Moser, Director
State Personnel Board

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the New Mexico State Personnel Board (Board), as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Board 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 Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2012 or the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

**MANAGEMENT DISCUSSION AND ANALYSIS
(Required Supplementary Information)
(Unaudited)**

June 30, 2012

As management of the State Personnel Board (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, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

In compliance with requirements of accounting principles generally accepted in the United States of America (US 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 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. The statement of activities presents all changes in net assets 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.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
(Required Supplementary Information)
(Unaudited)**

June 30, 2012

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.

GOVERNMENT-WIDE HIGHLIGHTS

Condensed financial comparison for current and prior fiscal year:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change</u>
Current assets	\$ 400,746	\$ 267,968	\$ 132,778
Capital assets (net)	83,542	-	83,542
Total assets	<u>\$ 484,288</u>	<u>\$ 267,968</u>	<u>\$ 216,320</u>
Current liabilities	\$ 493,751	\$ 419,286	\$ 74,465
Long term liabilities	80,950	10,082	70,868
Total liabilities	<u>\$ 574,701</u>	<u>\$ 429,368</u>	<u>\$ 145,333</u>
Net assets			
Invested in capital assets	\$ 83,542	\$ -	\$ 83,542
Unrestricted (deficit)	(173,955)	(161,400)	(12,555)
Total net assets (deficit)	<u>\$ (90,413)</u>	<u>\$ (161,400)</u>	<u>\$ 70,987</u>
Program revenue	\$ 95,839	\$ 9,711	\$ 86,128
Miscellaneous	16,623	1,436	15,187
General revenue - appropriation	3,852,400	3,993,800	(141,400)
Total revenue	<u>3,964,862</u>	<u>4,004,947</u>	<u>(40,085)</u>
			-
Expenses - Governmental Activities	3,841,111	3,984,224	(143,113)
Reversions to State of New Mexico	52,764	11,794	40,970
Total expenses	<u>3,893,875</u>	<u>3,996,018</u>	<u>(102,143)</u>
Change in net assets	70,987	8,929	62,058
Beginning net assets (deficit)	(161,400)	(170,329)	8,929
Ending net assets (deficit)	<u>\$ (90,413)</u>	<u>\$ (161,400)</u>	<u>\$ 70,987</u>

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
(Required Supplementary Information)
(Unaudited)**

June 30, 2012

Overall Financial Position:

The overall financial position of the Board remains stable.

Individual Fund Highlights:

As of June 30, 2012, the Governor's Career Fund has a balance of \$24,048 that is unchanged from 2011.

Budgetary Highlights:

The operating budget from July 2011 to June 2012 consisted of State General Fund appropriations of \$3,852,400 with 57 FTE's authorized.

For FY12 the Board had a budget adjustments between expenditure categories which did not increase the total budget.

Capital Assets and Long Term Debt:

The Board's capital assets consist of personal property. Net of accumulated depreciation, the ending asset value for the Board is \$83,542. 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.

Agency Highlights:

Our mission is to provide a flexible and responsive system for Human Resource Management and 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. The Board shall actively serve as a resource for supporting and facilitating better management and development of human resources in state government.

The State Personnel Office (SPO) was designated by the Governor as the union contract administrator to ensure proper guidance, training and oversight for all state agencies. SPO'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.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
(Required Supplementary Information)
(Unaudited)**

June 30, 2012

Agency Highlights (Continued):

November 1, 2011, SPO implemented NEOGOV - an applicant tracking system that is used by over 17 state governments and over 700 other public sector entities throughout the United States in an effort to make the application process easier and faster for applicants and making employment lists more meaningful and useful for agencies. NEOGOV is an internet-based Software as a Service (SaaS) system that SPO subscribes to annually for recruitment services. The implementation of NEOGOV supports compliance with Laws of 1961, Chapter 240 (Section 10-9-13, NMSA, 1978 Comp. the "Personnel Act.")

During the Fiscal Year 2013, the SPO has offered Shared Services to agencies of less than 100 staff through a Memorandum of Understanding. SPO employs staff with specialized human resource skills and abilities. Shared Services enables smaller agencies to receive quality, standardized, accurate, and efficient human resource services.

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:

Eve Banner, CFO
State Personnel Office
2600 Cerrillos Road
Santa Fe, New Mexico 87502
(505) 476-7741

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Exhibit A-1

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Interest in General Fund Investment Pool	\$ 400,696
Petty cash	50
Total current assets	<u>400,746</u>
Noncurrent Assets	
Capital assets	538,763
Less: accumulated depreciation	<u>(455,221)</u>
Total capital assets	<u>83,542</u>
Total Assets	<u><u>\$ 484,288</u></u>
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 148,023
Accrued payroll	132,621
Due to State General Fund	39,875
Deferred Revenue	62,848
Current portion of accrued compensated absences	<u>110,384</u>
Total current liabilities	493,751
Long-Term Liabilities - Accrued compensated absences	<u>80,950</u>
Total Liabilities	<u>574,701</u>
 NET ASSETS (DEFICIT)	
Invested in capital assets	83,542
Unrestricted (deficit)	<u>(173,955)</u>
Total net assets (deficit)	<u>(90,413)</u>
Total liabilities and net assets (deficit)	<u><u>\$ 484,288</u></u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Exhibit A-2

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	Program Revenues			Net Revenues (Expenses)
	Expenses	Charges for Services	Operating Grants	
Functions/Programs				
Governmental activities				
Current				
Personal services and employee benefits	\$ (3,441,622)	\$ -	\$ -	\$ (3,441,622)
Contractual services	(133,968)	95,839	-	(38,129)
Other	(261,876)	-	-	(261,876)
Depreciation - unallocated	(3,645)	-	-	(3,645)
Total governmental activities	(3,841,111)	95,839	-	(3,745,272)
 General Revenues				
Transfer - State General Fund Appropriation				3,852,400
Transfer - Reversion to the State General Fund				(52,764)
Miscellaneous income				16,623
				3,816,259
Total general revenues and transfers				3,816,259
Change in net assets				70,987
Beginning net assets (deficit)				(161,400)
Ending net assets (deficit)				\$ (90,413)

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Exhibit B-1
Page 1 of 2

**BALANCE SHEET
GOVERNMENTAL FUND**

June 30, 2012

	<u>General Fund 18100</u>	<u>Special Revenue Fund 72800</u>	<u>Total</u>
ASSETS			
Current assets			
Interest in General Fund Investment Pool	\$ 376,648	\$ 24,048	\$ 400,696
Petty cash	50	-	50
	<u>376,698</u>	<u>24,048</u>	<u>400,746</u>
Total current assets	<u>\$ 376,698</u>	<u>\$ 24,048</u>	<u>\$ 400,746</u>
 LIABILITIES AND FUND BALANCE			
Current liabilities			
Accounts payable	\$ 148,023	\$ -	\$ 148,023
Accrued payroll	132,621	-	132,621
Deferred revenue	62,848	-	62,848
Due to State General Fund	39,875	-	39,875
	<u>383,367</u>	<u>-</u>	<u>383,367</u>
Total liabilities	<u>383,367</u>	<u>-</u>	<u>383,367</u>
Fund balance			
Nonspendable	50	-	50
Spendable - reserved	-	24,048	24,048
Unassigned (deficit)	(6,719)	-	(6,719)
	<u>(6,669)</u>	<u>24,048</u>	<u>17,379</u>
Total fund balance	<u>(6,669)</u>	<u>24,048</u>	<u>17,379</u>
Total liabilities and fund balance	<u>\$ 376,698</u>	<u>\$ 24,048</u>	<u>\$ 400,746</u>

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2012

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

Fund balances - total governmental funds	\$	17,379
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital Assets		538,763
Accumulated depreciation		<u>(455,221)</u>
Total capital assets		<u>83,542</u>
Compensated absences liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences		<u>(191,334)</u>
Total net assets (deficit)	\$	<u><u>(90,413)</u></u>

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Exhibit B-2
Page 1 of 2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND**

Year Ended June 30, 2012

	<u>General Fund 18100</u>	<u>Special Revenue Fund 72800</u>	<u>Total</u>
Revenues			
Collective bargaining reimbursement	\$ 95,839	\$ -	\$ 95,839
Miscellaneous	16,623	-	16,623
Total revenues	<u>112,462</u>	<u>-</u>	<u>112,462</u>
Expenditures			
Current			
Personnel services and benefits	3,435,370	-	3,435,370
Contractual services	133,968	-	133,968
Other	261,876	-	261,876
Total current expenditures	<u>3,831,214</u>	<u>-</u>	<u>3,831,214</u>
Capital outlay	87,187	-	87,187
Total expenditures	<u>3,918,401</u>	<u>-</u>	<u>3,918,401</u>
Excess (deficiency) of revenues over expenditures	<u>(3,805,939)</u>	<u>-</u>	<u>(3,805,939)</u>
Other financing sources (uses)			
State General Fund Appropriation	3,852,400	-	3,852,400
Reversions to the State General Fund	(52,764)	-	(52,764)
Total other financing sources (uses)	<u>3,799,636</u>	<u>-</u>	<u>3,799,636</u>
Net change in fund balances	(6,303)	-	(6,303)
Fund balances - beginning of year	<u>(366)</u>	<u>24,048</u>	<u>23,682</u>
Fund balances (deficit) - end of year	<u>\$ (6,669)</u>	<u>\$ 24,048</u>	<u>\$ 17,379</u>

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

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

Net change in fund balances - total governmental funds \$ (6,303)

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.

Capital asset additions 87,187
Depreciation expense (3,645)

Compensated absences liability is not a governmental fund liability but is recorded in the statement of activity.

(Increase) in accrued compensated absences (6,252)

Changes in Net Assets \$ 70,987

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Exhibit C-1

GENERAL FUND
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	Original	Final		(Unfavorable)
Revenues				
State General Fund Appropriations	\$ 3,852,400	\$ 3,852,400	\$ 3,852,400	\$ -
Miscellaneous	-	-	16,623	16,623
Total revenues	\$ 3,852,400	\$ 3,852,400	3,869,023	16,623
Expenditures				
Current				
Personal services and benefits	\$ 3,627,200	\$ 3,441,842	3,435,370	6,472
Contractual services	27,700	81,223	54,529	26,694
Other	197,500	329,335	326,159	3,176
Total expenditures	\$ 3,852,400	\$ 3,852,400	3,816,058	36,342
Other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	52,965	\$ 52,965
Reconciliation to GAAP Basis				
Audit entry to expense			(258)	
Audit adjustment to write-off obsolete inventory			(6,246)	
Current year general fund reversion			(52,764)	
Audit adjustment to record revenue			95,839	
Audit adjustment to record expense			(95,839)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ (6,303)	

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Exhibit C-2

**SPECIAL REVENUE FUND
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
STATEMENT OF REVENUES AND EXPENDITURES**

Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Variance Favorable (Unfavorable)
	HB 2 Original	Budget Final		
Revenues				
State General Fund Appropriations	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	\$ -	\$ -
Fund balance carryforward	\$ 29,000	\$ 29,000		
Expenditures				
Current				
Personal services and benefits	\$ 29,000	\$ 29,000	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	\$ 29,000	\$ 29,000	\$ -	\$ -

The accompanying notes are an integral part of this financial statement.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements

June 30, 2012

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 (Continued)

June 30, 2012

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 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 Board accounting policies are described below.

The Board 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, 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 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.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The 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 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 Board as a whole) and fund financial statements. The GASB No. 34 reporting model focus is on either the Board as a whole or major individual fund (within the fund financial statement). 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 as well as long-term debt and obligations.

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 Financial Statements (Continued)

June 30, 2012

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 \$95,839 of program revenues that are related to the collective bargaining negotiation. 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 #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 by the Board.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. Summary of Significant Accounting Policies (Continued)

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.

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 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, are reported as deferred revenue by the Board. Funds received in advance of costs incurred relating to the collective bargaining agreement are recorded as deferred revenue.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2011, 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 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, 2012, was amended in a legally permissible manner by reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments did not increase the original budget.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

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, 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 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. The Board has no multiple year appropriations.

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.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. Summary of Significant Accounting Policies (Continued)

H. Inventory

Inventory in the General Fund consists of expendable supplies held for consumption, mainly of toner, 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.

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
Data 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 related payroll 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 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.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences (Continued)

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 does not pay for any 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 2013.

L. Fund Equity

The Board follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the Board's net assets. The effect of GASB 54 on the Board fund balance is that the reserve for inventory and petty cash is no longer presented, but inventory 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 and the special revenue fund is restricted by its enabling legislation to carry out the provisions of the Board. Accordingly, the special revenue fund balance is restricted.

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 2. Summary of Significant Accounting Policies (Continued)

L. Fund Equity (Continued)

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.

M. Net Assets

The government-wide Fund Financial Statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets, restrict and unrestricted.

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

Restricted Assets – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, or granting agency) limitation on their use.

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

N. 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. The Board had no special appropriations during the 2012 fiscal year.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

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 Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office

The balance in the New Mexico State Treasurer's State Investment Pool:	<u>\$ 400,696</u>
Cash on hand	<u>\$ 50</u>

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 40, *Deposit and Investment Risk Disclosures*. GASB 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.

Interest Rate Risk – 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.

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, 2012.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

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

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and Management Reporting System (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the New Mexico State Personnel Board's balances at the business unit/fund level is not possible. State law NMSA 1978 Section 6-5-9 requires the Financial Control Division of the Department of Finance and Administration to perform monthly cash reconciliations.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. DFA/FCD management believes that these changes will allow for the completion of a timely and accurate reconciliation on a *point-forward basis only*. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

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

General Fund Investment Pool Not Reconciled (Continued)

The Board believes the impact of the cash reconciliation does not have a material impact on its financial statements since the main source of cash is the annual state appropriation and has internal controls to properly recorded its expenditures. Any unspent balance from the annual state appropriation reverts to the State General Fund. The effect of adjustments to the Board's financial statements, if any, from the reconciliation of the General Fund Investment pool cannot be determined.

NOTE 4. Capital Assets

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

Primary Government	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets, being depreciated				
Website	\$ -	\$ 16,401	\$ -	\$ 16,401
Machinery & equipment	134,488	70,786	44,252	161,022
Data processing equipment	361,340	-	-	361,340
Total capital assets, being depreciated	495,828	87,187	44,252	538,763
Less accumulated depreciation for				
Website	-	(3,645)	-	(3,645)
Machinery & equipment	(134,488)	-	44,252	(90,236)
Data processing equipment	(361,340)	-	-	(361,340)
Total accumulated depreciation	(495,828)	(3,645)	44,252	(455,221)
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 83,542</u>	<u>\$ -</u>	<u>\$ 83,542</u>

Depreciation expense of \$3,645 for the year ended June 30, 2012 was unallocated.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 5. 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 other amounts due to the State General Fund are as follows:

General Fund

Current-year reversion amounts:	
2012 fiscal year general appropriation reversion (budget basis surplus)	\$ 36,342
2012 balance of stale dated warrants	3,533
Reversion of miscellaneous income	16,623
Payment to the State General Fund	<u>(16,623)</u>
Due to State General Fund	<u><u>\$ 39,875</u></u>

NOTE 6. Compensated Absences

The 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, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Compensated absences payable	\$ 185,082	\$ 116,636	\$ (110,384)	\$ 191,334	\$ 110,384

Based on 2012 usage of compensated absences, \$110,384 of the June 30, 2012 balance is considered to be a short-term liability.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 7. 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 a party.

NOTE 8. 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 (PERA) (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 www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 15.09% 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, 2012, 2011, and 2010 were \$338,190, \$396,555 and \$427,378, respectively, which equal the amount of the required contributions for each fiscal year.

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

Plan Description. The 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.

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2012

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

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, 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.

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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of the two formulas at agreed-upon intervals.

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

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

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

The Board's contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$46,262, \$43,522 and \$36,701, which equals the required contributions for each year.

NOTE 10. Fund Balance (Deficit)

The general fund balance deficit of \$6,669 will be resolved by subsequent year revenues.

NOTE 11. Memorandum of Understanding

The Board entered into a memorandum of understanding (MOU) with the following agencies:

Corrections Department, Department of Health, Children, Youth and Families Department, Human Services Department, Department of Transportation, Taxation & Revenue Department, Department of Workforce Solutions, Public Education Department, Regulation & Licensing Department, Aging & Long Term Services Department, Department of Cultural Affairs, State Fair Commission, Public Defender Department, Division of Vocational Rehabilitation – PED, Commission for the Blind, Environment Department, General Services Department, Miners Colfax Medical Center, Workers' Compensation Administration, Department of Information Technology, Department of Public Safety – Motor Transportation Division.

Each agency/department has been assessed its share of costs in preparation for collective bargaining negotiation. A total of \$125,000 was collected in this fiscal year from the agencies and \$95,839 was spent and recorded as revenue during the 2012 fiscal year. The unspent balance of \$29,161 is recorded as additional deferred revenue at June 30, 2012. Total deferred revenue is \$62,848 at June 30, 2012.

NOTE 12. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has published Statements No. 67, *Financial Reporting for Pension Plans* and No. 68, *Accounting and Financial Reporting for Pensions*. These standards revise existing guidance for governments that provide their employees with pension benefits. Significant change is the requirement to record each governmental entity's pro rate share of unfunded actuarial accrued liability (UAAL) on its financial statements including multi-employer cost sharing plans. The Public Employees Retirement Association (PERA), is a multi-employer cost sharing plan. The changes arising from these statements are significant and the Board will comply with these changes as implementation information is provided by the State of New Mexico and PERA. The implementation date for Statement No. 68, most relevant to the Board is for FY2015.

The status of the PERA Plan at June 30, 2011, the most recent audited financial statement available, has an unfunded accrued actuarial liability of approximately \$4.97 billion.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2012

NOTE 13. Subsequent Events

The Board has evaluated subsequent events through November 16, 2012, which is the date the financial statements have been issued and have determined the following event requires disclosure to the financial statements.

In October 2012, the special revenue fund to account for the Governor's Career Development Conference was not to be used in the future and the remaining fund balance reverted to the State General Fund.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT TO FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Hector H. Balderas
New Mexico State Auditor
and
Eugene Moser, Director
State Personnel Board and

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, of the State Personnel Board (Board) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. 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

Management of the Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board'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.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported under Governmental Auditing Standards, Paragraph 5.14 and 5.16 and Section 12-6-5 NMSA 1978, which is described in the accompanying findings and responses as item 11-01.

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

This report is intended solely for the information and use of Board of Directors, management, others within the Board, the Office of the State Auditor, and the Department of Finance and Administration and the New Mexico Legislature and its committees and is not intended to be and should not be used by anyone other than these specified parties.



November 16, 2012

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2012

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? | No |
| b. Significant deficiency identified not considered to be a material weakness? | No |
| c. Noncompliance material to financial statements noted? | No |

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

JUNE 30, 2012

Section II – Financial Statement Other Finding

11-01 Personnel File Documentation

Condition:

During our test work of eight personnel file, we found the following exceptions:

- Three employee files tested were missing the required annual employee evaluations completed by the employee's anniversary date.

Criteria:

Per 1.7.9.9(B) NMAC states the performance and development career employee shall be reviewed semi-annually and appraised by the immediate supervisor on an annual basis completed by the employee's anniversary date.

Effect:

Insufficient internal controls to monitor if annual employee evaluations are done timely.

Cause:

The Board did not monitor to ensure current annual evaluations were done and included in the employees' files.

Recommendation:

We recommend the employee evaluations are documented in the employees' files. It would be important for the Board to assign appropriate personnel to ensure personnel files are complete.

Responsible Official's Views:

The Board does have staff assigned to handle this responsibility; however, due to salary increases not being provided for the last couple fiscal years and reassignment of staff, the required evaluations were not completed by management for employees' on their anniversary date. HR staff will review all personnel files to ensure required documentation is on file and accurate. Management will have State Personnel Office HR staff provide a listing of anniversary dates to managers so deadlines for submission of annual evaluations for employees are met.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

JUNE 30, 2012

Section III – Prior Year Findings

11-01	Personnel File Documentation	Repeated
11-02	Request for Proposal Process	Resolved
11-03	Capital Asset Disposition	Resolved

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

EXIT CONFERENCE

JUNE 30, 2012

OTHER DISCLOSURES

Exit Conference

An exit conference was held on December 5, 2012 to discuss the current report. Those individuals in attendance were as follows:

New Mexico State Personnel Board

Eugene Moser	Director
Nivia Thames	Deputy Director
Christine Romero	Board Member, Vice Chair
Eve Banner	CFO

Barracough & Associates, P.C.

Douglas W. Fraser	Senior Audit Manager
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The financial statements were prepared by Barracough & Associates, P.C. with assistance provided by the Board's personnel. The Agency is responsible for the fair presentation of the financial statements.

