

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

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**Financial Statements  
With Independent Auditors Report Thereon**

**June 30, 2014**

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**June 30, 2014**

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**Official Roster**  
**June 30, 2014**

**Board Members**

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Michael A. Bodelson	Chair
Raymond R. Vigil	Vice Chair
Geoffrey Adams	Secretary/Treasurer
Robert Calvani	Architect Member
Sam Valencia	Public Member
Tara Rothwell-Clark	Architect Member
Jim Oschwald	Architect Member

**Administrative Officials**

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Wren Propp	Director, CFO
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## **INDEPENDENT AUDITOR'S REPORT**

Hector H. Balderas  
New Mexico State Auditor  
and  
Michael A. Bodelson, Chair  
New Mexico Board of Examiners for Architects

### **Report on Financial Statements**

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, 2014 and the related notes to the financial statements 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.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## Opinions

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, 2014, and the respective changes in financial position and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 13, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control over financial reporting and compliance.

*Zlotnick, Laws & Sandoval, P.C.*

Zlotnick, Laws & Sandoval, P.C.

November 13, 2014

**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Investment in the State Treasurer General Fund Investment Pool	\$ 971,100
Petty cash	200
Capital assets, net	<u>4,168</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 975,468</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 3,074
Accrued payroll payable	3,267
Compensated absences payable:	
Due within one year	4,664
Due after one year	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>11,005</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,168
Unrestricted	<u>960,295</u>
<b>TOTAL NET POSITION</b>	<u>964,463</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 975,468</u></u>

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

**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2014

	<u>Governmental Activities</u>
<b>EXPENSES</b>	
General government:	
Personal services and employee benefits	\$ 202,590
Contractual services	6,684
Other costs	72,807
Depreciation	<u>1,429</u>
<b>TOTAL EXPENSES</b>	<u>283,510</u>
<b>PROGRAM REVENUE</b>	
Charges for services:	
Trade licenses	15,250
Registration for professional licenses	621,643
Other penalties	22,975
Miscellaneous	<u>35</u>
<b>TOTAL PROGRAM REVENUE</b>	<u>659,903</u>
<b>CHANGE IN NET POSITION</b>	376,393
<b>NET POSITION, BEGINNING</b>	<u>588,070</u>
<b>NET POSITION, ENDING</b>	<u><u>\$ 964,463</u></u>

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

**BALANCE SHEET - GOVERNMENTAL FUND**  
**June 30, 2014**

	General Fund
<b>ASSETS</b>	
Current Assets:	
Investment in State GF Investment Pool	\$ 971,100
Petty Cash	200
	971,300
<b>TOTAL ASSETS</b>	<b>\$ 971,300</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	\$ 3,074
Accrued payroll	3,267
	6,341
<b>TOTAL LIABILITIES</b>	<b>6,341</b>
<b>FUND BALANCES</b>	
Assigned to future year's expenditures (Note 5)	964,959
<b>TOTAL FUND BALANCE</b>	<b>964,959</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 971,300</b>
 <b>Amounts reported in the Statement of Net Position differ because:</b>	
Total fund balances	\$ 964,959
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the governmental funds statement	4,168
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(4,664)
Net Position per Statement of Net Position	<b>\$ 964,463</b>

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



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND  
For the year ended June 30, 2014**

	General Fund
<b>REVENUES</b>	
Other state funds:	
Application Fees	\$ 15,250
Registration for professional licenses	621,643
Other penalties	22,975
Miscellaneous	35
<b>TOTAL REVENUES</b>	<b>659,903</b>
<b>EXPENDITURES</b>	
General government:	
Current:	
Personal services and employee benefits	202,407
Contractual services	6,684
Other costs	72,807
<b>TOTAL EXPENDITURES</b>	<b>281,898</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>378,005</b>
<b>FUND BALANCE, BEGINNING</b>	<b>586,954</b>
<b>FUND BALANCE ENDING</b>	<b>\$ 964,959</b>

**Amounts reported in the Statement of Activities are different because:**

Net change in fund balance	\$ 378,005
Net change in current and long-term portions of compensated absences	(183)
Excess depreciation over capital outlay expenditures	(1,429)
Changes in net position of governmental activities	<b>\$ 376,393</b>

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

**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**GENERAL FUND**  
**For the year ended June 30, 2014**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other state funds:				
Trade licenses	\$ 7,600	7,600	15,250	7,650
Registration for professional licenses	352,700	352,700	621,643	268,943
Other penalties	10,000	10,000	22,975	12,975
Miscellaneous	100	100	35	(65)
<b>TOTAL REVENUES</b>	<b>370,400</b>	<b>370,400</b>	<b>659,903</b>	<b>289,503</b>
 Fund Balance	-	-		
<b>TOTAL RESOURCES</b>	<b>\$ 370,400</b>	<b>370,400</b>		
 <b>EXPENDITURES</b>				
General government:				
Current:				
Personal services and employee benefits	\$ 268,700	262,600	202,407	60,193
Contractual services	18,200	10,100	6,684	3,416
Other costs	83,500	97,700	72,807	24,893
	<b>\$ 370,400</b>	<b>370,400</b>	<b>281,898</b>	<b>88,502</b>

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

**Notes to the Financial Statements  
June 30, 2014**

**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).

**Notes to the Financial Statements  
June 30, 2014**

**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 position 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.

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, deferred outflows of resources and liabilities and deferred inflows of resources 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 deferred outflows of resources, and current liabilities and deferred inflows of resources are included on the balance sheet. The reported fund balance is considered a measure of available spendable resources.

**Notes to the Financial Statements  
June 30, 2014**

**1. Summary of Significant Accounting Policies (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.

**C. 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

**Notes to the Financial Statements  
June 30, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

**D. 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.

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 30<sup>th</sup>, 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.

**E. Net Position/Fund Equity**

In the government-wide financial statements, net position consists of three components:

1. Invested in capital assets, net of related debt
2. Restricted net position
3. Unrestricted net position

**Notes to the Financial Statements**  
**June 30, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

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 restricted net position because it does not have any resources remaining in the net position 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 position that is not related to capital assets is shown as unrestricted.

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.

**Notes to the Financial Statements  
June 30, 2014**

**1. Summary of Significant Accounting Policies (Continued)**

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.

**F. 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.

**G. 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 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 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.

**H. 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.



**Notes to the Financial Statements  
June 30, 2014**

**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, 2013 the Board had the following invested in the General Fund Investment Pool:

	Maturity	Account Balance	Fair Value
Governmental Funds:			
Investment in the State General Fund Investment Pool, fund 16400	1 day	\$971,100	\$971,100

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, 2014.

Interest Rate Risk - The NM 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 the 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, 2013.

**Investment in State Treasurer General Fund Investment Pool Not Reconciled**

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

**Notes to the Financial Statements**  
**June 30, 2014**

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

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

Management in FY 2012 recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

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

**Notes to the Financial Statements  
June 30, 2014**

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

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, 2014 was as follows:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Capital Assets:				
Data Processing	\$ 8,440	-	-	\$ 8,440
Furniture & Fixtures	8,433	-	-	8,433
Machinery and Equipment	15,406	-	-	15,406
<b>Total</b>	<b>32,279</b>	<b>-</b>	<b>-</b>	<b>32,279</b>
Accumulated Depreciation:				
Data Processing	8,440	-	-	8,440
Furniture & Fixtures	8,433	-	-	8,433
Machinery and Equipment	9,809	1,429	-	11,238
<b>Total</b>	<b>26,682</b>	<b>1,429</b>	<b>-</b>	<b>28,111</b>
<b>Net Assets</b>	<b>\$ 5,597</b>	<b>(1,429)</b>	<b>-</b>	<b>\$ 4,168</b>

Depreciation expense for the fiscal year ended June 30, 2014 was \$1,429.

**4. Compensated Absences**

The following is a summary of changes in compensated absences:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14	Due within One Year
Annual Leave	\$ 4,481	7,910	(7,727)	\$ 4,664	\$ 4,664

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.

**Notes to the Financial Statements**  
**June 30, 2014**

**5. Assigned Fund Balance**

Management of the Board's budget requires assigned funds for future years to be drawn from its fund. Due to the two-year cycle of registration, renewal fees from licensees are paid primarily during the even-numbered fiscal years. During odd-numbered fiscal years – when renewing of licenses does not occur -- a majority of the budget must be drawn from the fund. Management currently has assigned \$362,900 for FY15, \$378,900 for FY16 and 223,159 assigned to the fiscal years thereafter.

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

**Funding Policy.** Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.56% 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, 2014, 2013 and 2012 were \$23,977, \$20,748, and \$16,518, respectively, which equal the amount of the required contributions for each fiscal year.

**7. Deferred Compensation**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan.

Neither the Board nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Board have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

**Notes to the Financial Statements**  
**June 30, 2014**

**8. 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.

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

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

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

**Notes to the Financial Statements**  
**June 30, 2014**

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

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, 2014, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. 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.

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, 2014, 2013 and 2012 were \$2,895, \$2,751 and \$2,261 respectively, which equal the required contributions for each year.

**9. 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, 2014 was \$31,553. Future minimum lease payments under this lease are as follows:

Year ending June 30	Amount
2015	\$ 34,920
2016	35,586
2017	36,272
2018	36,978
2019	37,705
Thereafter	84,242
Total	\$ <u>265,704</u>

**Notes to the Financial Statements**  
**June 30, 2014**

**10. 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**

**Independent Auditor's Report**

Hector H. Balderas  
New Mexico State Auditor  
and  
Michael A. Bodelson, Chair  
New Mexico Board of Examiners for Architects

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund of the New Mexico Board of Examiners for Architects (Board) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

**Internal Control over Financial Reporting**

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

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



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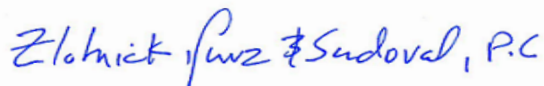
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



Zlotnick, Laws & Sandoval, P.C.

November 13, 2014

**Schedule of Findings and Responses**  
**June 30, 2014**

**Status of Prior Year's Findings:**

None

**Current Year's Findings:**

None

**Exit Conference  
June 30, 2014**

The contents of this report were discussed at an exit conference held November 13, 2014.

The Board of Examiners for Architects was represented by:

Michael Bodelson, Chair  
Wren Propp, Director and CFO  
Melarie Gonzales, 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.