

STATE OF NEW MEXICO

STATE PERSONNEL BOARD

Financial Statements

Year Ended June 30, 2016

(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, 2016

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

"31 Years of Excellence"

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

Principals

John E. Barracough, Jr., CPA
Annette V. Hayden, CPA
Sandra M. Shell, CPA /ABV, CVA
Rhonda G. Williams, CPA
Katherine M. Rowe, CPA

Managers

Rick W. Reynolds, CPA

INDEPENDENT AUDITORS' REPORT

Mr. Timothy Keller
New Mexico State Auditor
and
Mr. Justin Najaka, Director and
State Personnel Board

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information and budget comparison for the general fund of the New Mexico State Personnel Board (the Board), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibilities

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund and the aggregate remaining fund information of the Board as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements of the New Mexico State Personnel Board (the Board) are intended to present the net position and the changes in net position of only that portion of the governmental activities, the major fund and the budgetary comparison statement for the general fund that are attributable to the transactions of the Board. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2016, and the changes in its net position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 9, the State of New Mexico, as a single employer, has implemented GASB 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2016 Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Board's governmental fund. All other required footnote and other disclosures required by Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

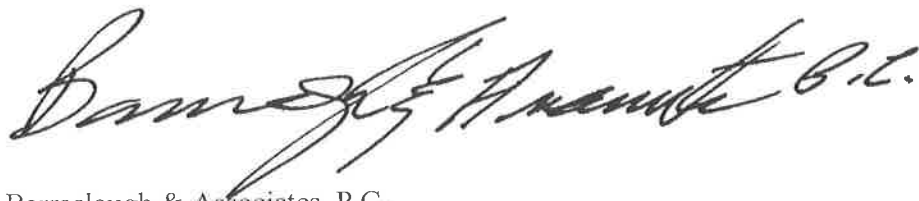
responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

The Supplemental Schedule of Vendor Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements, but required by the State Audit Rule. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurances on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Barraclough & Associates, P.C.
Santa Fe, NM
November 4, 2016

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

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

June 30, 2016

As management of the State Personnel Board (the Board), we offer readers this discussion and analysis to provide an overview of the financial activities of the Board for the fiscal year ended June 30, 2016.

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 finances, in a manner similar to private sector business reporting. These statements report information about the overall governmental activities and business-type activities. However, the Board does not have any business-type activities to report.

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

Fund Financial Statements

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

The Board has two types of funds:

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

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

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

June 30, 2016

Governor's Career Fund – This fund is specifically for the yearly Governor's Career Development Conference that allows the opportunity for state employees to attend the training courses offered. This fund had no revenue or expenditures, during fiscal year 2016.

GOVERNMENT-WIDE HIGHLIGHTS

Condensed financial comparison for current and prior fiscal year:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Current assets	\$ 870,309	\$ 573,796	\$ 296,513
Capital assets (net)	140,429	152,078	(11,649)
Total assets	<u>\$ 1,010,738</u>	<u>\$ 725,874</u>	<u>\$ 284,864</u>
Current liabilities	\$ 1,035,259	\$ 622,488	\$ 412,771
Long term liabilities	3,124	3,041	83
Total liabilities	<u>\$ 1,038,383</u>	<u>\$ 625,529</u>	<u>\$ 412,854</u>
Net position			
Net investment in capital assets	\$ 140,429	\$ 152,078	\$ (11,649)
Spendable - reserved	-	116,258	(116,258)
Unrestricted (deficit)	(168,074)	(167,991)	(83)
Total net position	<u>\$ (27,645)</u>	<u>\$ 100,345</u>	<u>\$ (127,990)</u>
Program revenue	\$ 483,753	\$ 328,917	\$ 154,836
Miscellaneous	231	802	(571)
General revenue - appropriation	4,545,000	4,515,178	29,822
Total revenue	<u>5,028,984</u>	<u>4,844,897</u>	<u>184,087</u>
Expenses - Governmental Activities	4,916,036	4,524,191	391,845
Reversions to State of New Mexico	240,938	194,747	46,191
Total expenses and reversions	<u>5,156,974</u>	<u>4,718,938</u>	<u>438,036</u>
Change in net position	(127,990)	125,959	(253,949)
Beginning net position (deficit)	<u>100,345</u>	<u>(25,614)</u>	<u>125,959</u>
Ending net position (deficit)	<u>\$ (27,645)</u>	<u>\$ 100,345</u>	<u>\$ (127,990)</u>

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

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

June 30, 2016

Overall Financial Position:

The overall financial position of the Board remains stable.

Individual Fund Highlights:

As of June 30, 2016, the General Fund has a balance of \$50.

Budgetary Highlights:

The operating budget from July 2015 to June 2016 consisted of State General Fund appropriation and other revenue of \$5,028,984 with 48 FTE's authorized.

Capital Assets and Long Term Debt:

The Board's capital assets consist of personal property. Net of accumulated depreciation, the ending capital asset value for the Board is \$140,429. 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:

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

The 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, 2016

Agency Highlights (Continued):

During Fiscal Year 2016, 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.

In FY 2016, SPO entered the planning phase of the Digitization and Modernization Project. Laws of 2014, 2S, C63, S007, I009 appropriated \$450,000; a majority of the appropriated amount was expended. SPO received an additional FY 2016 Computer Enhancement System appropriation in the amount of \$800,000. Over the next three (3) years, SPO will implement a statewide digitization project of current classified employee personnel records. We anticipate this implementation will improve business workflows by centralizing storage and safeguarding of employee personnel files while moving into a paperless environment.

The highlights within each SPO Bureau are as follows: Training Bureau conducted 104 trainings with a total of 1,556 classroom participants and 4,600 online participants in FY16. Trainings included Cultural Competency, Customer Relationship Management, Fundamentals of Supervision, Managing Employee Performance, and Civil Rights. Labor Relations Bureau conducted 20 trainings with a total of 430 participants in FY16. Trainings included Living in a Union Environment (LIUE), LIUE Refresher, and Work Place Investigations. Adjudication Bureau received a total of 51 new appeals and disposed of 76 in FY16 and, as of June 2016, there were 38 appeals pending with most being backlog cases. Agency HR Services Bureau processed 4,370 transactions in FY16, Shared Services Bureau prepared actions for 16 MOU agencies with a total of 610 FTE. Career Services Bureau received 187,604 transactions and 4,934 postings. Compensation and Classification Bureau met with SME's key agencies to prepare and work on the implementation of an IT and Engineering study. The IT was implemented in July 2016 (FY17) and the Engineering study will be implemented before the end of FY 2017.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT:

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

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

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Interest in General Fund Investment Pool	\$ 851,820
Due from other state agencies	18,439
Petty cash	50
Total current assets	<u>870,309</u>
Noncurrent Assets	
Capital assets	658,938
Less: accumulated depreciation	<u>518,509</u>
Total capital assets	<u>140,429</u>
Total Assets	<u><u>\$ 1,010,738</u></u>
 LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 304,552
Accrued payroll	119,956
Due to State General Fund	435,855
Unearned revenues	9,896
Current portion of accrued compensated absences	<u>165,000</u>
Total current liabilities	1,035,259
Long-Term Liabilities - Accrued compensated absences	<u>3,124</u>
Total Liabilities	<u>1,038,383</u>
 NET POSITION	
Net investment in capital assets	140,429
Unrestricted (deficit)	<u>(168,074)</u>
Total net position (deficit)	<u>(27,645)</u>
Total liabilities and net position	<u><u>\$ 1,010,738</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, 2016

	Program Revenues			
Expenses	Charges for Services	Operating Grants	Net Revenues (Expenses)	
Functions/Programs				
Governmental activities				
Current				
Personal services and employee benefits	\$ (3,914,720)	\$ 308,163	\$ -	\$ (3,606,557)
Contractual services	(433,666)	175,590	-	(258,076)
Other	(508,899)	-	-	(508,899)
Depreciation - unallocated	(58,751)	-	-	(58,751)
Total governmental activities	(4,916,036)	483,753	-	(4,432,283)
 General Revenues				
Transfer - State General Fund Appropriation				4,545,000
Transfer - Reversion to the State General Fund - FY 16				(240,938)
Miscellaneous income				231
 Total general revenues and transfers				 4,304,293
 Change in net position (deficit)				 (127,990)
 Beginning net position				 100,345
 Ending net position (deficit)				 \$ (27,645)

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, 2016

	General Fund 18100
ASSETS	
Current assets	
Interest in General Fund Investment Pool	\$ 851,820
Due from other state agencies	18,439
Petty cash	50
	<u>50</u>
Total current assets	<u>\$ 870,309</u>
LIABILITIES AND FUND BALANCE	
Current liabilities	
Accounts payable	\$ 304,552
Accrued payroll	119,956
Unearned revenues	9,896
Due to State General Fund	435,855
	<u>435,855</u>
Total liabilities	<u>870,259</u>
Fund balance	
Nonspendable	50
Spendable - reserved	-
	<u>-</u>
Total fund balance	<u>50</u>
Total liabilities and fund balance	<u>\$ 870,309</u>

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

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

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

Fund balances - total governmental funds	<u>\$ 50</u>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets	658,938
Accumulated depreciation	<u>(518,509)</u>
Total capital assets	<u>140,429</u>
Compensated absences liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	<u>(168,124)</u>
Total net position (deficit)	<u><u>\$ (27,645)</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, 2016

	<u>General Fund 18100</u>
Revenues	
Personnel Services fees	\$ 308,163
Reimbursement fees	175,590
Miscellaneous	<u>231</u>
Total revenues	<u>483,984</u>
Expenditures	
Current	
Personnel services and benefits	3,914,637
Contractual services	433,666
Other	<u>508,899</u>
Total current expenditures	4,857,202
Capital outlay	<u>47,102</u>
Total expenditures	<u>4,904,304</u>
Excess (deficiency) of revenues over expenditures	<u>(4,420,320)</u>
Other financing sources (uses)	
State General Fund Appropriation and other	4,545,000
Reversion to the State General Fund - FY 16	<u>(240,938)</u>
Total other financing sources (uses)	<u>4,304,062</u>
Net change in fund balances	(116,258)
Fund balances - beginning of year	<u>116,308</u>
Fund balances - end of year	<u><u>\$ 50</u></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, 2016

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

Net change in fund balances - total governmental funds (deficit) \$ (116,258)

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 47,102
Depreciation expense (58,751)

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

Increase in accrued compensated absences (83)

Changes in Net Position (deficit) \$ (127,990)

GENERAL FUND

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

Year Ended June 30, 2016

	General Fund - Single Year			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
Revenues				
State General Fund Appropriations	\$ 4,341,000	\$ 4,315,000	\$ 4,315,000	\$ -
Personnel Service fees	235,300	285,860	308,163	22,303
Miscellaneous	-	-	231	231
Total revenues	<u>\$ 4,576,300</u>	<u>\$ 4,600,860</u>	<u>4,623,394</u>	<u>22,534</u>
Expenditures				
Current				
Personal services and benefits	\$ 4,219,000	\$ 3,993,000	3,914,637	78,363
Contractual services	50,500	50,500	33,279	17,221
Other	306,800	557,360	466,840	90,520
Total expenditures	<u>\$ 4,576,300</u>	<u>\$ 4,600,860</u>	<u>4,414,756</u>	<u>186,104</u>
Other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>208,638</u>	<u>208,638</u>

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

GENERAL FUND

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

Year Ended June 30, 2016

	General Fund - Multiyear Budgets and Capital Projects					Variance Favorable (Unfavorable)
	Budgeted Amounts		Actual Amounts	Prior Year Actual	Total	
	Original	Final				
Digitization and Modernization Project Laws of 2014, Chapter 63, Section 7(9)						
Revenues						
Special appropriations	\$ 450,000	\$ 450,000	\$ 230,000	\$ 220,000	\$ 450,000	\$ -
Expenditures						
Contractual services	359,831	359,831	224,797	103,742	328,539	31,292
Other	90,169	90,169	89,161	-	89,161	1,008
Total expenditures	\$ 450,000	\$ 450,000	313,958	103,742	417,700	32,300
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	(83,958)	116,258	\$ 32,300	\$ 32,300
Total Excess (deficiency) of revenues over annual and multi year expenditures			124,680	\$ 116,258	\$ 240,938	\$ 240,938
Reconciliation to GAAP Basis						
Audit entries to record the following:						
Current year general fund reversion			(240,938)			
Prior year spendable - reserved			116,258			
Audit adjustment to record revenue			175,590			
Audit adjustment to record expense			(175,590)			
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ -			

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

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements

June 30, 2016

NOTE 1. History and Organization

The State Personnel Board was created by Laws of 1961, Chapter 240 (Sections 10-9-1 to 10-9-25, NMSA, 1978 Comp. the "Personnel Act".) The purpose of the Personnel Act is to establish for New Mexico a system of personnel administration based solely on qualification and ability, which will provide greater economy and efficiency in the management of the state affairs. The Board consists of five members appointed by the Governor and confirmed by the Senate, who shall serve staggered five-year terms, with one board member's 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, 2016

NOTE 1. History and Organization (Continued)

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

NOTE 2. Summary of Significant Accounting Policies

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

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

The Board follows GASB 62, *Codification of Accounting and Financial Reporting Guidelines Contained in Pre November 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates FASB statements that apply to governmental accounting into GASB statements.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. This Statement provided for the most significant change in financial reporting in over twenty years and was phased in based on size of government. As required, the Board implemented the provisions of GASB 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, 2016

NOTE 2. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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

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 statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type activities. The Board has only government type activities. Fiduciary funds, component units that are fiduciary in nature and business-type activities are not included. In the government-wide statement of net assets, the government column reflects a full accrual, economic resources basis, which incorporates long-term assets plus deferred outflows of resources as well as long-term debt, other obligations including deferred inflows of resources. There are no deferred outflows of resources and no deferred inflows of resources for the year ended June 30, 2016.

The government-wide statement of activities reflects both the gross and new 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, 2016

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 \$483,753 of program revenues that are related to the personnel service fees, collective bargaining negotiation and other services performed under memorandums of understanding. All revenues are considered general revenues which come from state appropriations.

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

Government Fund Types

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

General Fund – The General Fund (Fund #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) 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 and had no current year revenue or expenditure activity.

D. Basis of Accounting

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

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

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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

E. Budgets and Budgetary Accounting

Per the General Appropriation Act, the State of New Mexico “shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the 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).

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 2. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

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, 2016, was amended in a legally permissible manner by reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments did increase the original budget by \$24,560.
8. Appropriations lapse at the end of the year except those amounts related to goods and services received by June 30.
9. Budgets for the governmental funds are adopted on a modified accrual basis per the General Appropriation Act. Therefore, any differences between the budget basis and fund financial statements are reflected as reconciling items.

In accordance with the requirements of Section 2.2.2.10, A(2)(b) of 2.2.2 NMAC Requirements for contracting and conducting audits of agencies and the allowance made by GASB 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.

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 2. Summary of Significant Accounting Policies (Continued)

F. Encumbrances

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

G. Cash on Deposit and Investments

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

H. Capital Assets

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

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

I. Accounts Payable and Accrued Salaries

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

J. Compensated Absences

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

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

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 2. Summary of Significant Accounting Policies (Continued)

J. 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 normally does not pay for compensated time.

The compensated absences liability is usually presented in two parts, a current portion and a long-term portion, in the government-wide financial statements. The current portion is the amount expected to be expended during fiscal year 2016.

K. Fund Equity

The Board follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The effect of GASB 54 on the Board's fund balance is that the reserve for petty cash is a non spendable fund balance. Spendable fund balance is shown by the most binding constraint, which is restricted by an external resource or enabling legislation. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

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

A special appropriation was received by the Board during the 2015 fiscal year for the digitization and modernization of personnel records. The unexpended balance remaining at the end of fiscal year 2016 was reverted back to the State.

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 2. Summary of Significant Accounting Policies (Continued)

K. 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.

L. Net Position

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

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

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

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

M. Reversions and Other Financing Sources (Uses)

Unexpected and unencumbered balances are generally reverted to the State General Fund. As the annual appropriation states that unexpected or unencumbered balances of the State General Fund appropriation to the Board shall revert. Reversions have been recorded in the current year for the unspent portion of the General Fund appropriation of \$4,315,000. Also, unexpected and unencumbered balances of special appropriations are reverted when required by law. The Board received a special appropriation during the 2016 fiscal year of \$230,000 for the digitization and modernization of personnel records.

N. Estimates

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

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 2. Summary of Significant Accounting Policies (Continued)

O. Implementation of New Accounting Standards

During the year ended June 30, 2016, the Board adopted the following Government Accounting Standards Board Statements (GASB):

GASB No. 72 – Fair Value Measurement and Application. The objective of this Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. The statement will not have a material impact on the Board’s financial statements.

GASB No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The statement will not have a material impact on the Board’s financial statements.

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>\$ 851,820</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.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016

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

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, 2016.

State General Fund Investment Pool

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer’s Office (STO). Claims on the SGFIP are reported as financial assets by various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State’s centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration’s Financial Control division began reconciling transactional activity reported by the State’s fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2015. While work remains, the results are encouraging and the following assertions can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

The Board believes the impact of the cash reconciliation historical reconciling items 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 record its expenditures.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 4. Capital Assets

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

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Primary Government				
Capital assets, being depreciated				
Building improvements	\$ -	\$ 12,692	\$ -	\$ 12,692
Website	83,811	-	-	83,811
Machinery & equipment	132,040	16,932	-	148,972
Data processing equipment	395,985	17,478	-	413,463
Total capital assets, being depreciated	<u>611,836</u>	<u>47,102</u>	<u>-</u>	<u>658,938</u>
Less accumulated depreciation for				
Building improvements	-	-	-	-
Website	(38,871)	(22,470)	-	(61,341)
Machinery & equipment	(93,933)	(8,773)	-	(102,706)
Data processing equipment	(326,954)	(27,508)	-	(354,462)
Total accumulated depreciation	<u>(459,758)</u>	<u>(58,751)</u>	<u>-</u>	<u>(518,509)</u>
Governmental activities capital assets, net	<u>\$ 152,078</u>	<u>\$ (11,649)</u>	<u>\$ -</u>	<u>\$ 140,429</u>

Depreciation expense of \$58,751 for the year ended June 30, 2016 was unallocated.

The Board has included in capital assets the installation of a modular wall and building improvements made to the office building owned by NM General Services Department (GSD). The gross value of the capital assets is \$31,940 which the Board intends to transfer to NM GSD in FY 2017.

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:

2016 fiscal year general fund reversion	\$ 240,938
2016 balance of stale dated warrants	157
2015 fiscal year general fund reversion	<u>194,760</u>
Due to State General Fund	<u>\$ 435,855</u>

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

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, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Compensated absences payable	\$ 168,041	\$ 162,320	\$ (162,237)	\$ 168,124	\$ 165,000

Based on 2016 usage of compensated absences, \$165,000 of the June 30, 2016 balance is considered to be a short-term liability.

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 the RMD to insure, self-insure or use a combination of both.

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

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

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 8. Pension Plan – Public Employees Retirement Association (Continued)

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of legislature. The Board's contributions to PERA for the fiscal years ending June 30, 2016, 2015, and 2014 were \$476,498, \$485,379, and \$457,302, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 9. GASB 68 – Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pensions Plans by Employers

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

The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

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

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan

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

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

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 10. Post-Employment Benefits – State Retiree Health Care Plan (Continued)

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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 premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at <https://www.nmrhca.state.nm.us>.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board's contributions to the RHCA for the fiscal years ended June 30, 2016, 2015, and 2014 were \$56,090, \$57,158, and \$55,217, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 11. Memorandum of Understanding

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

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

Each agency/department has been assessed its share of costs in preparation for collective bargaining negotiation. A total of \$175,590 was spent and recorded as revenue during the 2016 fiscal year. The unspent balance of \$9,896 is recorded as additional unearned revenue at June 30, 2016.

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

NM Tourism Department, NM Higher Education Department, NM Department of Veteran Services, NM Indian Affairs Department, State Investment Council, Office of African American Affairs, NM Developmental Disabilities Planning Council, NM Office of Superintendent of Insurance, NM Spaceport Authority, NM Governor’s Commission on Disability, NM Gaming Control Board, NM State Treasurer’s Office, NM Racing Commission, NM Board of Nursing, NM Department of Homeland Security and Emergency Management and NM Administrative Hearings Office.

These fees are recorded as personnel services fees of \$308,163 in the accompanying financial statements.

NOTE 12. Due from Other State Agencies

Due from other state agencies at June 30, 2016 consists of \$18,439 from NM Department of Homeland Security and Emergency Management (DHSEM), NM Board of Nursing, and NM Racing Commission, for Human Resource Management services provided in fiscal year 2016.

NOTE 13. Contract Procurement

The Board did not enter into any contracts greater than \$60,000 that would require disclosure to comply with the State Audit Rule.

**STATE OF NEW MEXICO
STATE PERSONNEL BOARD**

Notes to Financial Statements (Continued)

June 30, 2016

NOTE 14. New Accounting Standards

Governmental Accounting Standard Board has issued the following new pronouncements that may have an effect on the Board's future financial statements. However, the Board has not determined the impact on its financial statements:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities, such as the New Mexico Retiree Health Care Authority. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows or resources, and expenses/expenditures. This statement is effective for the 2018 fiscal year.

NOTE 15. Subsequent Events

Subsequent events have been evaluated through November 4, 2016, the date which the financials were available to be issued, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2016. Management believes no material subsequent events have arisen that would require adjustment or disclosure to the financial statements.

State of New Mexico State Personnel Board
 SUPPLEMENTAL SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2016
 (Unaudited)

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
NONE								

"31 Years of Excellence"

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

Mr. Timothy Keller
New Mexico State Auditor
and
Mr. Justin Najaka, Director and
State Personnel Board

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budget comparison for the general fund for the New Mexico State Personnel Board (the Board), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

Purpose of this Report

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



Barraclough & Associates, P.C.
Santa Fe, New Mexico
November 4, 2016

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2016

Section I – Summary of Audit Results

Financial Statements:

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

Section II – Current Year Findings

None

Section III – Prior Year Findings

None

STATE OF NEW MEXICO
STATE PERSONNEL BOARD

EXIT CONFERENCE

JUNE 30, 2016

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 11, 2016 to discuss the current report. Those individuals in attendance were as follows:

New Mexico State Personnel Board

Christine Romero	Board Member, Chairman
Justin Najaka	Director
Nivia Thames	Deputy Director
Stuart Hamilton	CFO

Barraclough & Associates, P.C.

Janet Martinez	Audit Supervisor
Matthew Bonifer	In-Charge

The financial statements were prepared by Barraclough & Associates, P.C. with assistance provided by the Board's personnel. The Board is responsible for the fair presentation of the financial statements.

