

STATE OF NEW MEXICO
PUBLIC EMPLOYEE LABOR RELATIONS BOARD
FINANCIAL STATEMENTS
WITH ACCOMPANYING INDEPENDENT AUDITORS' REPORTS
JUNE 30, 2012



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Public Employee Labor Relations Board
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June 30, 2012

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STATE OF NEW MEXICO
Public Employee Labor Relations Board
Official Roster
June 30, 2012

Board

Duff H. Westbrook
Wayne Bingham
Roger E. "Bart" Bartosiewicz

Board Chair
Vice Chair
Board Member

Administrative Officials

Thomas Griego

Executive Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Hector H. Balderas
New Mexico State Auditor
and
The Public Employee Labor Relations Board
2929 Coors Blvd. NW Suite # 303
Albuquerque, New Mexico, 87120

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the Public Employee Labor Relations Board (the Board) as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Public Employee Labor Relations Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and the changes in the financial position of only that portion of the governmental activities and the 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 State of New Mexico as of June 30, 2012, the changes in its financial position or general fund budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Board, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for 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*, we have also issued our report dated December 13, 2012 on our consideration of the Public Employee Labor Relations Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 our audit.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 13, 2012

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Statement of Net Assets
June 30, 2012

Exhibit A-1

	<u>Governmental Activities</u>
Assets	
Current assets	
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 271,653
Other receivable	5,582
Total current assets	<u>277,235</u>
Total assets	<u><u>\$ 277,235</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 12,510
Accrued payroll	14,459
Due to state general fund	250,266
Compensated absences	2,141
Total current liabilities	<u>279,376</u>
Noncurrent liabilities	
Compensated absences	<u>3,546</u>
Total liabilities	<u>282,922</u>
Net Assets	
Unrestricted net assets	<u>(5,687)</u>
Total net assets	<u>(5,687)</u>
Total liabilities and net assets	<u><u>\$ 277,235</u></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, 2012

Exhibit A-2

	Governmental Activities
Expenses	Expenses
General Government	
Personnel services	\$ 114,299
Contractual services	10,150
Other costs	40,975
Total program expenses	165,424
General revenues	
State general fund appropriation (net of reversions)	161,320
Miscellaneous revenues	3
Total general revenues	161,323
Change in net assets	(4,101)
Net assets - beginning of the year	(1,586)
Net assets - end of the year	\$ (5,687)

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Public Employee Labor Relations Board
 Balance Sheet
 Governmental Funds
 June 30, 2012

	<u>General Fund</u>
ASSETS	
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 271,653
Other receivable	5,582
	<u>5,582</u>
<i>Total assets</i>	<u>\$ 277,235</u>
 LIABILITIES AND FUND BALANCE	
<i>Liabilities</i>	
Accounts payable	12,510
Accrued payroll	14,459
Due to state general fund	250,266
	<u>277,235</u>
<i>Total liabilities</i>	<u>277,235</u>
 <i>Fund balances</i>	
Spendable:	
Unassigned	-
<i>Total fund balances</i>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 277,235</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 to the Statement of Net Assets
Governmental Funds
June 30, 2012

Exhibit B-1
Page 2 of 2

Fund Balance - Governmental Funds (Exhibit B-1)	\$ -
Total net assets reported for governmental activities in the statement of net assets is different because:	
Current compensated absences are not payable on June 30, 2012 and therefore are not reported in the fund financial statements	(2,141)
Long-term liabilities, applicable to the Board's activities are not due and payable in the current period and therefore are not reported in the fund liabilities: Compensated absences	<u>(3,546)</u>
Total Net Assets (Exhibit A-1)	<u><u>\$ (5,687)</u></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 Balance
 Governmental Funds
 For the Year Ended June 30, 2012

EXPENDITURES:

General Government

Current		
Personnel services		\$ 114,299
Contractual services		10,150
Other costs		36,874
		161,323

Total Expenditures 161,323

Excess (deficiency) of revenues over expenditures (161,323)

OTHER FINANCING SOURCES (USES)

State general fund appropriations		212,600
FY12 Reversion		(51,280)
Miscellaneous revenue		3
		161,323

Total other financing sources and (uses) 161,323

Net change in fund balance -

Fund balance - beginning of year -

Fund balance - end of year \$ -

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 Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Net Change in Fund Balance - Governmental Funds	\$ -
The change in net assets reported for governmental activities in the statement of activities is different because:	
Compensated absences increased by this amount during FY12	<u>(4,101)</u>
Change in Net Assets (Exhibit A-2)	<u><u>\$ (4,101)</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
Public Employee Labor Relations Board
Statement of Revenues, Expenditures and
Changes in Fund Balance-Budget (Modified Accrual Basis) and Actual
General Fund
For The Year Ended June 30, 2012

	Budgeted Amounts		Actual (GAAP) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	3	\$ 3
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services and employee benefits	167,500	142,089	114,299	\$ 27,790
Contractual services	4,100	14,000	10,150	3,850
Other costs	41,000	56,511	36,874	19,637
<i>Total expenditures</i>	<u>212,600</u>	<u>212,600</u>	<u>161,323</u>	<u>51,277</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(212,600)</u>	<u>(212,600)</u>	<u>(161,320)</u>	<u>51,280</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	<u>212,600</u>	<u>212,600</u>	<u>212,600</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>212,600</u>	<u>212,600</u>	<u>212,600</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	51,280	51,280
Reversion expenditure omitted from budget basis			<u>(51,280)</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

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NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Board is presented to assist in the understanding of the Board's financial statements. The financial statements and notes are the representation of the Board's management who is responsible for their integrity and objectivity. The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to agencies of the government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to this same limitation. The Board has elected not to follow subsequent private-sector guidance. The more significant of the Board's accounting principles are described below.

A. Reporting Entity

The State of New Mexico Public Employee Labor Relations 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 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 by employers actively involved in collective bargaining. The third member should be jointly recommended to the Governor by the 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 or 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 employer-employee relationships
3. Request from public employers and labor organizations the information and data necessary to carry out the Board's functions and responsibilities.

The Board is a department of the primary government, the State of New Mexico. These financial statements present the financial position and changes in financial position of that portion of the governmental activities, each major fund, and aggregate remaining fund information of the State that is attributable to the transactions of the Board.

Based upon the application of the criteria in GASB Statements No. 14 and No. 39, the Board had no component units as of June 30, 2012.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Board. There is no effect from interfund activity that needs elimination because the Board has only one fund. The Board's governmental activities are supported by general fund appropriations from the State of New Mexico. The Board has no business-type activities.

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and fund financial statements (continued)

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt obligations. The Board's net assets are reported in three parts – invested in capital assets; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Board's general fund appropriations are shown as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Board did not have any funds classified as proprietary or fiduciary for the year ended June 30, 2012.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Board reports the following major governmental fund:

The General Fund is the Board's operating fund. Its fund number in the Statewide Human Resource Accounting and Management Reporting System (SHARE) is fund 84800. It is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in some other fund. The general fund is a reverting fund.

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Assets or Fund Equity

Cash and Investments

For the fiscal year ended June 30, 2012, all of the Board's cash was maintained on deposit with the State Treasurer's General Fund Investment Pool (SGFIP). The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through O, NMSA 1978 as amended.

Capital Assets and Depreciation

Capital assets of the Board include information technology equipment (computers and peripherals, all equipment related to electronic communications and software). The Board does not have any infrastructure. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Board does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the Board's capital assets. Pursuant to Section 12-6-10 NMSA 1978, movable chattels and equipment costing more than \$5,000 are capitalized. Capital assets of the Board are depreciated using zero salvage value and the straight line method over the assets estimated useful life. As of June 30, 2012 the Board does not own any capital assets

Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

When applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and long-term portion. The current portion is the amount *estimated* to be expended during fiscal year 2012.

Fund Balance Classification Policies and Procedures

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the state. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. Unassigned fund balances represent the residual amount of fund balance after all classifications described above have been considered. As of June 30, 2012 the Board has no fund balance amounts.

Spending policy disclosure

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures are incurred for purposes, for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first. The Board has no authority to establish a minimum fund balance. This is the prerogative of the State Legislature and the Executive (Governor) Branch.

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

Net Assets Classifications

Equity in the Statement of Net Assets is displayed in the following two components:

- 1) Restricted net assets-This classification consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. The Board has no restricted net assets as of June 30, 2012.
- 2) Unrestricted net assets-This classification consists of all other net assets that do not meet the definition of "restricted net assets."

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Board's financial statements include the current portion of compensated absences and useful lives of depreciable assets.

Funding

The Board's funding is subject to annual evaluation and appropriation and could end at any time.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

1. No later than September 1st, the Public Employee Labor Relations Board submits to the State Budget Division (SBD) of the New Mexico Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. Copies are also sent to the Legislative Finance Committee (LFC). The appropriation request includes proposed expenditures and the means of financing them.
2. Appropriation request is reviewed by the SBD and additional information is obtained, if needed, Agency budgets are consolidated, with revisions, and submitted as a tentative budget to the Governor of the State. The Governor's approved appropriation request is then submitted to the Legislature as the recommended appropriation request for the Board.
3. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
5. The Board submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriation made by the legislature. The DFA Budget Division reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the director of the DFA - State Budget Division.
6. Budget control for expenditures and encumbrances is at the appropriation program level. The Board has only one program. All of the expenditures and encumbrances for that program are accounted for in the Board's general fund.

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

7. Formal, budgetary integration is employed as a management control device during the fiscal year for the general fund.
8. The budget for the General Fund is on the modified accrual basis. There were no accounts payable at June 30, 2012 that did not get paid within 31 days after the end of the fiscal year.
9. Any remaining SHARE fund 84800 balance not restricted for unexpended special or capital outlay multiple-year appropriations, must revert to the New Mexico State general fund by September 30th, as required by Section 6-5-10, NMSA 1978.

In accordance with the requirements of Section 2.2.2.10.A(2)(b) of NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB Statement No. 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements. It includes the reconciliation of the net change in fund balance (per budgetary basis) to the net change in fund balance stated on the statement of revenues, expenditures and changes in fund balance.

NOTE 3. INVESTMENTS IN STATE TREASURER'S GENERAL FUND INVESTMENT POOL

State law requires the Board's cash to be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Board consist of an interest in the investment pools managed by the New Mexico State Treasurer's Office. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer's Office. The Board does not have a separate bank account.

At June 30, 2012, the Board had the following in pooled cash (Agency Code 37900; Fund Code 84800):

New Mexico State Treasurer's General Fund Investment Pool (SGFIP)	\$271,653
---	-----------

Interest Rate Risk: The State Treasurer's General Fund Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The New Mexico State Treasurer's General Fund Investment Pool is not rated.

For additional GASB 40 disclosure information regarding the investment in the New Mexico State Treasurer's General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2012.

State General Fund Investment Pool (SGFIP) Not Reconciled

As of June 30, 2012 the State's general ledger book to bank reconciliation contains a significant number of un-reconciled items. State law requires the New Mexico Department of Finance and Administration to complete the reconciliations of balances and accounts kept by the New Mexico State Treasurer's Office on a monthly basis. None of reconciling items pertain to the Board's transactions. The Board's controls to mitigate the effect of the statewide reconciliation issue include monthly reconciliations of the Board's SGFIP balance to ensure it is accurate.

NOTE 4. OTHER RECEIVABLE

The other receivable amount represents amounts required by the Board to be repaid by the former executive director for wages improperly paid for services rendered between May 25, 2011 and July 19, 2011. The net amount to be repaid by the former executive director is \$5,582. This entire amount was collected within 90 days after fiscal year end.

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 5. COMPENSATED ABSENCES

A. *Accrued Annual Leave:*

Pursuant to Section 10-9-4(K), NMSA 1978, both of the Board's employees fall under the State's exempt salary plan policies. The policy states that exempt employees shall be eligible to accrue leave based on cumulative years of service to the State. Cumulative years of service shall mean total years of employment with the State of New Mexico to include any combination of service as an executive exempt employee, a classified employee, a judicial employee or a legislative employee.

Exempt employees shall accrue leave as follows:

<u>Years of Service</u>		<u>Accrual Rate</u>
<u>At Least</u>	<u>Less Than</u>	<u>Per Pay Period</u>
		<u>(In Hours)</u>
0.0	11.0	4.62
11.0	15.0	5.54
15.0	>	6.15

Employees accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employee's hourly rate for accumulated sick leave over 600 hours, up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. The Office has chosen to make such payments annually in January. Additionally, upon retirement, those employees with over 600 hours of accumulated sick leave have the option to convert 400 hours of such leave to cash at one half of their hourly rate. As of June 30, 2012, none of the Board's employees had 600 or more hours of sick leave accumulated.

Fair Labor Standards Act (FLSA) nonexempt employees accumulate compensation time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Exempt employees were precluded from carrying forward any unused compensation time into the next calendar year after December 31, 2003. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

Accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including the related employer's matching FICA and Medicare payroll taxes, per GASB Statement No. 16.

The changes in liabilities for compensated absences are as follows:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>	<u>Due within one</u> <u>Year</u>
General Fund	\$ 1,586	\$ 8,331	\$ 4,230	\$ 5,687	\$ 2,141

STATE OF NEW MEXICO
Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 6. LEASES

A. *Operating Leases*

The Board is committed under lease for office space through December 15, 2017. This lease is considered for accounting purposes to be an operating lease. Operating leases do not give rise to property rights or lease obligations; therefore, the results of operating leases are not reflected in the Board's capital assets. Lease expenditures for the year ended June 30, 2012 amounted to \$13,987 under operating leases. Future minimum lease payments for the operating lease are as follows:

Year Ending June 30,	Amount
2013	\$ 20,608
2014	20,791
2015	21,122
2016	21,418
2017-2018	21,712
	<u>\$ 105,651</u>

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

A. *Plan Description*

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

B. *Funding Policy*

Plan members are required to contribute 10.67% of their gross salary. The Board is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were \$7,518, \$14,026, and \$23,506 respectively. The required contributions for fiscal year ending June 30, 2012, 2011, and 2010 were \$11,083, \$14,026 and \$23,506 respectively.

NOTE 8. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

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Public Employee Labor Relations Board
Notes to Financial Statements
June 30, 2012

NOTE 8. POST EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (continued)

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

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the 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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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

Also, employers joining the program after January 1, 1998, are 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 contribution to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$1,061, \$1,544, and \$2,018, respectively. The required contributions for fiscal years ended June 30, 2012, 2011, and 2010 were \$1,551, \$1,544, and \$2,018 respectively.

NOTE 9. INTERAGENCY TRANSFERS

The Board received the following inter-agency operating transfers from the New Mexico Department of Finance and Administration (DFA) during the fiscal year ended June 30, 2012.

<u>SHARE Fund</u>	<u>Account</u>	<u>Type of Funds transferred</u>	<u>Amount</u>
85300	499105	General Fund Appropriation	<u>\$ 212,600</u>

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NOTE 10. DUE TO STATE GENERAL FUND

The amount due to the State General Fund at June 30, 2012 is made up of the following fiscal year reversions and stale dated warrants:

Year Ending June 30,	Amount
2006	\$ 20,037
2007	7,966
2008	36,405
2009	18,105
2010	39,098
2011	69,737
2012	51,280
Stale warrants	7,638
	\$ 250,266

NOTE 11. RISK MANAGEMENT

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. Risk management expenditures for the Board are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Board is a party.

NOTE 12. SUBSEQUENT PRONOUNCEMENTS

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, effective date: for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The standard is expected to have no effect on the Board in upcoming years.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective date: the provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Board in upcoming years.

In December 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for financial statements for periods beginning after December 15, 2011 with earlier implementation encouraged. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Board is analyzing the effect that this standard will have on the financial statements.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective date: the provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Board in upcoming years.

In March 2012, Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented for year ending June 30, 2014.

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NOTE 12. SUBSEQUENT PRONOUNCEMENTS (continued)

In March 2012, Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No.62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Board in upcoming years.

NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent statement of net assets, have been evaluated for possible adjustment to the financial statements or disclosures is December 13, 2012 which is the date on which the financial statements were available to be issued. The following events were noted for disclosure:

1. On July 12, 2012 the Board repaid prior year reversion amounts and stale dated warrants owed to the State General Fund for fiscal years ending June 30, 2006 through June 30, 2011 in the amount of \$191,810.
2. On September 27, 2012 the Board collected receivable amounts owed to it as of June 30, 2012 in the amount of \$5,582.

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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**

The Honorable Hector H. Balderas
New Mexico State Auditor
and
The Public Employee Labor Relations Board
2929 Coors Blvd. NW Suite # 303
Albuquerque, New Mexico, 87120

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the Public Employee Labor Relations Board (the Board), as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did disclose one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS 2012-1.

We also noted a certain other matter that is required to be reported pursuant to *Government Auditing Standards* paragraph 5.14 and 5.16 and Section 12-6-5, NMSA, 1978, and which is described in the accompanying schedule as finding FS 2012-2.

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

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

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 13, 2012

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PART I – FINANCIAL STATEMENT FINDINGS AND RESPONSES

Finding 2012-1 PERA and RHC Contributions (Noncompliance)

Condition: During our testwork of compliance with the Public Employees Retirement Act (PERA) and Retiree Health Care Act (RHC), we noted the Board did not make retirement and retiree health care contributions for the executive director and did not withhold wages from executive director's salary for 9 consecutive payroll periods starting on pay period ending September 2, 2011 through pay period ending on December 30, 2011.

Criteria: New Mexico state audit rule 2.2.2.10 NMAC requires the auditor to test to determine if 100% of payroll is reported to both PERA and RHC. PERA membership is mandatory under the PERA Act, unless membership is specifically excluded pursuant to Section 10-11-3(B) NMSA 1978.

Effect: Wages in the amount of \$26,727 were not reported to PERA or RHC. Required employer and employee contributions of \$3,565 and \$2,852 were not contributed to PERA during fiscal year 2012. Required employer and employee contributions of \$490 and \$245 were not contributed to RHC during fiscal year 2012. These contributions are not available for future benefit payments.

Cause: The executive administrative assistant at that time did not submit the proper enrollment forms to PERA and RHC in a timely manner for approval. This prevented the new executive director from being setup within the Human Capital Management System to have deductions from gross pay for PERA and RHC contributions.

Auditors' Recommendation: We recommend management of the Board review each employee set-up within Human Capital Management system to ensure all employees who are required to contribute to PERA and RHC are setup to have the correct deductions withheld from their payroll checks and to ensure the correct employer contributions will be made. In addition, we recommend management complete of the *PERA application for Membership Form* and the *RHC Enrollment Form* and submit them to PERA and RHC prior to the first day of employment for each new hire.

Management's response: The Executive Director will work with its assigned Department of Finance and Administration Budget Analyst to make sure that there are sufficient funds in the employee benefits category to pay the employer's portion of the required contributions and to make sure that proper approvals exist for paying the expense incurred in a prior fiscal year. Likewise, upon receipt of the employee's contribution, it will also be tendered to PERA and to the retiree healthcare plan as required with a proper accounting trail for the reimbursement of amounts due in the prior year.

Management will review all employee contributions to PERA and RHC to ensure that all proper contributions have been made. To ensure that PERA membership applications and other related forms are timely submitted for future new hires, management will prepare a "flow chart" and standardized procedure for processing new hire paperwork based on existing procedures at the State Personnel Office and adopt them as procedures for the agency.

FS 2012-2 Improper Rehire (other matter)

Condition: During our audit testwork, the Board brought to our attention that the former Executive Director was rehired improperly under the provisions of the Public Employees Retirement Act (PERA). The former executive director originally retired from his position as Executive Director on July 1, 2010 and was rehired on May 25, 2011, one month and five days before the 12 month consecutive time frame required by PERA. The former executive director worked as Executive Director from May 25, 2011 through July 19, 2011 before the Board terminated the employment upon receiving advice from the New Mexico Attorney General's Office.

Criteria: Public Employee Retirement Act rule 10-11-8C, effective July 1, 2010, requires a retired member may be subsequently employed by an affiliated public employer only pursuant to the following provisions:

- 1) The retired member has not been reemployed as an employee of an affiliated public employer or retained as an independent contractor by the affiliated public employer from which the retired member retired for at least twelve consecutive months from the date of retirement to the commencement of employment or reemployment with an affiliated public employer [July 1, 2011 for the former executive director].
- 2) The retired member's pension shall be suspended upon commencement of the employment

FS 2012-2 Improper Rehire (other matter)-(continued)

Criteria :-(continued)

- 3) Except as provided in subsection F of this section, the previously retired member shall not become a member and thus the previously retired member and that person's affiliated public employer shall make no contributions under any coverage plan pursuant to the Public Employers Retirement Act and
- 4) Upon termination of the subsequent employment, the previously retired member's pension shall resume in accordance with the provisions of subsection A of this section.

Effect: By rehiring the former Executive Director on May 25, 2011, the Board was in noncompliance of Public Employee Retirement rule 10-11-8C. Gross compensation in the amount of \$8,258 for service rendered was paid to the former executive director for services rendered between May 25, 2011 through July 19, 2011. The Board required the Executive Director to repay net payroll paid in the amount of \$5,582. The amount has been recorded as an other receivable on the Statement of Net Assets. The amount was subsequently collected from the former executive director on September 27, 2012.

Cause: The Board voted in favor of rehiring the former executive director on May 25, 2011. One board member was aware of the applicable PERA rules as stated in the criteria section above and abstained from voting. The other two board members voted in favor of rehiring the former executive director because they relied upon representations from the former executive director that the re-hire did not violate any PERA rules. The former executive director obtained the information from PERA; however, the information turned out to be incorrect. Legal counsel present at the May 25, 2011 board meeting was unaware of PERA rule 10-11-8C.

Auditors' Recommendation: We recommend the Board review applicable state rules issued by PERA and consult with the State Personal's Office to determine applicable rules regarding rehire of previously employed personal prior to rehiring them.

Management's response: We accept the findings as stated.

PART II – STATUS OF PRIOR YEAR FINDINGS

FS 2005-02 – Late Audit Report– Resolved

FS 2007-01 – Payment of Prior Year Reversions– Resolved

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Public Employee Labor Relations Board
Other Disclosures
June 30, 2012

OTHER DISCLOSURES

Exit Conference

An exit conference was held on December 14, 2012. The following individuals were in attendance.

Representing Public Employee Labor Relations Board

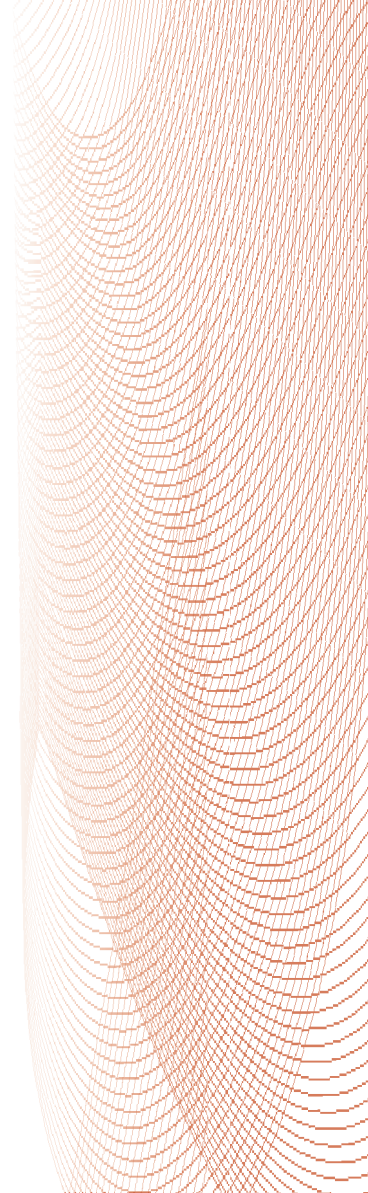
Thomas Griego	Executive Director
Wayne Bingham	Vice Chair

Representing Accounting & Consulting Group, LLP

Ray Roberts, CPA	Audit Partner
Morgan Browning, CPA, CGFM	Audit Manager

Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Board from the original books and records provide to them by the management of the Board. The responsibility for the financial statements remains with the Board.



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