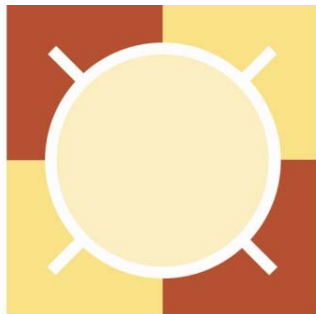


State of New Mexico  
**Public Employee Labor Relations Board**

*Financial Statements  
With Accompanying Independent  
Auditors' Reports  
June 30, 2013*



**Accounting &  
Consulting Group, LLP**  
Certified Public Accountants

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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, 2013

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**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
Official Roster  
June 30, 2013

**Board**

Duff H. Westbrook  
Jim Shaffner  
Roger E. "Bart" Bartosiewicz

Board Chair  
Vice Chair  
Board Member

**Administrative Officials**

Thomas Griego  
Matthew Abousleman

Executive Director  
Executive Administrative Assistant

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the general fund, the budgetary comparison of the general fund of the New Mexico Public Employee Labor Relations Board (the "Board"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the New Mexico Public Employee Labor Relations Board as of June 30, 2013, and the respective change in financial position and the respective budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Board are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are 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, 2013, and the changes in its financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the Board's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
December 9, 2013

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**BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
Statement of Net Position  
June 30, 2013

Exhibit A-1

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 22,945
Other receivable	2,836
Total current assets	<u>25,781</u>
Total assets	<u><u>\$ 25,781</u></u>
<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 4,765
Accrued payroll	13,840
Due to state general fund	7,176
Compensated absences	3,471
Total current liabilities	<u>29,252</u>
Noncurrent liabilities	
Compensated absences	<u>4,764</u>
Total liabilities	<u>34,016</u>
<b>Net Position</b>	
Unrestricted net position	<u>(8,235)</u>
Total net position	<u>(8,235)</u>
Total liabilities and net position	<u><u>\$ 25,781</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, 2013

Exhibit A-2

	Governmental Activities
	Expenses
<b>Expenses</b>	
<b>General Government</b>	
Personnel services	\$ 147,027
Contractual services	11,489
Other costs	60,868
Total program expenses	219,384
<b>General revenues</b>	
State general fund appropriation	214,000
Miscellaneous revenues	2,836
Total general revenues	216,836
Change in net position	(2,548)
Net position - beginning of the year	(5,687)
Net position - end of the year	\$ (8,235)

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, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 22,945
Other receivable	2,836
	\$ 25,781
 <b>LIABILITIES AND FUND BALANCE</b>	
<i>Liabilities</i>	
Accounts payable	\$ 4,765
Accrued payroll	13,840
Due to state general fund	7,176
	25,781
<i>Total liabilities</i>	25,781
 <i>Fund balances</i>	
Spendable:	
Unassigned	-
<i>Total fund balances</i>	-
<i>Total liabilities and fund balances</i>	\$ 25,781

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 Position  
Governmental Funds  
June 30, 2013

Exhibit B-1  
Page 2 of 2

Fund Balance - Governmental Funds (Exhibit B-1)	\$ -
Total net position reported for governmental activities in the statement of net position is different because:	
Current compensated absences are not payable on June 30, 2013 and therefore are not reported in the fund financial statements	(3,471)
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>(4,764)</u>
Total Net Position (Exhibit A-1)	<u><u>\$ (8,235)</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
 Public Employee Labor Relations Board  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2013

**EXPENDITURES:**

**General Government**

Current

Personnel services	\$ 144,479
Contractual services	11,489
Other costs	60,868
	216,836

<i>Total Expenditures</i>	216,836
---------------------------	---------

<i>Excess (deficiency) of revenues over expenditures</i>	(216,836)
--	-----------

**OTHER FINANCING SOURCES (USES)**

State general fund appropriations	214,000
FY13 Reversion	-
Miscellaneous revenue	2,836
	216,836

<i>Total other financing sources and (uses)</i>	216,836
---	---------

<i>Net change in fund balance</i>	-
-----------------------------------	---

<i>Fund balance - beginning of year</i>	-
---	---

<i>Fund balance - end of year</i>	\$ -
-----------------------------------	------

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, 2013

Exhibit B-2  
Page 2 of 2

Net Change in Fund Balance - Governmental Funds	\$ -
The change in net position reported for governmental activities in the statement of activities is different because:	
Compensated absences increased by this amount during FY13	<u>(2,548)</u>
Change in Net Position (Exhibit A-2)	<u><u>\$ (2,548)</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, 2013

	Budgeted Amounts		Actual (Modified Accrual Basis) Basis	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ 2,836	\$ 2,836
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>2,836</u>	<u>2,836</u>
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	161,500	141,050	144,479	(3,429)
Contractual services	4,300	11,815	11,489	326
Other costs	48,200	61,135	60,868	267
<i>Total expenditures</i>	<u>214,000</u>	<u>214,000</u>	<u>216,836</u>	<u>(2,836)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(214,000)</u>	<u>(214,000)</u>	<u>(214,000)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
State general fund appropriations	<u>214,000</u>	<u>214,000</u>	<u>214,000</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>214,000</u>	<u>214,000</u>	<u>214,000</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</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, 2013

**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. During the year ended June 30, 2013, the Board adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The Board does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. 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 determinate 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, No. 39, and No. 61, the Board had no component units as of June 30, 2013.



**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net position 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.

The Statement of Net Position 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 Position, 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 position are reported in two parts restricted net position and unrestricted net position.

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, 2013.

*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, 2013

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*D. Assets, Liabilities and Net Position or Fund Equity*

Cash and Investments

For the fiscal year ended June 30, 2013, 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. 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.

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, 2013 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 2013.

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, 2013 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, 2013

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Net Position Classifications

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

- 1) Restricted net position-This classification consists of net position 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 position as of June 30, 2013.
- 2) Unrestricted net position-This classification consists of all other net position that do not meet the definition of "restricted net position."

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.

**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

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.
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, 2013 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 modified accrual 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, 2013, the Board had the following in pooled cash (Agency Code 37900; Fund Code 84800):

New Mexico State Treasurer's General Fund Investment Pool (SGFIP)	\$22,945
---	----------

*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 Statement No. 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, 2013.

State General Fund Investment Pool (SGFIP) Not Reconciled

As of June 30, 2013 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.

**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
Notes to Financial Statements  
June 30, 2013

**NOTE 4. OTHER RECEIVABLE**

The other receivable amount represents supplementary appropriations requested by the Board from the State of New Mexico, Department of Finance and Administration as a result of their expenditures exceeding their budget. The net budget overage at June 30, 2013 was \$2,836. The Board expects to recoup the supplementary appropriations in full.

**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 vacation leave as follows:

Years of Service		Accrual Rate Per Pay Period (In Hours)
At Least	Less Than	
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, 2013, 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:

	June 30, 2012	Additions	Deletions	June 30, 2013	Due within one Year
General Fund	<u>\$ 5,687</u>	<u>\$ 8,549</u>	<u>\$ 6,001</u>	<u>\$ 8,235</u>	<u>\$ 3,471</u>

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**NOTE 6. LEASES**

*A. Operating Leases*

The Board is committed under a lease for office space through December 14, 2016. 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, 2013 amounted to \$20,780 under operating leases. Future minimum lease payments for the operating lease are as follows:

Year Ending June 30,	Amount
2014	\$ 20,902
2015	21,270
2016	21,565
2017	21,859
	\$ 85,596

**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](http://www.pera.state.nm.us).

*B. Funding Policy*

Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 15.09% 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, 2013, 2012, and 2011 were \$16,535, \$7,518, and \$8,456 respectively, which equal the amount of the required contributions for each fiscal year.

**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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**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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee’s annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the legislature following July 1, 2013, the legislature shall review and adjust the distribution pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contribution to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board’s contribution to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$2,193, \$1,061, and \$1,190, respectively, which equal the amount of the required contributions for each fiscal year.

**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, 2013.

SHARE Fund	Account	Type of Funds transferred	Amount
85300	499105	General Fund Appropriation	\$ 214,000

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Public Employee Labor Relations Board  
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**NOTE 10. DUE TO STATE GENERAL FUND**

The amount due to the State General Fund at June 30, 2013 is made up of the following fiscal year reversions and stale dated warrants:

<u>Year Ending June 30,2013</u>	<u>Amount</u>
Stale warrants	<u>\$ 7,176</u>

**NOTE 11. OTHER REQUIRED FUND DISCLOSURES**

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

- A. Deficit fund balance /net position of individual funds. The following fund reflected a deficit fund balance or deficit net position as of June30, 2013:

None noted.

- B. Excess of expenditures over appropriations. The Board over expended budgetary authority in the following fund:

**Governmental Fund:**

General Fund	<u>\$ 2,836</u>
Total	<u>\$ 2,836</u>

- C. Designated cash appropriations in excess of available balances. The following fund had designated cash appropriations in excess of available balances for the year ended June 30, 2013:

None noted.

**NOTE 12. 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 13. SUBSEQUENT PRONOUNCEMENTS**

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* was issued., 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 during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62* was issued. 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 during fiscal year June 30, 2014.



**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
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**NOTE 13. SUBSEQUENT PRONOUNCEMENTS (continued)**

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25* was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Board in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27*, was issued Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Board will implement this standard during the fiscal year June 30, 2015.

**NOTE 14. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 9, 2013 which is the date on which the financial statements were available to be issued. No subsequent events were noted.

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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***

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, the budgetary comparison of the general fund of the New Mexico Public Employee Labor Relations Board (the "Board") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 9, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and responses that we consider to be a significant deficiency (See finding FS 2013-1).

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and responses as items FS 2013-1 and FS 2013-2.

## **Board's Responses to Findings**

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

## **Purpose of this Report**

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

*Accounting + Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
December 9, 2013

**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
Schedule of Findings and Responses  
June 30, 2013

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal Control over financial Reporting                                     |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes        |
| c. Noncompliance material to the financial statements noted?                     | No         |

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**FS 2013-1 Expenditures in Excess of Budget (Significant Deficiency/Other Matter)**

*Condition:* The Board over expended its budget in the following funds:

Governmental Fund:

General Fund:

FY13 Final Budget	\$ 214,000
FY13 Actual Expenditures - GAAP Basis	<u>216,836</u>
Excess of Expenditures Over Budget	<u>\$ 2,836</u>

*Criteria:* All Board funds are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

*Effect:* As a result, the control established by the use of budgets has been compromised. Continued over-expenditure of budgeted balances may result in unnecessary usage of operating funds to absorb over-expenditures.

*Cause:* The Board and DFA miscalculated their budget adjustment request which resulted in reducing the budget for personnel services to an insufficient amount.

*Auditors' Recommendation:* We recommend the Board review budget adjustment requests to ensure an adequate amount remains for personnel costs after the budget adjustment, and to ensure that actual personnel costs do not exceed budgeted personnel costs.

*Management's response:* No revision to Budget for future years needs to be made to address this finding because the over expenditure resulted from a miscalculation of the amount of salary savings under unusual circumstance, that was available to be transferred into other categories. The Agency worked with its budget analyst on the calculations before initiating the BAR, but both the Agency and DFA miscalculated the BAR. The Agency will work with its DFA Budget Analyst to ensure the accuracy of any future BAR's submitted to DFA.

**SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (continued)**

**FS 2013-2 Internal Control over Cash Disbursements (Other Matter)**

*Condition:* During our testing of cash disbursements, we noted that in one out of the 5 disbursements tested, the invoice for \$107 had not been approved by the Executive Administrative Assistant and the voucher packet, # 00001099, had not been approved by the Executive Director in accordance with the Board's policies.

*Criteria:* According to the Board's Purchasing Policies, prior to sending a voucher pack to the DFA to release funds, the invoice must be reviewed and signed by the Executive Administrative Assistant. Further, the voucher packet must be reviewed and approved by the Executive Director. The Board is required to implement policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq., NMSA 1978.

*Effect:* When purchases are made without proper authorization, items could be procured that are inappropriate and/or unallowed and the risk of misappropriation is increased.

*Cause:* The Board is not following their cash disbursements process. As a result the Board's Purchasing Policy is not adequately safeguarding their assets by allowing the purchasing policy to be bypassed.

*Auditors' Recommendation:* We recommend all Requisition/Purchase Orders be completed and authorized for all purchases regardless of amount. We also recommend the Board train employees on the purchasing procedure and implement new procedures to properly review and approved expenditures.

*Management's response:* The Agency will retrain employees on the purchasing process and follow existing procedures to properly review and approve expenditures. Furthermore, there exists one more level of processing approval at the DFA Financial Control Division which should have noticed the error and returned the documents for the proper approval signature.



**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
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**SECTION III – STATUS OF PRIOR YEAR FINDINGS**

**FS 2012-1 - PERA and RHC Contributions**– Resolved

**FS 2012-2 - Improper Rehire**– Resolved

**STATE OF NEW MEXICO**  
Public Employee Labor Relations Board  
Other Disclosures  
June 30, 2013

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on December 9, 2013. The following individuals were in attendance.

**Representing Public Employee Labor Relations Board**

Thomas Griego	Executive Director
Duff Westbrook	Chair
Matthew Abousleman	Executive Administrative Assistant

**Representing Accounting & Consulting Group, LLP**

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

**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.