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M **Chester W. Mattocks**
Certified Public Accountant

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

ANNUAL FINANCIAL REPORT AND INDEPENDENT
AUDITOR'S REPORT FOR THE YEAR ENDED
JUNE 30, 2008

**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

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**STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2008**

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STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

OFFICIAL ROSTER
AS OF JUNE 30, 2008

Board Members

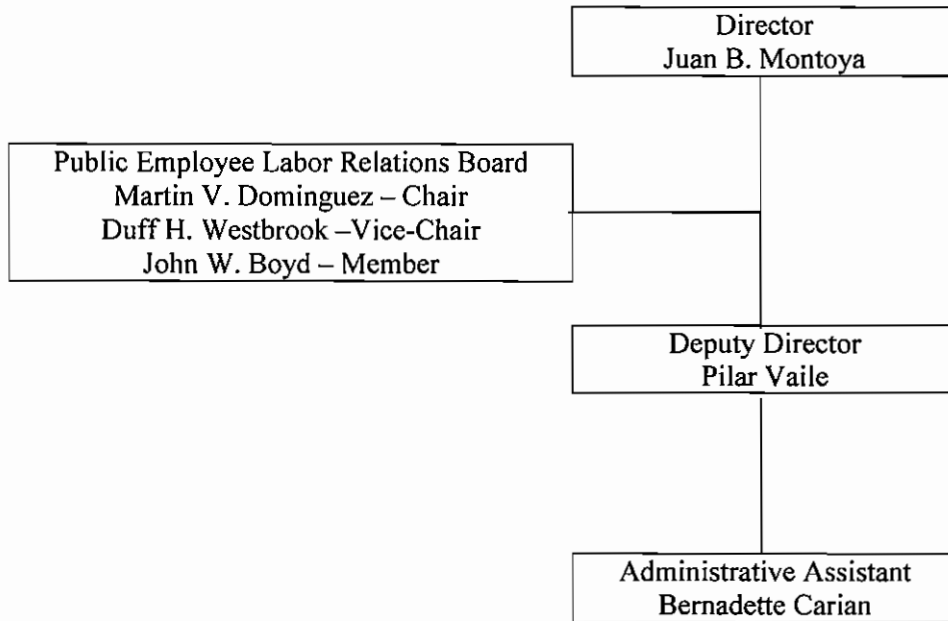
<u>Name</u>	<u>Title</u>
Martin V. Dominquez	Chair
Duff H. Westbrook	Vice-Chair
John W. Boyd	Member

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



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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
New Mexico 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, 2008, which collectively comprise the Board's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the 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 governmental activities and each major fund 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, 2008 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, 2008, 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 June 26, 2009 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, 2008, which is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.


June 26, 2009

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

**STATEMENT OF NET ASSETS (DEFICIT)
AS OF JUNE 30, 2008**

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Current assets:	
Investment account with New Mexico State Treasurer	\$ 86,054
Total current assets	<u>86,054</u>
Total assets	<u>86,054</u>
<u>LIABILITIES:</u>	
Current Liabilities:	
Accounts payable	4,394
Accrued payroll, benefits, and taxes	16,828
Due to State of New Mexico General Fund (reversion FY08)	39,825
Due to State of New Mexico General Fund (reversion FY07)	7,966
Due to State of New Mexico General Fund (reversion FY06)	20,037
Due to State of New Mexico General Fund – stale dated warrants	424
Compensated absences payable - expected to be paid within one year	<u>18,156</u>
Total current liabilities	<u>107,630</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>107,630</u>
<u>NET ASSETS (DEFICIT):</u>	
Unrestricted (Deficit)	<u>(21,576)</u>
Total net assets (Deficit)	<u>\$ (21,576)</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, 2008**

	<u>Governmental Activities</u>
<u>EXPENSES:</u>	
General Government	\$ (314,776)
Changes in net assets:	
Net (Expense)/Revenue	<u>(314,776)</u>
<u>REVENUES:</u>	
General revenues:	
General Fund appropriation (net of current year reversion of \$39,825)	289,775
Special supplemental appropriation	10,300
State of New Mexico State Board of Finance grant	6,000
Other	54
Total general revenues	<u>306,129</u>
Change in net assets (deficit)	(8,647)
Net assets (deficit) - beginning of year	<u>(12,929)</u>
Net assets (deficit) - end of year	<u>\$ (21,576)</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, 2008**

	<u>General Fund</u>
<u>ASSETS</u>	
Investment account with New Mexico State Treasurer	\$ 86,054
Total assets	<u>\$ 86,054</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 4,394
Accrued payroll and taxes	16,828
Due to State of New Mexico General Fund (reversion FY06)	20,037
Due to State of New Mexico (reversion FY 07)	7,966
Due to State of New Mexico (reversion FY 08)	39,825
Due to State of New Mexico General Fund - stale dated warrants	<u>424</u>
Total liabilities	<u>89,474</u>
Fund balances:	
Unreserved (deficit)	<u>(3,420)</u>
Total fund balances	<u>(3,420)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 86,054</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, 2008**

Total fund balances (deficits)- Governmental Fund (Balance Sheet - Governmental Fund)	\$ (3,420)
Amounts reported for governmental activities in the Statement of Net Assets are different at June 30, 2008 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>(18,156)</u>
Net assets (deficit) of governmental activities (Statement of Net Assets)	<u>\$ (21,576)</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, 2008**

	General Fund
<u>REVENUES:</u>	
State sources- grant- State of New Mexico State Board of Finance	\$ 6,000
Other	54
	<hr/>
Total revenues	6,054
	<hr/>
<u>EXPENDITURES:</u>	
Current:	
General government:	
Personal services/employee benefits	244,348
Contract services	3,420
Other costs	61,781
	<hr/>
Total expenditures	309,549
	<hr/>
Excess (deficiency) of revenues over expenditures	(303,495)
	<hr/>
Other financing sources (uses):	
State general fund appropriation - regular	329,600
State general fund appropriations - special	10,300
Reversion to state general fund for FY08	(39,825)
	<hr/>
Total other financing sources (uses)	300,075
	<hr/>
Net change in fund balances	(3,420)
	<hr/>
Fund balances - beginning	-0-
	<hr/>
Fund balances (deficit)- ending	\$ (3,420)
	<hr/>

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, 2008**

Net change in fund balances (Statement of Revenues,
Expenditures and changes in Fund Balances) \$ (3,420)

Amounts reported for governmental activities in the
Statement of Activities are different for the year
ended June 30, 2008 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: (5,227)

Change in net assets (deficit) of governmental
activities (Statement of Activities) \$ (8,647)

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, 2008**

	<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>
<u>REVENUES:</u>				
State grant	\$ -0-	\$ -0-	\$ 6,000	\$ 6,000
Other	-0-	-0-	54	54
Total revenues	-0-	-0-	6,054	6,054
<u>EXPENDITURES:</u>				
Current:				
General Government:				
Personal svcs/Employee benefits	252,100	252,100	244,348	7,752
Contract services	4,000	4,000	-0-	4,000
Other costs	83,800	83,800	61,781	22,019
Total expenditures	339,900	339,900	306,129	33,771
Excess (deficiency) of revenues over expenditures	(339,900)	(339,900)	(300,075)	39,825
Other financing sources (uses):				
State general fund appropriations	329,600	329,600	329,600	
Special supplemental appropriation	10,300	10,300	10,300	
Total other financing sources and uses	339,900	339,900	339,900	
Net change in fund balance (deficit)	\$ -0-	\$ -0-	\$ 39,825	\$ 39,825

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

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD

NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2008

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.

The Board had no business-type activities during the fiscal year ended June 30, 2008, and the Board has decided not to apply pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

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, 2008.

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. It is a reverting 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.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the laws of 2004, Chapter 114, Section 3, paragraph N and paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsection N and O. 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 must be paid out of the next year's budget. There were \$3,420 of these accounts payable at June 30, 2008. A reconciliation is provided because there was a difference between the budgetary basis and the modified accrual basis for expenditures.
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, 2008. Therefore, there was no depreciation for the year ended June 30, 2008.

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, 2008 met the requirements for accrual as no one had over 600 hours of sick leave at June 30, 2008.

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 of New Mexico General Fund (Reversions)

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

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

Current year reversions due to the State of New Mexico General Fund as of June 30, 2008 were as follows:

	<u>General Fund</u>
Current year: FY 08 reversions	<u>\$ 39,825</u>
Total reversions	<u>\$ 39,825</u>

This \$39,825 was Due to the State General Fund (reversion FY 08) at June 30, 2008. There was also a Due to State of New Mexico General Fund (reversion FY 06) at June 30, 2008 of \$20,037 because the prior year reversion had not yet been paid as of June 30, 2008, and a Due to State General Fund (reversion FY 07) of \$7,966 which had also not been paid as of June 30, 2008.

J. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. The Board received a grant from the State Board of Finance, during the year ended June 30, 2008 which was recognized as a general revenue in the government-wide financial statements and as a state grant in the governmental fund financial statements.

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, 2008.

Unrestricted (deficit) Net Assets - represent the deficit of the Board at June 30, 2008. It consists of the Board's compensated absences payable and the accounts payable which should have been accrued at June 30, 2008 but which was not accrued 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.

M. Fund Balance- Governmental Fund

The General Fund had a deficit balance of \$3,420 at June 30, 2008. This is for accounts payable which should have been accrued at June 30, 2008, but which was paid out of the 2009 budget.

2. INVESTMENT ACCOUNT AND INVESTMENT POLICY

Investment Account With State Treasurer

The following is a summary of the investment account of the Board with the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA) this represents the Board’s interest in the State of New Mexico General Fund Investment Pool.

	<u>SHARE FUND NUMBER</u>	<u>Financial Statement Balances</u>
General Fund	37900-8480	\$ 86,054
Total		<u>\$ 86,054</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 other investments, and the Board did not have any other investments during the year ended June 30, 2008. There is no custodial risk at the Board’s level since the investment 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, 2008 is as follows:

	<u>Balance June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Compensated Absences Payable	\$ 12,929	\$ 12,832	\$ (7,605)	\$ 18,156	\$ 18,156

Of the \$18,156, 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. The report is also available on PERA’s website at www.pera.state.nm.us.

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, 2008, 2007 and 2006 were \$30,798, \$30,773 and \$27,152, which were equal to the amount of the required contributions for those years.

5. POST-EMPLOYMENT BENEFITS

Plan Description. The Board contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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, NMSA1978). The RHCA 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 the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance 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 www.nmrhca.state.nm.us.

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

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements

for the contributions can be changed by the New Mexico State Legislature.

The Board's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$2,413, \$2,412 and \$2,128 respectively, which equal the required contributions for each year.

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, 2007, through June 30, 2008.

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, 2008 was \$2,208 per month. Rental expenditures for the year ended June 30, 2008 under this lease were \$27,826.

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

<u>Year</u> <u>Ending June 30</u>	
2009	\$ <u>13,248</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 \$10,300, which was used for the compensation package. It was spent during the fiscal year ended June 30, 2008. There were no amounts remaining and no encumbrances.

9. OPERATING TRANSFERS

The following are the transfers to and from other state agencies during the year ended June 30, 2008. All transfers relating to Public Employee Labor Relations Board were in and out of the Board's SHARE FUND ACCOUNT 37900-8480.

SHARE FUND ACCOUNT NUMBER	FUND TITLE	TRANSFER	
		In	Out
(1) 34100	Department of Finance & Administration	\$ 329,600	\$ -0-
(2) 34100	Department of Finance & Administration	10,300	-0-
	Total	<u>\$ 339,900</u>	<u>\$ -0-</u>

- (1) State General Fund Appropriation
- (2) State General Fund Appropriation – compensation package

10. RECONCILIATION OF GAAP STATEMENT TO BUDGET STATEMENT

There is no need for a reconciliation for revenues of the General Fund. However, a reconciliation is needed for expenditures of the General Fund:

	<u>General Fund</u>
Expenditures per budget statement	\$ 306,129
Accounts payable- expenditures charged to 2009 budget but which were GAAP accounts payable at June 30, 2008	<u>3,420</u>
Expenditures per GAAP Statement	<u>\$ 309,549</u>

OTHER REPORT

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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, 2008 which collectively comprise the Board's basic financial statements, and have issued my report thereon dated June 26, 2009. 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 as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more inconsequential will not be prevented or detected by the Board's internal control. I consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting: Items 2005-2, 2007-2, 2008-1, 2008-2, 2008-4, and 2008-5.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 2008-1 and 2008-2 to be material weaknesses.


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 under Government Auditing Standards paragraph 5.14 and 5.16 and Section 12-6-5, NMSA, 1978, and which are described in the accompanying Schedule of Findings and Responses as items 2005-2, 2007-1, 2008-3, 2008-5 and 2008-6.

The Board's response to the findings identified in my audit is described in the accompanying Schedule of State Compliance Findings and Responses. I did not audit the Board's response and, accordingly, I express no opinion on it.

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, the State of New Mexico Legislative Finance Committee and the State of New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.


June 26, 2009

STATE COMPLIANCE SECTION

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

**SCHEDULE OF STATE COMPLIANCE FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008**

2005 - 2 – LATE AUDIT REPORT

Statement of finding: The audit report for the year ended June 30, 2008 was not filed timely by December 15, 2008. It was submitted to the Office of the State Auditor on June 30, 2009.

Criteria: The due date of December 15, 2008 is specified by Section 2.2.2.9 A (1), contained in 2.2.2. NMAC, Audit Rule 2008.

Effect: The Board did not meet the required due date. Report was not available as timely as possible for its use by management, regulators, and legislators.

Cause: There were problems in getting an audit contract in place before the due date.

Recommendation: The Board should review its reconciliation process so that reports can be prepared timely.

Management's response: We started the process in July of 2008 for the FY 08 audit. For one reason we couldn't get a contract then tax season started creating another delay. We will start the FY 09 audit process on July 1, 2009 to comply with out December 15, 2009 deadline.

2007 – 1 – PAYMENT OF PRIOR YEAR REVERSIONS

Statement of finding: The Board did not pay its reversions for the prior year to the State of New Mexico General Fund timely. There was a reversion of \$20,037 for FY 06 which should have been paid and \$424 related to state dated warrants which should have been paid. The Board also did not pay its reversion for FY 07 of \$7,966 timely.

Criteria: Within forty-five days after the audit report is released, a state agency is to pay any needed adjustments to reversions to the State of New Mexico General Fund, per Section 6-5-10, NMSA 1978.

Effect: Funds were not remitted timely to State of New Mexico General Fund.

Cause: There was confusion about when payment had to be made.

Recommendation: Reversions should be remitted timely. The Board should contact DFA's Financial Control Division to learn the specific policies and procedures regarding the reversion process.

Management's response: Management concurs with the auditor's recommendation.

2007 – 2 – PREPARATION OF FINANCIAL STATEMENTS

Statement of finding: The Board did not prepare its own financial statements and did not appear to have the capability to prepare its own financial statements.

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

**SCHEDULE OF STATE COMPLIANCE FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008 (Continued)**

Criteria: SAS #112 requires entities to have the capability to prepare their own financial statements.

Effect: The Board and its personnel are not as knowledgeable about their financial statements as required.

Cause: Board personnel have not been trained in the preparation of financial statements.

Recommendation: Appropriate training should be provided.

Management's response: More training will be provided for our staff.

2008 – 1 – DOCUMENTATION OF APPROVALS

Statement of finding: Approvals of invoices by the Executive Director need to be better documented. Out of a sample of sixty payment vouchers, twelve payment vouchers were not approved by the Executive Director.

Criteria: The Executive Director should approve payment vouchers. The approval should be documented on the invoice. This control is needed in a small agency in order to improve the segregation of duties.

Effect: Payment vouchers may have been processed without the Executive Director's approval.

Cause: Documentation of approval was not required.

Recommendation: The Executive Director should approve all invoices. The approval should be documented on the invoice.

Management's response: All vouchers will be approved by the director from now on.

2008 – 2 – RECEIVING REPORTS

Statement of finding: Out of a sample of sixty payment vouchers, there were no receiving reports for goods or services for nine payment vouchers totaling \$1,331.

Criteria: If goods or services have been ordered and reviewed, personnel should sign a receiving report or the invoice certifying that the goods have been received or the services performed satisfactorily.

Effect: Payments could have been made for goods not received or services not performed.

Cause: Receiving reports were not always utilized.

Recommendation: Receiving reports should be used where applicable. Receipt of goods and performance of services should always be performed by personnel of the Board.

Management's response: Receiving reports will be required for all payments in the future.

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

**SCHEDULE OF STATE COMPLIANCE FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008 (Continued)**

2008 – 3 – CALCULATION OF CURRENT YEAR REVERSION

Statement of finding: The Board did not perform a preliminary reversion calculation and pay the calculated amount by September 30, 2008.

Criteria: The State of New Mexico Department of Finance and Administration (DFA) requires state agencies to perform a preliminary reversion calculation by September 30, 2008 and to pay that amount as a reversion.

Effect: Reversion was not done timely. The State of New Mexico was unable to use funds as effectively as possible.

Cause: Board personnel did not perform the calculation and make the payment.

Recommendation: The calculations should be done timely, and payments of reversions should be done timely.

Management's response: Management concurs with the auditor's recommendation.

2008 – 4 – RETENTION OF PAYROLL RECORDS

Statement of finding: The pay records for one employee for the first half of the fiscal year could not be located.

Criteria: The Board should maintain a complete set of all of its financial records.

Effect: Records are incomplete and cannot be verified.

Cause: Records were apparently misplaced.

Recommendation: All financial records including payroll records should be retained.

Management's response: We will create and keep a file for each employee, complete with payroll information on each of us.

2008 – 5 – PAYMENT FOR HOTEL

Statement of finding: The Board made a payment of \$684 to a hotel in Santa Fe. The payment was for three rooms, two rooms one night and one room one night. The original purchase document was for over \$800 for probably two rooms for two nights. The Chief Financial Officer of the Board occupied a room for two of the nights to attend training in Santa Fe. No one apparently knows who occupied the other room the first night. The Board apparently paid for a room for someone who was not an employee of the Board. In addition, the Board paid \$13 per room per night more than the allowed \$215 per room per night as prior approval was not obtained apparently.

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

**SCHEDULE OF STATE COMPLIANCE FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2008 (Continued)**

Criteria: Payments of public monies should only be made when directly related to the Board and its operations.

Effect: The Board paid \$228 for a hotel room for one night apparently for an unrelated person.

Cause: The cause cannot be readily determined.

Recommendation: Payments should not exceed the per diem limits. This situation should be further investigated. Either a refund should be requested, or other appropriate action should be taken.

Management's response: An agency employee attended a seminar in Santa Fe and stayed two nights in one room. The agency didn't notice that the hotel had charged for two rooms one night and one room the other. We will pay closer attention to details and vouchers will be approved by the director from now on.

2008 – 6 – USE OF REQUIRED PER DIEM RATES

Statement of finding: As noted in 2008-5, the Board paid more than the \$215 per night by \$13 for a total of \$39 for three nights. In addition, another situation was noted where the per diem rate of \$215 per night was exceeded by \$7 in total.

Criteria: The \$215 rate is required unless advance approval is obtained from the Executive Director.

Effect: The Board may be overpaying for per diem.

Cause: The Board is not apparently monitoring its per diem payments closely.

Recommendation: Payments of all per diem should be reviewed carefully. The Executive Director should approve all such payments

Management's response: Staff will be informed of the room rate limit for any future travel.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

2005 – 2 – Late Audit Report – Repeated.

2005 – 3 – Payroll Documentation – Resolved.

2006 – 1 – Over Expenditure of Budget – Resolved.

2007 – 1 – Payment of Prior Year Reversion– Repeated.

2007 – 2 – Preparation of Financial Statements– Repeated.

2007 – 3 – Reconciliation of Payroll– Resolved.

⁴ 2007 – 4 – Cash Disbursements Supporting Documentation– Resolved.

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

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2008**

An exit conference was held on June 29, 2009. Attending were the following:

State of New Mexico, Public Employee Labor Relations Board

Mr. Juan B. Montoya, Director
Mr. John W. Boyd, Board Member

Independent Auditor

Chester W. Mattocks, CPA

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