

**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS**

**Financial Statements  
June 30, 2008**

**(With Independent Auditor's Report Thereon)**

## INTRODUCTORY SECTION

STATE OF NEW MEXICO  
 BOARD OF EXAMINERS FOR ARCHITECTS  
 June 30, 2008

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**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
June 30, 2008**

**Board**

Roger Lujan ..... Chairman  
Jim Oschwald ..... Vice Chairman  
Robert Calvani ..... Secretary/Treasurer  
Roger Basarich ..... Architect/Member  
John Alejandro ..... Architect/Member  
Sam Valencia ..... Public Member  
Stephen Dent ..... Architect/Educator Member

**Administrative Official**

David J. Knauer ..... Director

**FINANCIAL SECTION**

# ROBERT J. RIVERA, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITOR'S REPORT

Mr. David J. Knauer, Director  
Board of Examiners for Architects  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison statement of the general fund of the State of New Mexico, Board of Examiners for Architects (Board), as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A to the financial statements, the financial statements of the State of New Mexico, Board of Examiners for Architects are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the budgetary comparison statement 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, 2008, and the changes in its financial position and its cash flows, where applicable, for the year 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, 2008, and the respective changes in financial position, thereof, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008, 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* and should be considered in assessing the results of our audit.



The management's discussion and analysis on pages vi through vii are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Robert J. Rivera, CPA, PC  
Santa Fe, New Mexico  
October 31, 2008

**NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Audited Year Ending June 30, 2008**

Because the Board of Examiners for Architects is a single-purpose government with only one fund, the accompanying government-wide financial statements differ from the fund financial statements by reporting capital assets, related depreciation and long-term debt. This is reflected in the fund financial statements in the accompanying Exhibits C and D, which indicates a narrower focus than that of the government-wide financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to focus on the primary government as a whole. They are prepared using the economic resources measurement focus and the actual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange transactions and exchange like transactions recognized when the exchange takes place. The Statement of Net Assets is prepared on an asset less liabilities resulting in net assets format. The Statement of Activities is presented in an expense compared to revenues resulting in the change in net assets for the period format.

**Fund Financial Statements**

The fund financial statements are designed to focus on major functions of the primary government. They are prepared on the modified accrual bases of accounting (see notes to financial statements) and use the current financial resources measurement focus. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred if measurable. They reflect capital asset acquisitions as expenditures rather than assets of the acquiring fund, no depreciation is recognized. Similarly, long-term debt is not recognized in the fund financial statements.

Following is a narrative overview and analysis of the financial activities of the Board of Examiners for Architects' financial statements. The Board of Examiners for Architects is a single-purpose government entity with no component units.

**Financial Highlights**

Government-Wide Financial Statements:

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>Change</u>
Total assets	\$268,810	\$588,910	\$320,100
Total liabilities	<u>(29,329)</u>	<u>(19,444)</u>	<u>9,885</u>
Net assets	<u>\$239,481</u>	<u>\$569,466</u>	<u>\$329,985</u>

Fund Financial Statements:

	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>Change</u>
Total assets	\$267,268	\$588,104	\$320,836
Total liabilities	<u>(23,636)</u>	<u>(15,868)</u>	<u>7,768</u>
Total fund balance	<u>\$243,632</u>	<u>\$572,236</u>	<u>\$328,604</u>



**NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Audited Year Ending June 30, 2008**

The increase in the government-wide total assets of \$329,985 is mainly attributable to a \$320,828 increase in cash. The majority of license and registration fees are collected every two years. Therefore, revenues are considerably higher in the even number years. The increase in total assets of \$320,836 of the fund financial statements reflects basically the same changes. Although there were increases and decreases in the liabilities of the individual components of payables (see Exhibits A and C) there was no significant change in total liabilities in either the government-wide or the fund financial statements. The Statewide Human Resources, Accounting and Management Reporting System (SHARE) was implemented on July 1, 2006. Therefore, there are two new liability accounts that are reported on the government-wide Statement of Net Assets (Exhibit A) and the Balance Sheet (Exhibit C). The new accounts, payroll taxes payable and payroll benefits payable, report amounts that were included in the accrued payroll and benefits payable account in previous fiscal years. The change in net assets reflects the results of operations. The total fund balance reflects an increase over the prior-year attributable to the favorable results of operations (see Exhibits B and D).

The Board is in sound financial condition having \$243,632 in fund balances. This amount is designated for subsequent years expenditures. The Board is a non-reverting agency to the State General Fund. The Board was budgeted \$360,444 for the year. There was one expenditure category budget adjustment from the original approved budget during the year. The Board under-expended its budget by \$13,826.

The Board has \$43,083 of capital assets, consisting mainly of computer equipment. Accumulated depreciation was \$42,277 at June 30, 2008. Net capital assets was \$806 at June 30, 2008.

The only debt the Board has is in compensated absences of which \$858 is considered current, and \$2,718 is long-term.

There are no known facts, decisions or conclusions that are expected to have a significant effect on financial position, results of operations or other changes.

**Requests for Information**

The financial report is designed to provide a general overview of the State of New Mexico, Board of Examiners for Architects finances for all those interested in the Board's finances. If you have any questions about this report or need additional information, contact:

Mr. David J. Knauer, Director  
Board of Examiners for Architects  
P. O. Box 509  
Santa Fe, New Mexico 87504

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**BOARD OF EXAMINERS FOR ARCHITECTS**  
**Statement of Net Assets**  
**June 30, 2008**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Investment in the State Treasurer General Fund Investment Pool	\$ 587,896
Petty cash	200
Due from other state agencies	8
Capital assets (net of accumulated depreciation)	<u>806</u>
Total assets	<u>588,910</u>
<b>LIABILITIES</b>	
Accounts payable	4,130
Accrued payroll payable	5,161
Payroll taxes payable	2,103
Payroll benefits payable	4,474
Compensated absences:	
Due within one year	2,718
Due after one year	<u>858</u>
Total liabilities	<u>19,444</u>
<b>NET ASSETS</b>	
Invested in capital assets	806
Restricted	-
Unrestricted	<u>568,660</u>
Total net assets	<u>\$ 569,466</u>

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

**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
Statement of Activities  
For the Year Ended June 30, 2008**

	<u>Governmental Activities</u>
<b>Expenses:</b>	
General government:	
Personal services and employee benefits	\$ 251,915
Contractual services	11,125
Other costs	81,461
Depreciation	<u>736</u>
Total expenses	<u>345,237</u>
<b>Program revenues:</b>	
Charges for services:	
Trade licenses	21,975
Registration fees - professional licenses	631,010
Other penalties	<u>22,003</u>
Total program revenues	<u>674,988</u>
Net program (expense) revenues	<u>329,751</u>
<b>General revenues:</b>	
Miscellaneous	<u>234</u>
Total general revenues	<u>234</u>
Change in net assets	329,985
Net assets, beginning	<u>239,481</u>
Net assets, ending	<u>\$ 569,466</u>

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

**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
Balance Sheet  
Governmental Funds  
June 30, 2008**

	<b>General Fund</b>
<b>ASSETS</b>	
Investment in the State Treasurer General Fund Investment Pool	\$ 587,896
Petty cash	200
Due from other state agencies	8
Total assets	\$ 588,104
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 4,130
Accrued payroll payable	5,161
Payroll taxes payable	2,103
Payroll benefits payable	4,474
Total liabilities	15,868
<b>FUND BALANCES</b>	
Fund balances:	
Reserved for petty cash	200
Unreserved - designated for subsequent years' expenditures	572,036
Total fund balances	572,236
Total liabilities and fund balances	\$ 588,104
<b>Amounts reported in the Statement of Net Assets (Exhibit A) differ because:</b>	
Total fund balances (Exhibit C)	\$ 572,236
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	806
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(3,576)
Net assets per Statement of Net Assets (Exhibit A)	\$ 569,466

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

**STATE OF NEW MEXICO**  
**BOARD OF EXAMINERS FOR ARCHITECTS**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<b>General Fund</b>
<b>Revenues:</b>	
Other state funds:	
Trade licenses	\$ 21,975
Registration fees - professional licenses	631,010
Other penalties	22,003
Miscellaneous	234
Total revenues	675,222
<b>Expenditures:</b>	
General government:	
Current:	
Personal services and employee benefits	254,032
Contractual services	11,125
Other costs	81,225
Capital outlay	236
Total expenditures	346,618
Net change in fund balance	328,604
<b>Fund balances:</b>	
Fund balance, beginning	243,632
Fund balance, ending	\$ 572,236
<b>Amounts reported in the Statement of Activities (Exhibit B) are different because:</b>	
Net change in fund balance (Exhibit D)	\$ 328,604
Net change in long-term and current portions of compensated absences	2,117
Excess of depreciation over capital outlay expenditures	(736)
Change in net assets (Exhibit B) of governmental activities	\$ 329,985

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

**STATE OF NEW MEXICO**  
**BOARD OF EXAMINERS FOR ARCHITECTS**  
**Statement of Revenues and Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Other state funds:				
Trade licenses	\$ 349,000	\$ 349,000	\$ 21,975	\$ (327,025)
Registration fees - professional	-	-	631,010	631,010
Other penalties	-	-	22,003	22,003
Miscellaneous revenue	-	-	234	234
Total revenues	\$ 349,000	\$ 349,000	\$ <u>675,222</u>	\$ <u>326,222</u>
Fund Balance	-	11,444		
Total resources	\$ <u>349,000</u>	\$ <u>360,444</u>		
<b>Expenditures:</b>				
General government:				
Personal services and employee benefits	\$ 239,800	\$ 255,544	\$ 254,032	\$ 1,512
Contractual services	14,400	14,400	11,125	3,275
Other costs	94,800	90,500	81,461	9,039
Total expenditures	\$ <u>349,000</u>	\$ <u>360,444</u>	\$ <u>346,618</u>	\$ <u>13,826</u>

**Note:**

The "actual" expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

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

**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
Notes to Financial Statements  
June 30, 2008**

**1. Summary of Significant Accounting Policies**

The financial statements of the State of New Mexico, Board of Examiners for Architects (Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Board applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The more significant of the Board's accounting policies are described below:

**A. Reporting Entity and Component Units**

The State of New Mexico, Board of Examiners for Architects (Board) was created under Laws 1931, Chapter 155. The primary duties and obligations of the Board are to administer the provisions of the Architectural Act (Section 61-15-1 through 61-15-13, NMSA, 1978) and to exercise the authority granted the Board in the Act.

The Board shall have the power to subpoena any witness, to administer oaths and to take testimony concerning matters within its jurisdiction. It shall be within the jurisdiction of the Board to determine and prescribe by regulations the professional and technical qualifications necessary for the practice of architecture in New Mexico. The Board shall adopt and have an official seal, which shall be affixed to all certificates of registration granted, and may make rules and regulations not inconsistent with law.

The Board, a seven member group constituting an on-going entity, is the level of government which has governing responsibilities over all activities related to architects. The Board is a component unit of the primary government, the State of New Mexico. The Board has no component units. These financial statements present the financial position and results of operation of only those Statewide Human Resources, Accounting and Management Reporting System (SHARE) funds over which the Board has oversight responsibility. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Board is a user organization of the SHARE accounting system. The service organization is the Department of Finance and Administration (DFA).

**B. Basic Financial Statements**

In accordance with GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the basic financial statements include both government-wide and fund financial statements.

The **government-wide financial statements**, the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities. The Board does not have any fiduciary activities. The Board does not have any business-type activities; therefore, only governmental activities are shown. Governmental activities are normally supported by taxes and intergovernmental revenues.

The **fund financial statements**, the balance sheet and the statement of revenues, expenditures and changes in fund balances, are presented to report additional and detailed information about the Board.



**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
Notes to Financial Statements  
June 30, 2008**

**1. Summary of Significant Accounting Policies (Cont'd)**

**B. Basic Financial Statements (Cont'd)**

The general fund is the Board's operating fund and includes all financial transactions conducted to fulfill its general government function. It accounts for all financial resources of the Board.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which was adopted by the Board as of July 1, 2000. Capital assets are reported at historical cost and depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities.

The government-wide Statement of Activities demonstrates the direct expenses of the single function (general government) of the Board which is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. The Board has no indirect expenses and, therefore, indirect expenses are not required to be allocated to functions in the Statement of Activities. Program revenues include:

- 1) Charges for services provided by a particular function or program. Other revenues not identifiable with a particular function or program are included as general revenue. The general revenues support the net costs of the function or program not covered by program revenues.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included on the balance sheet. The reported fund balance is considered a measure of available spendable resources.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Revenues are recognized as soon as they are both measurable and available. Revenues are available if collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Board considers revenues to be available if collected within sixty days of the end of the fiscal year. Expenditures are recorded when a liability is incurred, as under accrual accounting. The Board does not have any debt service expenditures. The current portion of the compensated absences liability is not included in the fund financial statements because the State of New Mexico does not budget for any compensated absences in the current year.

**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
Notes to Financial Statements  
June 30, 2008**

**1. Summary of Significant Accounting Policies (Cont'd)**

**D. Receivables and Payables**

Any amounts "due to/from other state agencies" shown in the general fund reflect outstanding balances of the receivables and payables between the Board and other departments of the State of New Mexico.

**E. Capital Assets**

Capital assets of the Board include furniture and fixtures, and equipment. The Board does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,000 to items costing more than \$5,000. The Board has adopted this change in an accounting estimate, per Accounting Principles Board (APB) 20. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, will be added to the inventory only if they meet the new capitalization policy. Such 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 capital assets. Capital assets of the Board are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	5
Data processing equipment	4
Furniture and fixtures	7

**F. Budget and Budgetary Accounting**

The Board prepares and submits an annual budget for the General Fund to the Department of Finance and Administration (DFA) for approval based upon the appropriations made by the State Legislature. This budget must be submitted by September 1 for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is approved by the Legislature of the State of New Mexico. Subsequent amendments affecting a category must be approved by the Director of the State Budget Division of DFA. There were no changes made during the fiscal year ended June 30, 2008.

Budgets are controlled at the "appropriation unit" level . Appropriations lapse at the end of the fiscal year except for those goods and services provided to the Board by June 30<sup>th</sup>. The accounting records are held open for approximately one additional month per DFA directive, in order to record the transactions in the fiscal year ended June 30<sup>th</sup>.

The budget for the General Fund is adopted on a modified accrual basis of accounting. Per the General Appropriations Act, Laws of 2007, Chapter 28, Section 3, Subsection N, the budgetary basis is modified accrual. However, there is statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do

**STATE OF NEW MEXICO**  
**BOARD OF EXAMINERS FOR ARCHITECTS**  
**Notes to Financial Statements**  
**June 30, 2008**

**1. Summary of Significant Accounting Policies (Cont'd)**

**F. Budget and Budgetary Accounting (Cont'd)**

not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY 2009 budget. At June 30, 2008, there were none.

In accordance with the requirements of Section 2.2.2 10.A (2) (b) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the allowance made by GASB 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements.

**G. Accrued 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.

Where 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 expected to be expended during fiscal year 2008. It is an estimate management determined by applying a percentage to the June 30, 2008 liability. The percentage used was determined by comparing the amount actually paid out during fiscal year 2008 compared to the liability balance at June 30, 2007.

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 employees 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. 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.

Fair Labor Standards Act (FLSA) states that nonexempt employees accumulate compensation time at a 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 could not carry forward unused compensation time into January of the 2008 calendar year. Overtime must be preapproved by management. Payment of this liability can be made by compensated leave time or cash payment. At June 30, 2008, there was no compensation time owed to any employees.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
Notes to Financial Statements  
June 30, 2008**

**1. Summary of Significant Accounting Policies (Cont'd)**

**H. Reversions**

Any unexpended balance remaining in SHARE Fund 03800 does not revert to the State General Fund as provided by law, Section 61-15-4-F, NMSA 1978.

**I. Net Assets/Fund Equity**

In the **government-wide financial statements**, net assets consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Board has no debt related to capital assets; therefore, net assets invested in capital assets equal the capital assets, net of related accumulated depreciation. The Board's financial statement does not show any net assets restricted because it does not have any resources remaining in the net assets that were received or earned with the explicit understanding between the Board and the resource provider (grantor, contributor, other government, or enabling legislation) that the funds would be used for a specific purpose. Therefore, all remaining net assets that are not related to capital assets are shown as unrestricted.

In the **fund financial statements**, reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of the fund balance account are summarized below:

Reserved for petty cash	\$ 200
Unreserved - Designated for subsequent years' expenditures	<u>572,036</u>
	<u>\$ 572,236</u>

**2. Investment in the State Treasurer General Fund Investment Pool**

<u>Name of Depository</u>	<u>Account Name</u>	<u>Agency Number</u>	<u>SHARE Fund #</u>	<u>Balance per Depository Investment Pool</u>	<u>Balance per Books</u>
State Treasurer	Board of Examiners for Architects	40400	03800	\$587,896	\$587,896

All cash of the Board is held in the State Treasurer General Fund Investment Pool. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Section 6-10-10, I through O, NMSA 1978 as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;

STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
Notes to Financial Statements  
June 30, 2008

2. Investment in the State Treasurer General Fund Investment Pool (Cont'd)

- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities, plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee **contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits**, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a **contemporaneous transfer of the securities** at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2008.

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BOARD OF EXAMINERS FOR ARCHITECTS  
Notes to Financial Statements  
June 30, 2008**

**3. Changes in Capital Assets**

	<u>Adjusted Balance 06/30/2007</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 06/30/2008</u>
<b>Capital Assets - Historical Cost</b>							
Machinery and equipment	\$ 22,461	\$	-	\$	-	\$	22,461
Data processing equipment	16,057		-		(4,868)		11,189
Furniture and fixtures	9,433		-		-		9,433
	<u>47,951</u>		<u>-</u>		<u>(4,868)</u>		<u>43,083</u>
Total capital assets	\$ <u>47,951</u>	\$	<u>-</u>	\$	<u>(4,868)</u>	\$	<u>43,083</u>

	<u>Balance 06/30/2007</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 06/30/2008</u>
<b>Accumulated Depreciation</b>							
Machinery and equipment	\$ 21,885	\$	-	\$	-	\$	21,885
Data processing equipment	15,091		736		(4,868)		10,959
Furniture and fixtures	9,433		-		-		9,433
	<u>46,409</u>		<u>736</u>		<u>(4,868)</u>		<u>42,277</u>
Total accumulated depreciation	\$ <u>46,409</u>	\$	<u>736</u>	\$	<u>(4,868)</u>	\$	<u>42,277</u>

	<u>Balance 06/30/2007</u>		<u>Additions</u>		<u>Deletions</u>		<u>Balance 06/30/2008</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>							
Machinery and equipment	\$ 576	\$	-	\$	-	\$	576
Data processing equipment	966		(736)		-		230
Furniture and fixtures	-		-		-		-
	<u>1,542</u>		<u>(736)</u>		<u>-</u>		<u>806</u>
Net capital assets	\$ <u>1,542</u>	\$	<u>(736)</u>	\$	<u>-</u>	\$	<u>806</u>

Current year depreciation expense was \$736.

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**4. Changes in Compensated Absences**

A summary of changes in the current and long-term portion of compensated absences follows:

	<u>Balance July 1, 2007</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2008</u>
Current compensated absences payable	\$4,516	\$13,700	\$(15,498)	\$2,718
Long-term compensated absences payable	<u>1,177</u>	<u>-</u>	<u>(319)</u>	<u>858</u>
Total compensated absences payable	<u>\$5,693</u>	<u>\$13,700</u>	<u>\$(15,817)</u>	<u>\$3,576</u>

Compensated absences are paid with general fund revenues from SHARE Fund 03800.

**5. Pension Plan - Public Employees Retirement Association**

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

**Funding Policy.** Plan members are required to contribute 7.42% of their gross salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board's 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, 2008, 2007 and 2006 were \$32,421, \$29,280, and \$24,948, respectively, which equal the amount of the required contributions for each fiscal year.

**6. Post Employment Benefits - State Retiree Health Care Plan**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time

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**6. Post Employment Benefits - State Retiree Health Care Plan (Cont'd)**

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 Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Board's contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006 were \$2,725, \$2,958, and \$2,773, respectively, which equal the required contributions for each year.

**7. Risk Management and Litigation**

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and, natural disasters. Section 15-7-2, NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state laws have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure, and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures from 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.



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**8. Explanation of Reconciling Differences**

Differences between the Balance Sheet - Governmental Funds and Statement of Net Assets are caused by the following adjustments:

Fund balance in fund financial statement (Exhibit C)	\$572,236
The addition of the capital assets net of accumulated depreciation to the government-wide statement	806
The addition of compensated absences liability to the government-wide statement	<u>(3,576)</u>
Net assets in the government-wide financial statement (Exhibit A)	<u>\$569,466</u>

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds and the Statement of Activities are caused by the following adjustments:

Net change in fund balance (Exhibit D)	\$328,604
Net change in long-term and current portions of the compensated absences	2,117
Amount by which depreciation of \$736 exceeded capital outlay of \$ -0- for FY07	<u>(736)</u>
Net Change in net assets (Exhibit B)	<u>\$329,985</u>

**9. Transfers To/From Other State Agencies**

There were no transfer to or from other state agencies during the year.

**10. Due To/Due From Other State Agencies**

<u>Fund 03800 - General Fund</u>	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
Due from Dept. of Finance and Administration - Central Payroll Account	Payroll liability errors-SHARE from FY 2007 which were not properly corrected during FY 2008.	\$ 8	\$ -

## **OTHER REPORTS**

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

David J. Knauer, Director  
Board of Examiners for Architects  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the State of New Mexico, Board of Examiners for Architects, (Board) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. 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

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 State of New Mexico, Board of Examiners for Architects' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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 disclosed no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

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



Robert J. Rivera, CPA, PC  
Santa Fe, New Mexico  
October 31, 2008

**STATE OF NEW MEXICO  
BOARD OF EXAMINERS FOR ARCHITECTS  
June 30, 2008**

**Schedule of Findings and Responses**

**I. PRIOR-YEAR AUDIT FINDINGS**

2007-1 Accounting System - Share	-	Resolved
2007-2 Budget Over-Expenditure	-	Resolved

**II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED**

None

**STATE OF NEW MEXICO  
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**Financial Statement Preparation**

The financial statements were prepared by the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

**Exit Conference**

An exit conference was held on December 8, 2008, to discuss the audit. The following individuals were in attendance:

**State of New Mexico - Board of Examiners for Architects**

Jim Oschwald, FY 2009 Board Chairman  
David J. Knauer, Director  
Gina Junge, Fiscal Officer

**Audit Firm - Robert J. Rivera, CPA, PC**

Robert J. Rivera, CPA