

**State of New Mexico
Board of Examiners for Architects
Financial Statements
With Independent Auditors Report Thereon**

June 30, 2012

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
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June 30, 2012**

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**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Official Roster
June 30, 2012**

Board Members

Robert Calvani	Chair
Michael Bodelson	Vice Chair
Raymond Vigil	Secretary/Treasurer
Jim Oschwald	Architect Member
John Alejandro	Architect Member
Sam Valencia	Public Member
Geoffrey Adams	Architect/Educator Member

Administrative Officials

Wren Propp	Director, CFO
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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
and
Robert Calvani, Board Chairman
Board of Examiners for Architects

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons 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, 2012 which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

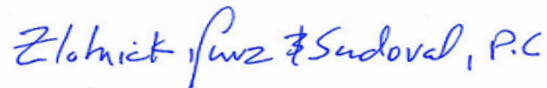
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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, the financial statements of the Board 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 aggregate remaining fund information of the State that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2012 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Board as of June 30, 2012, 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 a report dated September 12, 2012 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provision 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 Board has omitted Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by GASB 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 this missing information.



Zlotnick, Laws & Sandoval, P.C.

September 12, 2012

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
STATEMENT OF NET ASSETS
June 30, 2012**

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 839,519
Petty cash	200
Capital assets, net	7,026
TOTAL ASSETS	\$ 846,745
LIABILITIES	
Accounts payable	\$ 12,859
Accrued payroll payable	7,585
Compensated absences payable:	
Due within one year	5,256
Due after one year	15
TOTAL LIABILITIES	25,715
NET ASSETS	
Invested in capital assets	7,026
Restricted	-
Unrestricted	814,004
TOTAL NET ASSETS	821,030
TOTAL LIABILITIES AND NET ASSETS	\$ 846,745

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, 2012**

	<u>Governmental Activities</u>
EXPENSES	
General government:	
Personal services and employee benefits	\$ 185,289
Contractual services	6,849
Other costs	74,097
Depreciation	<u>119</u>
TOTAL EXPENSES	<u>266,354</u>
PROGRAM REVENUE	
Charges for services:	
Trade licenses	13,500
Registration fees - professional licenses	614,630
Other penalties	17,887
Miscellaneous	<u>107</u>
TOTAL PROGRAM REVENUE	<u>646,124</u>
CHANGE IN NET ASSETS	379,770
NET ASSETS, BEGINNING	<u>441,260</u>
NET ASSETS, ENDING	<u><u>\$ 821,030</u></u>

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

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2012**

	General Fund
ASSETS	
Current Assets:	
Investment in State GF Investment Pool	\$ 839,519
Petty Cash	200
TOTAL ASSETS	\$ 839,719
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 12,859
Accrued payroll	7,585
TOTAL LIABILITIES	20,444
FUND BALANCES	
Unassigned	819,275
TOTAL FUND BALANCE	819,275
TOTAL LIABILITIES AND FUND BALANCE	\$ 839,719
 Amounts reported in the Statement of Net Assets differ because:	
Total fund balances	\$ 819,275
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	7,026
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(5,271)
Net assets per Statement of Net Assets	\$ 821,030

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 BALANCE - GOVERNMENTAL FUND
For the year ended June 30, 2012**

	General Fund
REVENUES	
Other state funds:	
Application Fees	\$ 13,500
Registration fees -professional licenses	614,630
Other penalties	17,887
Miscellaneous	107
TOTAL REVENUES	646,124
EXPENDITURES	
General government:	
Current:	
Personal services and employee benefits	184,589
Contractual services	6,849
Other costs	81,242
TOTAL EXPENDITURES	272,680
NET CHANGE IN FUND BALANCE	373,444
FUND BALANCE, BEGINNING	445,831
FUND BALANCE ENDING	\$ 819,275

Amounts reported In the Statement of Activities are different because:

Net change in fund balance	\$ 373,444
Net change in current and long-term portions of compensated absences	(700)
Excess depreciation over capital outlay expenditures	7,026
Changes in net assets of governmental activities	\$ 379,770

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 (BUDGETARY BASIS)
GENERAL FUND
For the year ended June 30, 2012**

General Fund					
		Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
Other state funds:					
Trade licenses	\$	360,300	360,300	13,500	(346,800)
Registration fees - professional licenses		-	-	614,630	614,630
Other penalties		-	-	17,887	17,887
Miscellaneous		-	-	107	107
TOTAL REVENUES		360,300	360,300	\$ 646,124	285,824
Fund Balance		445,831	445,831		
TOTAL RESOURCES	\$	806,131	806,131		
EXPENDITURES					
General government:					
Current:					
Personal services and employee benefits	\$	251,200	251,200	184,589	66,611
Contractual services		8,400	8,400	6,849	1,551
Other costs		100,700	100,700	81,242	19,458
	\$	360,300	360,300	272,680	87,620

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

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies

Nature of the Entity

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 Act requires any person practicing architecture in New Mexico to submit evidence that he/she is qualified to practice and shall be registered unless exempt under the provisions of the Architectural 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 appointed by the governor for staggered terms of three years each constituting an on-going entity, is the level of government which has governing responsibilities over all activities related to architects.

A. Reporting Entity

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 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 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).

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Continued)

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. The general fund (SHARE fund #03800) 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.

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 non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33. 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 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.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

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.

B. 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 to \$5,000. 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 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

C. 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.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Continued)

C. Accrued Compensated Absences (continued)

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 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. Overtime must be preapproved by management. Payment of this liability can be made by compensated leave time or cash payment. At June 30th, 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.

D. Net Assets/Fund Equity

In the government-wide financial statements, net assets consist of three components:

- a) Invested in capital assets, net of related debt
- b) Restricted net assets
- c) Unrestricted net assets

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.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Continued)

D. Net Assets/Fund Equity (continued)

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned: This classification includes amounts that are constrained by the Board's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the Board manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned: This classification includes the residual fund balance for the General Fund, or, in other words, all amounts not included in other spendable classifications.

The Board would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

E. 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.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

1. Summary of Significant Accounting Policies (Continued)

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.

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 30th. 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 30th.

The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable must be paid out of the next year's budget.

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. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

2. Investment in the State Treasurer General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2012 the Board had the following invested in the General Fund Investment Pool:

	<u>Maturity</u>	<u>Account Balance</u>	<u>Fair Value</u>
Governmental Funds:			
Investment in the State General Fund Investment Pool, fund 16400	1 day	\$839,519	\$839,519

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

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

2. Investment in the State Treasurer General Fund Investment Pool (continued)

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the balances at the business unit/fund level is not possible. Section 6-5-2.1(J) NMSA 1978 requires DFA to complete on a monthly basis, reconciliations with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

2. Investment in the State Treasurer General Fund Investment Pool (continued)

Since SHARE was implemented, the Board recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Board. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Board's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Board reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Board's share in the State General Fund Investment Pool account are accurate.

3. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Capital Assets:				
Data Processing	\$ 11,189	-	-	\$ 11,189
Furniture & Fixtures	9,433	-	-	9,433
Machinery and Equipment	22,461	7,145	-	29,606
Total	43,083	-	-	50,228
Accumulated Depreciation:				
Data Processing	\$ 11,189	-	-	\$ 11,189
Furniture & Fixtures	9,433	-	-	9,433
Machinery and Equipment	22,461	119	-	22,580
Total	43,083	119	-	43,202
Net Assets	-	7,026	-	7,026

Depreciation expense for the fiscal year ended June 30, 2012 was \$119.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

4. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12	Due within One Year
Annual Leave	\$ 4,571	8,655	(7,955)	\$ 5,271	\$ 5,256

The Board's General Fund resources have been used to liquidate accrued compensated absences in the past. The Board had no other debt activity during the year.

5. PERA Retirement Plan

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.

Funding Policy. Plan members are required to contribute 10.67% of their gross salary. The Board is required to contribute 13.34% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$16,518, \$18,915, and \$24,580, respectively, which equal the amount of the required contributions for each fiscal year.

6. Post-Employment Benefits Other Than Pensions (OPEB) – Retiree Health Care

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.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

6. Post-Employment Benefits Other Than Pensions (OPEB) – Retiree Health Care (continued)

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

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

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2012**

6. Post-Employment Benefits Other Than Pensions (OPEB) – Retiree Health Care (continued)

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, 2012, 2011 and 2010 were \$2,261, \$2,066 and \$1,799, respectively, which equal the required contributions for each year.

7. Operating Leases

The Board leases Office space under a lease agreement with a ten year term beginning September 1, 2006 and terminating on September 1, 2016 with the option to extend the terms another five years. Expenditures for the lease for the year ended June 30, 2012 was \$31,536. Future minimum lease payments under this lease are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2013	\$ 29,535
2014	31,553
2015	35,198
2016	36,160
2017	36,863
Thereafter	<u>82,591</u>
Total	<u>\$ 251,900</u>

8. 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 for the Board are accounted for in the General Fund. Any claims are processed through RMD.

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

Hector H. Balderas
New Mexico State Auditor
and
Robert Calvani, Board Chairman
Board of Examiners for Architects

We have audited the accompanying financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons 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, 2012, and have issued our report thereon dated September 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

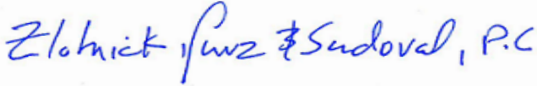
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 management, the Board, others within the entity, Department of Finance and Administration, the State Auditor, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.



Zlotnick, Lawz & Sandoval, P.C.

September 12, 2012

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Schedule of Findings and Responses
June 30, 2012**

Status of Prior Year's Findings:

None

Current Year's Findings:

None

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Exit Conference
June 30, 2012**

The contents of this report were discussed at an exit conference held October 2, 2012.

The Board of Examiners for Architects was represented by:

Robert Calvani, Chair
Wren Propp, Acting Director and CFO
Gina Junge, Administrative Services Coordinator

Zlotnick, Laws & Sandoval, P.C. was represented by:

Asa Laws, CPA
Brian Laws, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C.