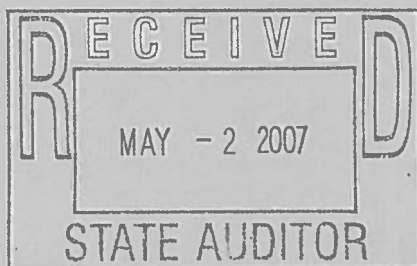


**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2006**

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**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2006**

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STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

OFFICIAL ROSTER
AS OF JUNE 30, 2006

Board Members

<u>Name</u>	<u>Title</u>
Martin V. Dominguez	Chair
Duff H. Westbrook	Vice-Chair
John W. Boyd	Member

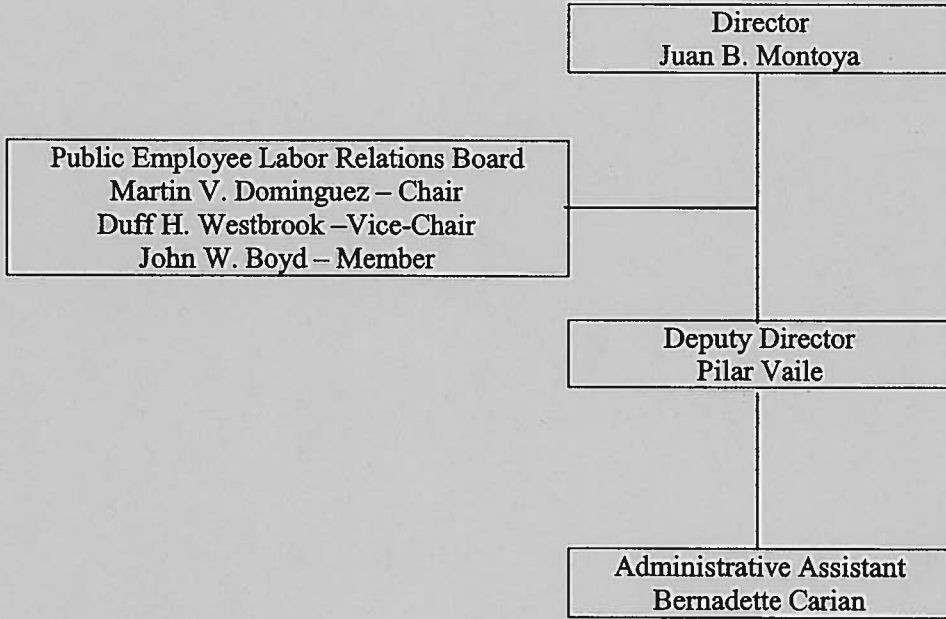
Administration

<u>Name</u>	<u>Position</u>
Juan B. Montoya	Director
Pilar Vaile	Deputy Director
Bernadette Carian	Administrative Assistant



**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

ORGANIZATION CHART





C
W
M Chester W. Mattocks
Certified Public Accountant

P.O. Box 25941
Albuquerque, New Mexico 87125
(505) 299-5233

INDEPENDENT AUDITOR'S REPORT

Mr. Juan B. Montoya, Director
State of New Mexico
Public Employee Labor Relations Board
Albuquerque, New Mexico

and

Mr. Hector H. Balderas
State Auditor
Santa Fe, New Mexico

I have audited the accompanying financial statements of the governmental activities, the major fund and the respective budgetary comparison of the General Fund of the State of New Mexico Public Employee Labor Relations Board (Board) as of and for the year ended June 30, 2006, which collectively comprise the Board's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Board's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements and the individual fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

As discussed in Note 1A, the financial statements of the Board are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2006 and the changes in its financial position thereof and respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my 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 at June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparison of the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated April 27, 2007 on my consideration of the Board's internal control over financial reporting and on my tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Board has not presented the Management's Discussion and Analysis for the year ended June 30, 2006, which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

Chester W. Matthews, CPA

April 27, 2007

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

STATEMENT OF NET ASSETS (DEFICIT)
AS OF JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Current assets:	
Cash	\$ 34,474
Total current assets	<u>34,474</u>
Total assets	<u>34,474</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Accrued payroll and taxes	8,493
Due to State General Fund (reversion FY06)	25,557
Due to State General Fund – stale dated warrants	424
Compensated absences payable - expected to be paid within one year	<u>9,924</u>
Total current liabilities	<u>44,398</u>
Noncurrent liabilities:	
Compensated absences payable - expected to be paid after one year	<u>-0-</u>
Total noncurrent liabilities	<u>-0-</u>
Total liabilities	<u>44,398</u>
<u>NET ASSETS (DEFICIT):</u>	
Unrestricted (Deficit)	<u>(9,924)</u>
Total net assets (Deficit)	<u>\$ (9,924)</u>

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

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	Governmental Activities
<u>EXPENSES:</u>	
General government	\$ (292,884)
Changes in net assets:	
Net (Expense)/Revenue	<u>(292,884)</u>
<u>REVENUES:</u>	
General revenues:	
General Fund appropriation (net of current year reversion of \$25,557)	286,143
Special supplemental appropriation	<u>3,200</u>
Total general revenues	<u>289,343</u>
Change in net assets (deficit)	(3,541)
Net assets (deficit) - beginning of year	<u>(6,383)</u>
Net assets (deficit) - end of year	<u>\$ (9,924)</u>

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

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**BALANCE SHEET - GOVERNMENTAL FUND
AS OF JUNE 30, 2006**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash on deposit with State Treasurer	\$ 34,474
Total assets	<u>\$ 34,474</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accrued payroll and taxes	\$ 8,493
Due to State General Fund (reversion FY06)	25,557
Due to State General Fund - stale dated warrants	<u>424</u>
Total liabilities	<u>34,474</u>
Fund balances:	
Unreserved	<u>-0-</u>
Total fund balances	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,474</u>

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

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND -
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
AS OF JUNE 30, 2006**

Total fund balances - Governmental Fund (Balance Sheet - Governmental Fund)	\$	-0-
Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, 2006 because:		
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:		
Compensated absences payable		<u>(9,924)</u>
Net assets (deficit) of governmental activities (Statement of Net Assets)	\$	<u>(9,924)</u>

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

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>
<u>REVENUES:</u>	
Other	\$ -0-
Total revenues	<u>-0-</u>
<u>EXPENDITURES:</u>	
Current:	
General government:	
Personal services/employee benefits	219,710
Contract services	3,200
Other costs	66,433
Total expenditures	<u>289,343</u>
Excess (deficiency) of revenues over expenditures	<u>(289,343)</u>
Other financing sources (uses):	
State general fund appropriation - regular	311,700
State general fund appropriations - special	3,200
Reversion to state general fund for FY06	(25,557)
Total other financing sources (uses)	<u>289,343</u>
Net change in fund balances	-0-
Fund balances - beginning	<u>-0-</u>
Fund balances - ending	<u>\$ -0-</u>

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

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND - TO THE STATEMENT OF
ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Net change in fund balances (Statement of Revenues,
Expenditures and changes in Fund Balances) \$ -0-

Amounts reported for governmental activities in the
Statement of Activities are different for the year
ended June 30, 2006 because:

In the Statement of Activities, certain operating expenses -
compensated absences payable - are measured by the amounts
earned during the year. In the Governmental Fund, however,
expenditures are measured by the amount of financial resources
used (essentially the amounts actually paid). The increase in
the liability for compensated absences payable for the year
was:

(3,541)

Change in net assets (deficit) of governmental
activities (Statement of Activities)

\$ (3,541)

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

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:				
Other	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
EXPENDITURES:				
Current:				
General Government:				
Personal svcs/Employee benefits	205,100	219,600	219,710	(110)
Contract services		3,200	3,200	
Other costs	<u>109,800</u>	<u>92,100</u>	<u>66,433</u>	<u>25,667</u>
Total expenditures	<u>314,900</u>	<u>314,900</u>	<u>289,343</u>	<u>25,557</u>
Excess (deficiency) of revenues over expenditures	<u>(314,900)</u>	<u>(314,900)</u>	<u>(289,343)</u>	<u>25,557</u>
Other financing sources (uses):				
State general fund appropriations	311,700	311,700	311,700	
Special supplemental appropriation	<u>3,200</u>	<u>3,200</u>	<u>3,200</u>	
Total other financing sources and uses	<u>314,900</u>	<u>314,900</u>	<u>314,900</u>	
Net change in fund balance (deficit)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 25,557</u>	<u>\$ 25,557</u>

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

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006**

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STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2006

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of New Mexico Public Employee Labor Relations Board (Board) was created by the New Mexico Legislature as part of the Public Employee Bargaining Act, 10-7E-1 to 10-7E-26 NMSA 1978. The Board's first year as an independent agency was the year ended June 30, 2005. In the prior year when it was created, it was considered part of the State of New Mexico Office of the Governor. The Board consists of three members appointed by the Governor of the State of New Mexico. One member should be recommended to the Governor by organized labor representatives actively involved in representing public employees, and one member should be recommended to the Governor by public employers actively involved in collective bargaining. The third member should be jointly recommended to the Governor by the other two appointees.

The purpose of the Board is to promulgate rules necessary to accomplish and perform its functions and duties as established in the Public Employee Bargaining Act, including the establishment of procedures for:

1. the designation of appropriate bargaining units;
2. the selection, certification and decertification of exclusive representatives; and
3. the filing of, hearing on and determination of complaints of prohibited practices.

The Board shall:

1. hold hearings and make inquiries necessary to carry out its functions and duties;
2. conduct studies on problems pertaining to employee-employer relations; and
3. request from public employers and labor organizations the information and data necessary to carry out the board's functions and responsibilities.

The financial statements for the Board have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. 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 GAAP for governmental units. The more significant of these accounting policies are described below.

The Board implemented the provisions of GASB #34 effective July 1, 2004. As a part of this Statement, there is a new reporting requirement regarding the government's infrastructure (road, bridges, etc.) The Board does not own any infrastructure assets and therefore is unaffected by this requirement. The Board also implemented the provisions of the later related GASB statements #37 and #38 which affect GASB #34 and its implementation.

A. Financial Reporting Entity

Governmental Accounting Standards Board Statement (GASBS) 14, "The Financial Reporting Entity," effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments.

GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Board, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the Board has prepared and issued its own audited, agency Annual Financial Report.

Included within the Board for this purpose are the following: All of the programs that are administered and/or controlled by the Board have been included.

No entities were noted that should be considered component units of the Board. No entities were specifically excluded from the Board because no entities were noted as meeting any of the criteria for potential inclusion.

B. Basic Financial Statements - GASB Statement #34

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The new reporting model focus is on either the Board as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources focus, which incorporates long-term assets and receivables as well as long-term debt and obligations.

In the government-wide financial statements, neither fiduciary funds nor component units that are fiduciary in nature are included. Internal activity between the various funds is eliminated in the government-wide statements.

Pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 are applicable to any business-type activity of the Board, but the Board has no business-type activities.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Board includes only one function (general government).

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous mode did not summarize or present net cost by function or activity. The Board does not currently employ indirect cost allocation systems. The Board's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first. No such expenses occurred during the year ended June 30, 2006.

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 current fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. Due to the limited fund structure of the Board, the only governmental fund is the General Fund which has been classified as a major fund as required.

The governmental fund statements are presented using a current financial resources focus. 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 activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental-wide presentation.

C. Basis of Presentation

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 or expenses 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 in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The new reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. Due to the fund structure of the Board, the only individual governmental fund, the General Fund, has been classified as a major fund. Only individual governmental or individual enterprise funds can be considered for major fund status.

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 Fund of the Board.

General Fund

The General Fund 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. The General Fund is funded primarily from appropriations from the State of New Mexico General Fund.

Non-Current Governmental Assets/Liabilities

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/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 report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Board considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred.

In applying the susceptible to accrual concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. Budgetary Accounting

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

1. No later than September 1st, the Board prepares a budget appropriation request by category to be presented to the next Legislature.
2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).

3. DFA makes recommendations and adjustments to the appropriation request which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings are incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The Board submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA - Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the Board and the Director of the DFA - Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is by category of appropriation unit.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund. The General Fund overspent its budget by \$110 in the personal services/employee benefits appropriation unit.
12. The budget for the General Fund was adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
13. Appropriations lapse at the end of the fiscal year. Encumbrances are not recorded at year end except in special situations. The Board's General Fund is a reverting fund.

F. Capital Assets

Property, plant and equipment including in-house developed software, purchased or acquired is carried at historical cost or estimated historical cost if over the capitalization minimum of \$5,000. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software, are added to the capital accounts, is \$5,000. The Board does not capitalize any interest in regards to its capital assets.

The Board had no capital assets at June 30, 2006 or 2005. Therefore, there was no depreciation for the year ended June 30, 2006.

GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Board does not own any infrastructure assets.

G. Encumbrances Accounting

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the General Fund. Encumbrances lapse at year-end except for those recorded as vouchers payable.

H. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. The compensated absences payable is included in the government-wide financial statements. No sick leave at June 30, 2006 met the requirements for accrual as no one had over 600 hours of sick leave at June 30, 2006.

The employees of the Board who are all exempt employees accumulate annual leave per a schedule developed by the Department of Finance and Administrator to a maximum of 240 hours as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
Less than 3 years	4.62
Between 3 to 7 years	5.54
Between 7 and 14 year	6.463
Over 14 years	7.39

I. Due to State General Fund (Reversions)

Reversions to the State General Fund by the Board are based on the definitions of reverting funds.

Reverting Funds - All funds that are not identified by law as non-reverting. Such funds are those in excess of budgeted appropriated expenditures.

Current year reversions due to the State General Fund as of June 30, 2006 were as follows:

	<u>General Fund</u>
Current year: FY 06 reversions	\$ 25,557
Total reversions	<u>\$ 25,557</u>

J. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. There were none during the year ended June 30, 2006

Expenditures are recognized when the related fund liability is incurred.

K. Net Assets (Deficit)

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

The Board had only unrestricted (deficit) net assets at June 30, 2006.

Unrestricted (deficit) Net Assets - represent the deficit of the Board at June 30, 2006. It consists of the Board's compensated absences payable, for which there are currently no resources available to finance it. It is expected that this deficit related to the compensated absences payable will be financed by future state appropriations.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH ACCOUNTS AND INVESTMENT POLICY

Cash With State Treasurer

The following is a summary of the cash balances of the Board with the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA):

	<u>CAS Number</u>	<u>Financial Statement Balances</u>
General Fund	379-848	\$ 34,474
Total		<u>\$ 34,474</u>

Reconciliation to the New Mexico State Treasurer:

Balance per State Treasurer	\$ 36,354
Less: outstanding warrants	<u>(1,880)</u>
Total Cash on Deposit with State Treasurer per financial statements	<u>\$ 34,474</u>

The New Mexico State Treasurer monitors the collateral for deposits held by it for other state entities, which would include the cash account of the Board. The Office of the State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608. The Board is not permitted to have any investments, and the Board did not have any investments during the year ended June 30, 2006. There is no custodial risk at the Board's level since the cash account is under the control of the New Mexico State Treasurer.

3. COMPENSATED ABSENCES PAYABLE

A summary of changes in the compensated absences payable for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006	Current portion
Compensated Absences Payable	\$ 6,383	\$ 10,447	\$ (6,906)	\$ 9,924	\$ 9,924

Of the \$9,924, all has been classified as a current liability in the Statement of Net Assets. The General Fund will be used to liquidate compensated absences in the future as it is the Board's only fund.

4. RETIREMENT PLAN

Plan Description. Substantially all of the full-time employees of the Board 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, 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Board's contributions to PERA for the years ended June 30, 2006 and 2005 were \$27,152 and \$24,494, which were equal to the amount of the required contributions for those years.

5. POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the Administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Funds on a pay-a-you go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

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 Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA 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; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Fund contributions:

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual salary. For the year ended June 30, 2006, each participating retiree pays a monthly premium for the medical plus basic life and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employer, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2006, the Public Employee Labor Relations Board remitted \$2,128 in employer contributions and \$1,064 in employee contributions to the Retiree Health Care Authority.

6. INSURANCE COVERAGE

The Board obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Board are covered by blanket fidelity bond and money securities coverage by the State of New Mexico for the period July 1, 2005, through June 30, 2006.

7. COMMITMENTS - OPERATING LEASES

The Board entered into a revised lease beginning December 15, 2005 for office space. The term of the revised lease is for a three-year period with one five-year option. The lease may be terminated at any time with ninety days notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Board decides that termination is necessary to protect the best interests of the State of New Mexico. The monthly rent for the fiscal year ended June 30, 2006 was \$1,643 per month until December 15, 2005 when it changed to \$2,208 per month. Rental expenditures for the year ended June 30, 2006 under this lease were \$21,717.

Future rental expenditures for the years included in the revised three-year period are as follows:

<u>Year</u> <u>Ending June 30</u>		
2007	\$	26,496
2008		26,496
2009		<u>13,248</u>
Total	\$	<u>66,240</u>

If the lease was renewed for all of the five-year option period, rental expenditures would be \$ 132,480 for the entire five-year option period.

8. SPECIAL SUPPLEMENTAL APPROPRIATION

The Board received a special supplemental appropriation of \$3,200, which was used for the compensation package. It was spent during the fiscal year ended June 30, 2006. There were no amounts remaining and no encumbrances.

9. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The following is an explanation of differences between the budgetary basis and GAAP basis for the General Fund for the year ended June 30, 2006:

Revenues

Total revenues per budgetary basis	\$	-0-
Other revenues not budgeted		<u>-0-</u>
Total revenues per GAAP basis	\$	<u>-0-</u>

Expenditures

Total expenditures per budgetary basis	\$ 289,343
Other	-0-
Total expenditures per GAAP basis	<u>\$ 289,343</u>

Other financing sources (uses):

Total other financing sources (uses) - budgetary basis	\$ 314,900
Reversions	(25,557)
Total other financing sources (uses) per GAAP basis	<u>\$ 289,343</u>

10. OPERATING TRANSFERS FROM OTHER STATE AGENCIES

The following are the transfers to and from other state agencies during the year ended June 30, 2006. All transfers relating to Public Employee Labor Relations Board were in and out of CAS Fund 379-848.

CAS Fund	FUND TITLE	TRANSFER	
		In	Out
(1) 341	Department of Finance & Administration	\$ 311,700	
(2) 341	Department of Finance & Administration	3,200	
(3) 341	Department of Finance & Administration	-0-	\$ 56,114
	Total	<u>\$ 314,900</u>	<u>\$ 56,114</u>

- (1) State General Fund Appropriation
- (2) State General Fund Appropriation – compensation package
- (3) Reversion for FYE 6/30/05

OTHER REPORT

C
W
M Chester W. Mattocks
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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. Juan B. Montoya, Director
State of New Mexico
Public Employee Labor Relations Board
Albuquerque, New Mexico

and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

I have audited the financial statements of the governmental activities, the major fund and the respective budgetary comparison of the General Fund of the State of New Mexico, Public Employee Labor Relations Board (Board) as of and for the year ended June 30, 2006, which collectively comprise the Board's basic financial statements, and have issued my report thereon dated April 27, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Board's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Board's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2005-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain other instances of noncompliance that are required to be reported per Section 12-6-5, NMSA, 1978, and which are described in the accompanying Schedule of Findings as items 2005-1, 2005-2, 2005-3, 2006-1, and 2006-2.

This report is intended for the information and use of the Board, the management of the Board, the State of New Mexico Department of Finance and Administration, the State of New Mexico Office of the State Auditor, and the State of New Mexico Legislative Finance Committee and is not intended to be and should not be used by anyone other than these specified parties.

Chester W. Matthews, CPA

April 27, 2007

STATE COMPLIANCE SECTION

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

2005 - 1 – LATE REVERSION

Statement of condition: The Board did not prepare a reversion calculation and reversion by September 30, 2006 as required. No Fiscal Year 2006 funds were reverted as required by September 30, 2006.

Criteria: The Board should have done a preliminary reversion by September 30, 2006, in accordance with Section 6-5-10, NMSA 1978.

Effect: Funds were not reverted timely.

Cause: Board staff were unfamiliar with this calculation.

Recommendation: A reversion should be done by September 30 each year in accordance with Section 6-5-10, NMSA 1978.

Management's response: I was waiting to do the reversion until after the audit was complete. I thought we had to have the audit done to know exactly what to revert. I intend to do a timely reversion from now on, whether I know the exact amount of the reversion or not.

2005 - 2 – LATE AUDIT REPORT

Statement of condition: The audit report for the year ended June 30, 2006 was not filed timely by December 15, 2006. It was submitted to the Office of the State Auditor on May 2, 2007.

Criteria: The due date of December 15, 2006 is specified by Section 2.2.2.9 A (1), contained in 2.2.2. NMAC, Audit Rule 2006 - Requirements for Contracting and Conducting Audits of Agencies.

Effect: The Board did not meet the required due date.

Cause: An approved contract was not received until December 28, 2006.

Recommendation: The Board should start the audit process earlier to ensure timely completion.

Management's response: We started our audit contract approval process in July of 06. We were not able to get DFA approval of our contract until December. By the time we had our contract approved it was tax season and our auditors were otherwise occupied. This year we will start the process again in July.

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006 (Continued)**

2005 - 3 – PAYROLL DOCUMENTATION

Statement of condition: Form W-4 for three out of three employees was not located. Form I-9 for one employee was not located.

Criteria: Form W-4 should be on file at the agency for each employee. Form I-9 should be on file for each employee hired after 1986.

Effect: Employee tax status and allowances claimed may not be correct. The Board was not in compliance with Federal law.

Cause: These forms were misfiled.

Recommendation: Form W-4 for each employee should be on file. Form I-9 should be on file for each employee hired after 1986.

Management's response: We have not been able to locate the old W-4s and I-9s. We have now resubmitted to each of our three employees blank W-4s and an I-9 and employee files have been updated.

2005 - 4 – CASH DISBURSEMENTS

Statement of condition: Out of sixty disbursements tested, one voucher (#231) did not have backup documentation. (Amount: \$275.22, for office supplies.)

Criteria: The Board should comply with Section 6-5-8 (Vouchers) NMSA 1978. This Section states "All claims for payment of public money shall be made upon a public voucher. All public vouchers shall be in the form and contain the information required by the division. All purchase vouchers for goods and services, other than personnel, shall be accompanied by supporting invoices and documentation required by the division. All vouchers shall be certified as true and correct by the officer or employee designated to approve payments of claims against state agencies and local public bodies, including public schools. The Division may require that payroll, travel advance, reimbursement, refund or other vouchers be sworn to by the certifying officer or payee. Certification may be in writing or by electronic media."

Effect: One voucher could not be verified.

Cause: The cause of the missing documentation is unknown.

Recommendation: All vouchers and backup documentation should be filed properly.

Management's response: Concur.

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006 (Continued)**

2006 – 1 – OVEREXPENDITURE OF BUDGET

Statement of condition: The Board had expenditures in excess of budget (\$110) in the Personal Services/Benefits appropriation unit of the General Fund.

Criteria: The budget, as approved and amended, is a legal document, and overexpenditure is not permitted per state statute. The level of control for state agencies is at the appropriation unit level.

Effect: The Board was in violation of state statute.

Cause: DFA posted accrued payroll at year end to this appropriation unit. Board staff were not expecting this.

Recommendation: Budget reports should be monitored. Year end postings by DFA should be discussed in advance with appropriate personnel.

Management's response: Concur.

2006 – 2 – AUDIT REPORT NOT PRESENTED AT A PUBLIC MEETING

Statement of condition: The audit report for June 30, 2005 was not presented to the Board for acceptance at a public meeting.

Criteria: Per Section 2.2.2.10 J (3) (d), contained in 2.2.2 NMAC, Audit Rule 2006, the report shall be presented to a quorum of the governing authority of the agency for approval at a public meeting.

Effect: This rule was not followed.

Cause: Board staff were unfamiliar with this rule.

Recommendation: The June 30, 2006 audit report, after the release by the Office of the State Auditor and the ten business day waiting period, should be presented by staff to the Board for acceptance at a public meeting. The acceptance by the Board should be noted in the Minutes.

Management's response: I am placing this audit report on the June agenda for the Board to approve. I was not aware that the Board had to approve the audit reports.

Note: The financial statements presented in this report were substantially prepared by the independent auditor, Chester W. Mattocks, CPA.

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

2005 - 1 - Late Reversion - Repeated in the current year.

2005 - 2 - Late Audit Report - Repeated in the current year.

2005 - 3 - Payroll Documentation - Repeated in the current year.

2005 - 4 - Cash Disbursements - Repeated in the current year.

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2006

An exit conference was held on May 1, 2007. Attending were the following:

State of New Mexico, Public Employee Labor Relations Board

Mr. Juan B. Montoya, Director

Mr. Duff H. Westbrook, Vice-Chair

Independent Auditor

Chester W. Mattocks, CPA

Richard Torrence, CPA