

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD**

**Financial Statements**

**June 30, 2017**



## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD**

**Table of Contents**

**June 30, 2017**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Table of Contents	1
Official Roster	2
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	3-4
Management's Discussion and Analysis	5-8
<b>Government Wide Financial Statements</b>	
Statement of Net Position	9
Statement of Activities	10
<b>Governmental Fund Financial Statements</b>	
Balance Sheet -Governmental Fund	11
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Fund	12
Statement of Revenues, Expenditures and Changes in Fund Balances– Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	14
Statement of Revenues and Expenditures Budget (GAAP Budgetary Basis) and Actual -General Fund	15-16
Notes to Financial Statements	17-31
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Interest in State General Fund Investment Pool	32
Schedule of Transfers	33
Schedule of Due to State General Fund	34
<b>COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Accounting Standards</i>	35-36
<b>OTHER INFORMATION</b>	
Schedule of Findings and Responses	37-39
Exit Conference	40

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD**

**Official Roster**

**June 30, 2017**

**Name**

**Title**

**Board**

Christine Romero	Chairperson
Jerry Manzagol	Vice Chair
Megan Muirhead	Member
Carmen Chavez	Member

**Administrative Officials**

Justin Najaka	Director
Nivia Thames	Deputy Director
Stuart Hamilton	CFO

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson  
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, and the budgetary comparison for the general fund of the New Mexico State Personnel Board (the Board), as of and for the year ended June 30, 2017, 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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund of the Board as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the New Mexico State Personnel Board (the Board) are intended to present the net position and the changes in net position of only that portion of the governmental activities, the major fund and the budgetary comparison for the general fund that are attributable to the transactions of the Board. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2017, and the changes in its net position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other schedules requires by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017 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.

The logo for Axiom, featuring the word "Axiom" in a stylized, cursive blue font.

Albuquerque, New Mexico  
November 1, 2017

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Management Discussion and Analysis  
June 30, 2017**

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, 2017.

**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.

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 2017.



**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Management Discussion and Analysis  
June 30, 2017**

**FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE:**

**Condensed financial information for current and prior fiscal year:**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current assets	\$ 758,301	870,309
Capital assets (net)	78,426	140,429
Total assets	<u>836,727</u>	<u>1,010,738</u>
Current liabilities	678,916	1,035,259
Long-term liabilities	80,258	3,124
Total liabilities	<u>759,174</u>	<u>1,038,383</u>
Net position:		
Net investment in capital assets	78,426	140,429
Restricted	143,695	-
Unrestricted (deficit)	<u>( 144,568)</u>	<u>(168,074)</u>
Total net position	<u>77,553</u>	<u>(27,645)</u>
Program revenue	292,090	483,753
Miscellaneous	5,463	231
General revenue – appropriation	<u>4,733,100</u>	<u>4,545,000</u>
Total revenue	<u>5,030,653</u>	<u>5,028,984</u>
Expenses – Governmental Activities	4,820,881	4,916,036
Reversions to State of New Mexico	<u>104,574</u>	<u>240,938</u>
Total expenses and reversions	<u>4,925,445</u>	<u>5,156,974</u>
Change in net position	105,198	(127,990)
Beginning net position (deficit)	<u>(27,645)</u>	<u>100,345</u>
Ending net position (deficit)	<u>\$ 77,553</u>	<u>(27,645)</u>

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Management Discussion and Analysis  
June 30, 2017**

**Overall Financial Position**

The overall financial position of the Board remains stable.

**Individual Fund Highlights**

As of June 30, 2017, the General Fund has a balance of \$77,553.

**Budgetary Highlights**

The operating budget from July 2016 to June 2017 consisted of State General Fund appropriation and other revenue of \$4,175,410 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 \$78,426. The Board does not own any real property or infrastructure assets. The Board also has no long-term debt. The Board does have accrued compensated absences.

**Other Financial Highlights**

The Board will continue to operate under the same financial procedures and policies as it has in the past. There are no other pending financial matters that could have significant impact on the Board. There was a general fund balance of \$77,553 as a result of the unexpended multiyear special appropriation.

**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.

During Fiscal Year 2017, 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.

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Management Discussion and Analysis  
June 30, 2017**

**Agency Highlights (Continued)**

In FY 2017, SPO entered the implementation phase of the Digitization and Modernization Project. Laws of 2014, 2S, C63, S007, 1009 appropriated \$450,000; a majority of the appropriated amount was expended in previous fiscal years. SPO received an additional FY 2016 Computer Enhancement System appropriation in the amount of \$800,000. SPO is implementing a statewide digitization project for current classified employee personnel records; the appropriated funds will be fully expended by Fiscal Year end 2018. 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 119 trainings with a total of 1,721 classroom participants and 6,472 online participants; trainings included Cultural Competency, Customer Relationship Management, Fundamentals of Supervision, Managing Employee Performance and Civil Rights; Labor Relations Division conducted 17 trainings with a total of 390 participants; trainings included Living in a Union Environment and Work Place Investigations; Adjudication Division received a total of 42 new appeals and disposed of 50, there were 30 appeals pending; Agency HR Services Division Processed 3,376 transactions; Shared Services Division oversaw the actions of 15 Agencies and 610 FTE; Career Services Division received 176,998 applications for 5,223 posting with just under 2.6 million views; Compensation and Classification Division implemented a new classified salary structure for Information Technology. Office Support completed phase one of the Digitization and Modernization project, delivered 542 boxes of personnel records to SRCA (Storage: 518, Destruction: 24) and received an unmodified audit with no material weakness and no findings.

**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

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Statement of Net Position  
June 30, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets	
Interest in General Fund Investment Pool	\$ 746,645
Petty Cash	50
Due From Other State Agencies	7,144
Other Receivables	4,462
Total Current Assets	<u>758,301</u>
Noncurrent Assets	
Capital Assets	658,938
Less: Accumulated Depreciation	<u>(580,512)</u>
Total Capital Assets	<u>78,426</u>
Total Assets	<u>\$ 836,727</u>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts Payable	\$ 357,249
Accrued Payroll	127,100
Due to State General Fund	104,921
Other Liabilities	7,216
Unearned Revenues	18,070
Current Portion of Accrued Compensated Absences	64,360
Total Current Liabilities	<u>678,916</u>
Long-Term Liabilities - Accrued Compensated Absences	<u>80,258</u>
Total Liabilities	<u>759,174</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	78,426
Restricted	143,695
Unrestricted (Deficit)	<u>(144,568)</u>
Total Net Position	<u><u>77,553</u></u>

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Statement of Activities  
For the Year Ended June 30, 2017**

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Personal Services and Employee Benefits	\$ 3,612,212
Contractual Services	887,917
Other	258,749
Depreciation Expense - Unallocated	<u>62,003</u>
	<u>4,820,881</u>
<b>Revenues:</b>	
Personnel Services Fees	238,674
Reimbursement Fees	53,416
Miscellaneous Revenue	<u>5,463</u>
Net Program Expense	<u>4,523,328</u>
<b>Transfers:</b>	
State General Fund Appropriations	3,933,100
Special Appropriation	800,000
Reversion Fiscal Year 2017	<u>(104,574)</u>
Net Transfers	<u>4,628,526</u>
Change in Net Position	105,198
Net Position (Deficit), Beginning of Year	<u>(27,645)</u>
Net Position, End of Year	<u>\$ 77,553</u>

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Balance Sheet – Governmental Fund  
June 30, 2017**

	<b>General Fund 18100</b>
	<hr/>
<b>ASSETS</b>	
Current Assets	
Interest in General Fund Investment Pool	\$ 746,645
Petty Cash	50
Due from Other State Agencies	7,144
Other Receivable	4,462
	<hr/>
Total Current Assets	\$ 758,301
	<hr/> <hr/>
<b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts Payable	\$ 357,249
Accrued Payroll	127,100
Unearned Revenues	18,070
Other Liabilities	7,216
Due to State General Fund	104,921
	<hr/>
Total Liabilities	\$ 614,556
	<hr/> <hr/>
Fund Balance	
Unrestricted	50
Restricted	143,695
	<hr/>
Total Fund Balance	143,745
	<hr/> <hr/>
Total Liabilities and Fund Balance	\$ 758,301
	<hr/> <hr/>

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Reconciliation of the Balance Sheet to the  
Statement of Net Position - Governmental Fund  
June 30, 2017**

Total fund balance for governmental fund \$ 143,745

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

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

These assets consist of:

Property, plant and equipment	658,938	
Accumulated depreciation	(580,512)	
Total capital assets		78,426

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

Compensated absences	(144,618)	
Total liabilities		(144,618)

Net Position of governmental activities \$ 77,553

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



**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Statement of Revenues, Expenditures, and Changes  
In Fund Balance – Governmental Fund  
For the Year Ended June 30, 2017**

	<b>General Fund 18100</b>
	<hr/>
<b>Revenues</b>	
Personnel Services Fees	\$ 238,674
Reimbursement Fees	53,416
Miscellaneous Revenue	5,463
	<hr/>
Total Revenues	297,553
	<hr/>
<b>Expenditures</b>	
Current	
Personnel Services and Benefits	3,635,718
Contractual Services	887,917
Other	244,116
	<hr/>
Total Current Expenditures	4,767,751
Capital Outlay	14,633
	<hr/>
Total Expenditures	4,782,384
	<hr/>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(4,484,831)</b>
	<hr/>
<b>Other Financing Sources (Uses)</b>	
State General Fund Appropriation	3,933,100
Special Appropriation	800,000
Reversion to the State General Fund - FY 17	(104,574)
	<hr/>
Total Other Financing Sources (Uses)	4,628,526
	<hr/>
<b>Net Change in Fund Balance</b>	<b>143,695</b>
<b>Fund Balance - Beginning of Year</b>	<b>50</b>
	<hr/>
<b>Fund Balance - End of Year</b>	<b>\$ 143,745</b>
	<hr/> <hr/>

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

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Fund to the**  
**Statement of Activities - Governmental Fund**  
**For the Year Ended June 30, 2017**

Net Change in Fund Balance - Total Governmental Fund (Statement of Revenues, Expenditures, and Changes in Fund Balance)	\$	143,695
--	----	---------

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

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

Depreciation Expense	(62,003)
Decrease in Compensated Absences	<u>23,506</u>

Changes in Net Position in Governmental Activities	\$	<u><u>105,198</u></u>
--	----	-----------------------

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
STATEMENT OF REVENUES AND EXPENDITURES  
Budget and Actual (Budgetary Basis)  
General Fund  
For the Year Ended June 30, 2017**

	<b>General Fund – Single Year</b>			
	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
State General Fund Appropriations	\$ 4,162,000	3,933,100	3,933,100	-
Personnel Service Fees	249,000	249,000	238,674	(10,326)
Miscellaneous	-	-	5,463	5,463
Total Revenues	<u>4,411,000</u>	<u>4,182,100</u>	<u>4,177,237</u>	<u>(4,863)</u>
<b>Expenditures</b>				
Current				
Personal Services and Benefits	3,856,200	3,644,100	3,635,718	8,382
Contractual Services	353,000	334,000	231,612	102,388
Other	270,500	255,600	205,333	50,267
Total Expenditures	<u>\$ 4,479,700</u>	<u>4,233,700</u>	<u>4,072,663</u>	<u>161,037</u>
<i>Excess Revenues Over Expenditures</i>			104,574	
Items Not Budgeted:				
Reversion to State General Fund (Not Budgeted)			<u>(104,574)</u>	
Net Changes in Fund Balance			<u>\$ -</u>	

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
STATEMENT OF REVENUES AND EXPENDITURES  
Budget and Actual (Budgetary Basis)  
General Fund  
For the Year Ended June 30, 2017**

	<b>General Fund – Multiple Year</b>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Digitization and Modernization Project Laws of 2015, Chapter 101, Section 7(13)				
<b>Revenues</b>				
Special Appropriations	\$ 800,000	800,000	800,000	-
Total Revenue	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
<b>Expenditures</b>				
Contractual Services	790,000	790,000	649,724	140,276
Other	<u>10,000</u>	<u>10,000</u>	<u>6,581</u>	<u>3,419</u>
Total Expenditures	\$ <u>800,000</u>	<u>800,000</u>	<u>656,305</u>	<u>143,695</u>
<i>Excess Revenues Over Expenditures</i>			143,695	
Reconciliation to GAAP Basis			<u>-</u>	
Net Changes in Fund Balance			\$ <u>143,695</u>	

**NOTES TO FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

**NOTE 1. History and Organization**

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

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 the Financial Statements  
June 30, 2017**

**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.

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

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

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

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The GASB 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, 2017.

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

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

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



**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

**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 \$292,090 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 #18100 – reverting) is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

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

D. Basis of Accounting

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

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

**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).
3. DFA makes recommendations and adjusts the appropriation request, which becomes the Governor's proposal to Legislature.

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

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

E. Budgets and Budgetary Accounting (Continued)

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, 2017, was amended in a legally permissible manner by reallocating appropriation unit totals as the need arose during the fiscal year.
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.

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 the Financial Statements  
June 30, 2017**

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

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.

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.

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

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

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 2017.

**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 2017 fiscal year for the digitization and modernization of personnel records. The unexpended balance remaining at the end of fiscal year 2017 was extended through fiscal year 2018 to continue the project to digitize state personnel records. Any unexpended balances remaining at end of fiscal year 2019 shall revert to the computer systems enhancement fund or other funds as indicated.

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

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

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

**L. Net Position**

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

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

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

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

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

**M. Reversions and Other Financing Sources (Uses)**

Unexpected and unencumbered balances are generally reverted to the State General Fund. As the annual appropriation states that unexpected or unencumbered balances of the State General Fund appropriation to the Board shall revert. Reversions have been recorded in the current year for the unspent portion of the General Fund appropriation of \$3,933,100. An agency may adjust the reversion within forty-five days of release of the audit report. Also, unexpected and unencumbered balances of special appropriations are reverted when required by law. The Board received a special appropriation during the 2017 fiscal year of \$800,000 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.

**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.

New Mexico State Treasurer’s State Investment Pool	\$	746,645
Petty Cash		<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 the Financial Statements  
June 30, 2017**

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

**Interest Rate Risk for Investments**

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

**Credit Risk for Investments**

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

**Custodial Credit Risk-Deposit**

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Board. Therefore, collateralization of the Board's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Board is not permitted to have any investments other than what is held at the State Treasurer's Office and the Board did not have any other investments during the year ended June 30, 2017. There is no custodial risk at the Board's level since the Board's investments are under the contract of the Office of the State Treasurer.

For further information regarding the SGFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

**Reversions**

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

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

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

**Reversions (Continued)**

In accordance with the new policy, no "Due to State General Fund" liability should be reported in the Board's financial statements as of June 30, 2017 because the Board's "Investment in State General Fund Investment Pool" balance should've been reduced by the amount reverted to the State General Fund. However, Due to the State General Fund consists of the current year reversion amount and other amounts due that are still outstanding and is scheduled as follows:

**Due to State General Fund**

*General Fund*

Current Year Reversion Amounts:

2017 Fiscal Year Reversion	\$ 104,574
State Dated Warrants	<u>347</u>
Due to State General Fund	<u>\$ 104,921</u>

**Due from Other State Agencies**

Due from other state agencies at June 30, 2017 consists of \$7,144 from NM Department of Homeland Security and Emergency Management (#79500) for Human Resource Management services provided in fiscal year 2016.

**NOTE 4. Capital Assets**

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

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2017</b>
Primary Government				
Capital assets, being depreciated				
Building improvements	\$ 12,692	-	-	12,692
Website	83,811	-	-	83,811
Machinery & equipment	148,972	-	-	148,972
Data processing equipment	<u>413,463</u>	-	-	<u>413,463</u>
Total capital assets, being depreciated	<u>658,938</u>	-	-	<u>658,938</u>
Less accumulated depreciation for				
Building improvements	-	(846)	-	(846)
Website	(61,341)	(22,470)	-	(83,811)
Machinery & equipment	(102,706)	(8,187)	-	(110,893)
Data processing equipment	<u>(354,462)</u>	<u>(30,500)</u>	-	<u>(384,962)</u>
Total accumulated depreciation	<u>(518,509)</u>	<u>(62,003)</u>	-	<u>(580,512)</u>
Government activities capital assets, net	<u>\$ 140,429</u>	<u>(62,003)</u>	-	<u>78,426</u>

Depreciation expense of \$62,003 for the year ended June 30, 2017 was unallocated.



**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

**NOTE 4. Capital Assets (Continued)**

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) which the Board intends to transfer to NM GSD in FY 2018.

**NOTE 5. 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:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Compensated absences payable	\$ 168,124	79,983	(103,489)	144,618	64,360

Based on 2017 usage of compensated absences, \$64,360 of the June 30, 2017 balance is considered to be a short-term liability.

**NOTE 6. Risk Management and Litigation**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the 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 7. Pension Plan – Public Employees Retirement Association**

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

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

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

**NOTE 7. Pension Plan – Public Employees Retirement Association (Continued)**

The Board's contributions to PERA for the fiscal years ending June 30, 2017, 2017, and 2016 were \$439,722, and \$476,498, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 8. 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 9. Post-Employment Benefits – State Retiree Health Care Plan**

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

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

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

*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, 2017, 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, 2017, 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, 2017 and 2016, were \$51,762, and \$56,090, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Notes to the Financial Statements  
June 30, 2017**

**NOTE 10. Memorandum of Understanding**

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

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

Each agency/department has been assessed its share of costs in preparation for collective bargaining negotiation. A total of \$53,416 was spent and recorded as revenue during the 2017 fiscal year. The unspent balance of \$18,070 is recorded as additional unearned revenue at June 30, 2017.

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

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

These fees are recorded as personnel services fees of \$238,674 in the accompanying financial statements.

**NOTE 11. Subsequent Events**

Subsequent events have been evaluated through November 1, 2017, 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, 2017. Management believes no material subsequent events have arisen that would require adjustment or disclosure to the financial statements.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**Schedule of Interest in State General Fund Investment Pool**  
**June 30, 2017**

	<u>Fund Number</u>	<u>Book Balance</u>	<u>Current Status</u>
Operating Account	17600	\$ <u><u>746,645</u></u>	Active

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Schedule of Transfers  
For the Year Ended June 30, 2017**

	<u>Agency Fund</u>	<u>SHARE Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
DFA - State General Fund	37800	85300	\$ 800,000		Special Appropriation
DFA - State General Fund	37800	85300	3,933,100	-	State General Fund Appropriation
			<u>4,733,100</u>	<u>-</u>	
DFA - State General Fund	37800	85300	-	104,574	State General Fund Reversion
			<u>\$ 4,733,100</u>	<u>104,574</u>	

**STATE OF NEW MEXICO**  
**STATE PERSONNEL BOARD**  
**Schedule of Due to State General Fund**  
**June 30, 2017**

<b>Governmental Funds:</b>	<u>Business Unit</u>	<u>SHARE Fund</u>	<u>Amount</u>	<u>Purpose</u>
	34101	85300	\$ 347	Stale Dated Warrants
	34101	85300	<u>104,574</u>	Current Year Reversion
			<u>\$ 104,921</u>	



## **COMPLIANCE SECTION**

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

Mr. Wayne Johnson  
New Mexico State Auditor  
and  
Mr. Justin Najaka, Director 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, and the budgetary comparison for the general fund for the New Mexico State Personnel Board (the "Board"), as of and for the year ended June 30, 2017, 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 1, 2017.

**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 agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as items 2017-001, 2017-002, and 2017-003 in the schedule of findings and responses.

### **New Mexico State Personnel Board Responses to Findings**

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



Albuquerque, New Mexico  
November 1, 2017

## **OTHER INFORMATION**

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Schedule of Findings and Responses  
June 30, 2017**

**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**

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

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

**Section III – Prior Year Findings**

None

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Schedule of Findings and Responses  
June 30, 2017**

**Financial Statement Findings**

**2017-001 – LATE REVERSION OF FUNDS (COMPLIANCE AND OTHER MATTERS)**

**Condition:** The general fund was not reverted to the State General Fund until shortly after the deadline. Progress has been made as the amount was reverted, however, the reversion occurred after the due date. The late reversion totaling \$111,832 was processed on October 20<sup>th</sup>, the reversion was due September 30, 2017.

**Criteria:** Pursuant to 6-5-10(A) NMSA 1978, "...All unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central financial reporting and accounting system as of June 30 shall revert by September 30 to the general fund." Section 3(D) of the General Appropriation Act states unexpended balances in agency accounts remaining at the end of a fiscal year shall revert to the general fund unless otherwise indicated in the General Appropriation Act or otherwise provided by law.

**Effect:** The Board maintained custody of public funds that should have been reverted. By not reverting funds in a timely manner, reconciliation of the State General Fund records can be delayed.

**Cause:** The Board contained unspent monies at year end that were not reverted by the due date.

**Recommendation:** We recommend that the Board create policies and procedures to ensure that all unspent funds are reverted to the General Fund on an annual basis.

**Management Response:** The agency CFO is responsible for booking the reversion and subsequent operating transfer to DFA. While the reversion was booked to the appropriate account code, the OPR did not occur in a timely fashion. The agency CFO will revert unspent monies to the general fund ensuring a timely operating transfer. The agency CFO is responsible for implementing the corrective action plan by fiscal year 2018. The State Personnel Board has modified its end of year procedures to ensure full reversions in the future.

**2017-002 – IMPROPER PURCHASE OF HIGH GRADE FUEL (COMPLIANCE)**

**Condition:** During our testing of fuel card purchases, we identified an instance in which the Board purchased premium fuel with a gas card. Eleven fuel card transactions were tested, a premium gas purchase totaling \$20.20 was processed without proper authorization.

**Criteria:** In accordance with 1.5.4.12 NMAC, fuel cards are to be used for the purchase of regular unleaded fuel only; premium grade fuels are not to be purchased with state approved gas cards.

**Effect:** The Board is in violation of state statute and has spent funds on a purchase not permitted.

**Cause:** In the month of February, there was one purchase made totaling 7.5 gallons of premium fuel at a cost of \$20.20.

**Recommendation:** We recommend that the Board adhere to state law regarding the purchase of fuel with gas cards. All individuals who drive Board vehicles and use the gas cards should be informed as to what is and is not proper with regards to gas cards.

**Management Response:** The purchase of premium grade fuel for one of our agency vehicles was a mistake. The employee who purchased the fuel was counseled the day of the purchase. Also, our updated policy is to make each employee aware of the prohibition of purchasing premium fuel at the time of their fuel card activation. The State Personnel Board has modified its policies and procedures to ensure the correction of this matter by fiscal year 2018. The individual responsible for implementing the corrective action plan is the agency CFO.

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Schedule of Findings and Responses  
June 30, 2017**

**2017-003 – LACK OF SUBMISSION FAIR AND EQUAL PAY REPORT (COMPLIANCE)**

**Condition:** The State Personnel Board is required to comply with the requirements of Executive Order 2009-049, to aid in identifying and combating pay inequity and job segregation in the State of New Mexico. The Agency did not submit an annual Fair and Equal Pay Report by the deadline in violation of Executive Order 2009-049 dated December 18<sup>th</sup>, 2009.

**Criteria:** In accordance with Executive Order 2009-049, the State Personnel Board is required to prepare and submit to the Governor an annual Fair and Equal Pay Report including pay information for every executive agency. Annual reports shall be submitted to the Governor's Office by no later than October 1<sup>st</sup> of each year.

**Effect:** The State Personnel Board is not in compliance with the Governor's Executive Order.

**Cause:** The New Mexico State Personnel Office has not completed the Fair and Equal Pay Report.

**Recommendation:** We recommend that the Board adhere to the Governor's Executive Order regarding the annual submission of the Fair and Equal Pay Report.

**Management Response:** With the ongoing Human Resource consolidation project, we intend to task our Data Analytics Division with both the compilation and dissemination of said report no later than October 1, 2018. The State Personnel Board has modified its procedures to ensure the correction of this matter by October 1, 2018. The individual responsible for implementing the corrective action plan is the agency Director.

**STATE OF NEW MEXICO  
STATE PERSONNEL BOARD  
Exit Conference  
June 30, 2017**

**Exit Conference**

An exit conference was held on October 25, 2017 to discuss the current report. Those individuals in attendance were as follows:

**New Mexico State Personnel Board**

Justin Najaka, Director

Nivia Thames, Deputy Director

Stuart Hamilton, CFO

**Axiom CPAs and Business Advisors LLC**

Jaime Rumbaoa, CPA – Partner

**Auditor Prepared Financial Statements**

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