



ACCOUNTING & AUDITING SERVICES, LLC

FINANCIAL AUDITS + ATTESTATION ENGAGEMENTS + CONSULTING + TAX

STATE OF NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS

**Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

(With Independent Auditor's Report Thereon)

**P.O. Box 24164
SANTA FE, NM 87502**

**PHONE: (505) 920-4024
NMAUDITORS@GMAIL.COM**

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
TABLE OF CONTENTS
June 30, 2016**

Introductory Section	<u>Page</u>
Table of Contents	ii
Official Roster	iii
Financial Section	
Independent Auditor's Report	iv-v
Basic Financial Statements:	
<u>Government-wide Financial Statements</u>	<u>Exhibit</u>
Statement of Net Position.....	A 1
Statement of Activities	B 2
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	C 3
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds.....	D 4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E 5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	F..... 6
Statement of Revenues and Expenditures Budget and Actual (Budgetary Basis) – General Fund.....	G 7
Notes to the Financial Statements	8-21
Schedule of Vendor Information	22
Other Reports	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Schedule of Findings and Responses.....	25
Financial Statement Preparation and Exit Conference	26

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
OFFICIAL ROSTER
June 30, 2016**

Board Members

Raymond R. Vigil Chair
Jim Oschwald..... Vice Chair
Tara Rothwell-Clark Secretary/Treasurer
Robert (Bob) Calvani Architect Member
Michael Bodelson Public Member
Geoffrey Adams.....Architect/Educator Member
Mark Glenn Public Member

Administrative Officials

Melarie Gonzales..... Acting Director/CFO



ACCOUNTING & AUDITING SERVICES, LLC

FINANCIAL AUDITS + ATTESTATION ENGAGEMENTS + CONSULTING + TAX

INDEPENDENT AUDITOR'S REPORT

Raymond R. Vigil, Chair
New Mexico Board of Examiners for Architects
and
Timothy Keller, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying 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, 2016, and the related notes to the financial statements which collectively comprise the Board's basic financial statements as listed in the table of contents. The 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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.

Opinions

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, 2016, and the respective changes in financial position and the respective budgetary comparison 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 information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The Schedule of Vendor Information (Schedule 1) as listed in the table of contents is required by 2.2.2 NMAC. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2016, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC
Santa Fe, New Mexico
October 17, 2016

STATE OF NEW MEXICO
 BOARD OF EXAMINERS FOR ARCHITECTS
 Statement of Net Position
 June 30, 2016

	<u>Governmental Activities</u>
<u>Assets</u>	
Investment in the State Treasurer General Fund Investment Pool	\$ 689,112
Petty cash	200
Total current assets	<u>689,312</u>
Capital assets	7,145
Less accumulated depreciation	<u>(5,835)</u>
Total capital assets, net of depreciation	<u>1,310</u>
Total assets	<u>\$ 690,622</u>
<u>Liabilities and Net Position</u>	
Liabilities	
Accounts payable	\$ 3,775
Accrued payroll	3,046
Payroll taxes payable	1,197
Payroll benefits payable	1,904
Compensated absences payable:	
Due within one year	4,100
Due after one year	<u>-</u>
Total liabilities	<u>14,023</u>
Net Position	
Investment in capital assets	1,310
Unrestricted	<u>675,289</u>
Total net position	<u>676,599</u>
Total liabilities and net position	<u>\$ 690,622</u>

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

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Statement of Activities
For the Year Ended June 30, 2016**

	<u>Governmental Activities</u>
Expenses:	
General government:	
Personal services, taxes and benefits	\$ 263,767
Contractual services	6,542
Other costs	89,856
Depreciation expense	<u>1,429</u>
Total expenses	<u>361,594</u>
Program revenues:	
Charges for services:	
Application fees	14,825
Registration fees for professional licenses	626,130
Penalties and late fees	10,388
Miscellaneous	<u>42</u>
Total program revenue	<u>651,384</u>
Net program revenue	<u>289,791</u>
Transfers and special items:	
Transfers out:	
Other financing uses	<u>(300,000)</u>
Total transfers and special items	<u>(300,000)</u>
Change in net position	(10,209)
Net position, beginning, as reported	<u>686,808</u>
Net position, ending	<u>\$ 676,599</u>

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

STATE OF NEW MEXICO
 BOARD OF EXAMINERS FOR ARCHITECTS
 Balance Sheet
 Governmental Funds
 June 30, 2016

	General Fund
<u>Assets</u>	
Investment in the State Treasurer	
General Fund Investment Pool	\$ 689,112
Petty cash	200
Total assets	\$ 689,312
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 3,775
Accrued payroll	3,046
Payroll taxes payable	1,197
Payroll benefits payable	1,904
Total liabilities	9,923
Fund Balance:	
Non-spendable	-
Restricted	-
Committed	-
Assigned	679,389
Unassigned	-
Total fund balance	679,389
Total liabilities and fund balance	\$ 689,312

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

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2016**

Total fund balance for the governmental funds (Balance Sheet - Exhibit C)	\$	679,389
--	-----------	----------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:

Capital assets	\$	7,145	
Accumulated depreciation		<u>(5,835)</u>	
 Total capital assets			 1,310

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of the following:

Compensated absences		(4,100)	
Rounding		<u>-</u>	

Net position of governmental activities (Statement of Net Position - Exhibit A)	\$	<u>676,599</u>
--	-----------	-----------------------

The accompanying notes are an integral part of these 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, 2016

Exhibit E

	<u>General Fund</u>
Revenues:	
Other state funds:	
Application fees	\$ 14,825
Registration for professional licenses	626,130
Other penalties	10,388
Miscellaneous revenue	<u>42</u>
 Total revenues	 <u>651,384</u>
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	264,117
Contractual services	6,542
Other costs	<u>89,856</u>
 Total expenditures	 <u>360,514</u>
 Excess (deficiency) of revenues over expenditures	 <u>290,870</u>
Other financing sources (uses):	
Transfers out:	
To State General Fund (note 4)	<u>(300,000)</u>
 Total other financing sources (uses)	 <u>(300,000)</u>
 Net change in fund balance	 (9,130)
 Fund balance, beginning, as reported	 <u>688,520</u>
 Fund balance, ending	 <u>\$ 679,390</u>

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

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2016**

Net change in fund balance - Governmental Funds (Statement of Revenues, Expenditures and Changes in Fund Balance - Exhibit E)	\$	(9,130)
--	----	---------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	\$	-	
Depreciation expense		(1,429)	
		(1,429)	(1,429)
Excess of depreciation over capital outlay expense			

Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal:

Loss on disposal of capital assets		-
------------------------------------	--	---

Expenses recognized in the statement of activities, but not reported in governmental funds:

Decrease in current and long term compensated absences		351
--	--	-----

Change in net position - Governmental Activities (Statement of Activities - Exhibit B)	\$	<u><u>(10,208)</u></u>
---	----	------------------------

The accompanying notes are an integral part of these 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, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and Fund Balance:				
Other state funds:				
Application Fees	\$ 7,600	\$ 7,600	\$ 14,825	\$ 7,225
Registration for professional licenses	299,500	299,500	626,130	326,630
Other penalties	10,000	10,000	10,388	388
Miscellaneous	<u>100</u>	<u>100</u>	<u>42</u>	<u>(58)</u>
Total revenues	317,200	317,200	\$ <u>651,384</u>	\$ <u>334,184</u>
Fund balance	<u>352,000</u>	<u>370,500</u>		
Total revenues and fund balance	\$ <u>669,200</u>	\$ <u>687,700</u>		
Expenditures and Other Financing Uses:				
General government:				
Personal services & employee benefits	\$ 259,000	\$ 280,500	\$ 264,117	\$ 16,383
Contractual services	13,100	10,100	6,542	3,558
Other costs	97,100	97,100	89,856	7,244
Other financing uses	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Total expenditures and other financing uses	\$ <u>669,200</u>	\$ <u>687,700</u>	\$ <u>660,514</u>	\$ <u>27,186</u>

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

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

1. Summary of Significant Accounting Policies

Nature of the Entity

The Board of Examiners for Architects (Board) was created under the Laws of 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, 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 the governing responsibilities over all activities related to architects. 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.

A. Financial Reporting Entity

The financial statements of the 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 Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

The Board is part of the primary government of the State of New Mexico and its financial data is included with the financial data of the state. These financial statements present the financial position and results of operations of only the Statewide Human Resources, Accounting and Management Reporting System (SHARE) fund 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 accounting policies of the Board conform to generally accepted accounting principles (U.S. GAAP) as applicable to governments. A summary of the Board's significant accounting policies follows:

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund 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.

In the **government-wide financial statements**, the statement of net position and the statement of activities display information about the Board as a whole without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Board has no business-type activities; therefore, these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature. The Board does not have any fiduciary activities or component units.

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 accounts of the Board are organized on a fund basis, each of which is considered a separate accounting entity. Operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The following fund types are used by the Board.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Board. It is used to account for all financial resources and transactions of the Board to fulfill its general government function. Any unexpended balance remaining in the General Fund at the end of the fiscal year does not revert to the State General Fund of New Mexico. The fund is a major fund and the SHARE fund number is 03800.

C. Measurement Focus, Basis of Accounting and Financial Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The **government-wide financial statements** are reported using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. In non-exchange transactions, revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities and deferred inflows of resources are recognized in accordance with the requirements of GASBS 33, *Accounting and Financial*

STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Presentation (Continued)

Reporting for Non-exchange Transactions, as amended. Capital assets are reported at historical cost and depreciated over their estimated useful lives. 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 activity. The Board has no indirect expenses which are required to be allocated to functions in the Statement of Activities. Depreciation expense is reported in the Statement of Activities and charged to the general government function. Program revenues consist of charges for services (registration and license fees) provided by a particular function or program. Other revenues not identifiable with a particular function or program are included as general revenues. 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. 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. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible in the current period or within 60 days after fiscal-year end to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred. The Board does not have any debt service expenditures. The current portion of 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. The presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Board's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented on the page following each fund financial statement which explains the adjustments necessary to convert the fund based financial statements to the government-wide presentation.

D. Assets, Liabilities and Net Position/Fund Balance

1. *Cash and Investments*

The Board's cash and cash equivalents are in the State Treasurer's General Fund Investment Pool.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

2. *Capital Assets*

Capital assets of the Board consist of furniture, fixtures and equipment. The Board does not have any infrastructure. Capital assets are accounted for in the government-wide financial statements. All capital assets are recorded at historical cost or estimated historical cost if actual is unavailable, except for donated assets which are recorded at their estimated fair value at the date of donation. Upon acquisition, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the General Fund. Capital assets are defined in Section 12-6-10 NMSA 1978 (amended June 19, 2005) as movable chattel and equipment that cost \$5,000 or more. Under the amended law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated. Any computer software acquired is capitalized and depreciated. The cost of maintenance and repairs that do not add to the asset value or materially extend the life of the asset 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 of depreciation over the following estimated useful lives:

Furniture and Fixtures	7 years
Equipment and Machinery	5 years
Data Processing Equipment	4 years

3. *Compensated Absences Payable*

The Board's policies regarding annual leave permits employees to accumulate earned but unused annual and sick leave. The liability for these compensated absences is recorded as current and non-current liabilities in the government-wide financial statements.

4. *Equity-Net Position/Fund Balances*

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- a. *Investment in capital assets, net of related debt*, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Board has no outstanding debt relating to capital assets.
- b. *Restricted net position*, consists of net position with constraints placed on their use by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

4. *Equity-Net Position/Fund Balances (Continued)*

The net position is not restricted because the Board does not have any resources 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.

- c. *Unrestricted net position* are all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Board first uses restricted resources, followed by committed resources then assigned resources.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Per GASB Statement 54, effective for financial statements for periods beginning after June 15, 2010, fund balances are classified into spendable and non-spendable classifications. The non-spendable classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained. The spendable classifications are restricted, committed, assigned or unassigned fund balances.

In the governmental fund financial statements, *restricted fund balances* are reported when constraints placed on the use of resources are either: 1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. As of June 30, 2016, the Board's did not have any restricted fund balances.

Committed fund balances consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (policy action). The Board has no committed fund balances as of June 30, 2016.

Assigned fund balances consist of fund balances which are constrained by the government intent to be used for specific purposes, but are neither committed nor restricted. Intent can be expressed by 1) the governing body itself or 2) a body (such as a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. As of June 30, 2016, the assigned fund balance for future year's expenditures is \$679,389.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position/Fund Balance (Continued)

4. Equity-Net Position/Fund Balances (Continued)

Unassigned fund balances consist of all other fund balances which have not been assigned to other funds and have not been restricted, committed or assigned to specific purposes within the general fund. Generally, the policy of the Board is to first apply committed resources when an expense is incurred for purposes which have committed, assigned or unassigned fund balances available for use. The Board has no unassigned fund balances as of June 30, 2016.

E. Budget and Budgetary Accounting

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

The Board prepares and submits an annual budget for the General Fund to the New Mexico Department of Finance and Administration (DFA) for approval based upon the appropriations made by the State Legislature. This budget must be submitted to DFA by September 1 for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. Subsequent budget adjustments affecting a category must be approved by 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 by 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) NMAC of the State Audit Rule and the allowance made by GASB Statement 34, footnote 53, the budgetary comparison statement has been included as part of the basic financial statements.

The budget for the General Fund is adopted on a modified accrual basis of accounting. The modified accrual basis of accounting for governmental funds is the budgetary basis of accounting for the State of NM. Per the General Appropriations Act, Laws of 2012, Chapter 19, Section 3, Paragraph M, the budgetary basis is modified accrual. However, there is a statutory exception; the budget is adopted on the modified accrual basis of accounting except for accounts payable

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

1. Summary of Significant Accounting Policies (Continued)

E. Budget and Budgetary Accounting (Continued)

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 require approval from DFA to pay the prior year bills out of the FY 2017 budget; at June 30, 2016, there were none.

F. Compensated Absences Payable

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.

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment of 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semi-annual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semi-annual period. Accrued vacation and sick leave pay are recorded as a liability and as an increase or decrease in expenses in the Government-Wide financial statements. Qualified employees accumulate 3.69 hours of sick leave per pay period and accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
0 - 3 years	3.08
Over 3 - 7 years	3.69
Over 7 - 11 years	4.61
Over 11-15 years	5.54
Over 15 years	6.15

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. In addition, the Board allows FLSA non-exempt employees to accumulate compensatory leave in certain approved circumstances. Compensatory leave may be carried forward into the next calendar year and any unused portion is paid at termination to non-exempt employees under the Federal Labor Standards Act.

In accordance with GASBS 16, accrued compensated absences consist of accumulated annual leave up to 240 hours, sick leave between 600 and 720 hours and the related employer's matching FICA and Medicare payroll taxes.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

1. Summary of Significant Accounting Policies (Continued)

G. Use of Estimates

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

H. Program Revenues

Program revenues include charges for trade licenses, registration fees for licenses, penalties and late fees collected per state statute.

2. Investment in the State General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Board's cash to be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Court consist of an interest in the State General Fund Investment Pool (SGFIP). The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Section 6-10-10 I through O, NMSA 1978, as amended.

Investments at year-end are classified as follows:

Governmental Funds:	Maturity	State	Book
		Treasurer Balance	Balance
State General Fund Investment Pool (SGFIP)	1 Day	\$ 689,112	\$ 689,112

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 the 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 State Treasurer's State General Fund Investment Pool is not rated.

For additional GASBS 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, 2016.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

2. Investment in the State General Fund Investment Pool (Continued)

State General Fund Investment Pool Reconciliation Update

According to the State Controller in a letter dated August 8, 2016 (Statewide Cash Reconciliation Update), "the Financial Control Division (FCD) in collaboration with the State Treasurer's Office implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process has now been reviewed by the IPAs performing audits of the State General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100 million that had been reserved as a loss contingency. For FY2016, the following assertions are provided: 1) The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (less than \$200,000 standard deviation) over the last twelve months; 2) Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the State General Fund Investment Pool; and 3) All claims will be honored at face value."

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 DFA's Financial Control Division for correction. The monthly internal reconciliation of cash receipts and disbursements flowing through the Board's share of the state general fund investment pool provided management assurance that the balance reflected in the 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. This process provides additional assurance that transactions affecting the Board's share in the State General Fund Investment Pool account are accurate.

3. Assigned Fund Balance

Management of the Board's budget requires assigned funds for future years to be drawn from its General 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 has assigned \$324,600 for FY17, \$83,200 for FY18 and \$271,589 for subsequent years' expenditures.

4. Inter-agency Transfers

During the fiscal year, the Board transferred \$300,000 from its General Fund (SHARE Agency #40400, Fund #03800) to the NM Department of Finance and Administration's State General Fund Operating Reserve (SHARE Agency #34100, Fund #85300) as required by the Legislature of the State of New Mexico, Laws of 2016, 2nd Session, Chapter 12, Section 1.A (2).

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

5. Capital Assets - Governmental Activities

Capital asset activity for the fiscal year ending June 30, 2016 was as follows:

<u>Cost</u>	Balance 06/30/2015	Additions	Deletions	Balance 06/30/2016
Data Processing	\$ 8,440	\$ -	\$ (8,440)	\$ -
Furniture & Fixtures	8,433	-	(8,433)	-
Machinery & Equipment	15,406	-	(8,261)	7,145
Total capital assets	32,279	-	(25,134)	7,145
 <u>Accumulated Depreciation</u>				
Data Processing	(8,440)	-	8,440	-
Furniture & Fixtures	(8,433)	-	8,433	-
Machinery & Equipment	(12,667)	(1,429)	8,261	(5,835)
Total accumulated depreciation	(29,540)	(1,429)	25,134	(5,835)
Net investment in capital assets	\$ 2,739	\$ (1,429)	\$ -	\$ 1,310

Current year depreciation expense of \$1,429 was charged to the general government expenditure function in the Statement of Activities (Exhibit B).

6. Summary of Changes in Compensated Absences Payable

The following is a summary of changes in the liability for compensated absences:

	Balance 6/30/2015	Increases	Decreases	Balance 6/30/2016	Due Within One Year
Annual Leave	\$ 4,451	9,181	(9,531)	\$ 4,100	\$ 4,100

The Board's General Fund resources have been used to liquidate accrued compensated absences in the past.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

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 term another five years. Expenditures for the lease for the year ended June 30, 2016 were \$35,195. The lease can be terminated with no penalty to the Board if the New Mexico State Legislature does not appropriate funds to the Board. Future minimum lease payments for each of the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 5,838
June 30, 2018-2021	<u>0</u>
	<u>\$ 5,838</u>

8. Pension Plan - Public Employees Retirement Association

Plan Description. 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 8.92% (ranges from 6.28% to 18.15% depending upon the plan - i.e. state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Board is required to contribute 16.99% (ranges from 7.0% to 25.72% depending upon the plan) 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 employer contribution to PERA for the years ending June 30, 2016, 2015 and 2014 were \$30,346, \$27,589 and \$23,977 respectively, equal to the amount of the required contributions for each year.

GASB 68 – Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers. Compliant with the requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016. The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016**

8. Pension Plan - Public Employees Retirement Association (Continued)

Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

9. 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 the Deferred Compensation Plan. Neither the Board nor the State of New Mexico make 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.

10. 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 NMRHCA 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.

STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016

10. Post-Employment Benefits - State Retiree Health Care Plan (Continued)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$3,572, \$3,248 and \$2,895, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Notes to the Financial Statements
June 30, 2016

11. 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 New Mexico General Services Department's 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 a combination of both. For the past several years, RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. RMD has effectively managed risk through various employee education programs. Risk management expenditures for the Board are accounted for in the General Fund. Any claims are processed through RMD.

12. Subsequent Events Review

The Board evaluated subsequent events through October 17, 2016 and determined there are no subsequent events which require disclosure in the notes to the financial statements.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Schedule of Vendor Information
For the Year Ended June 30, 2016**

RFB/RFP#: n/a.

Type of Procurement: n/a.

Awarded Vendor: n/a.

Amount of Awarded Contract: n/a.

Amount of Amended Contract: n/a.

Name and physical address of all vendors that responded to RFB/RFP: n/a.

In-State Vendor (Based on Statutory Definition): n/a.

Was the vendor in-state and chose Veteran's preference: n/a.

Brief Description of the Scope of Work: n/a.



ACCOUNTING & AUDITING SERVICES, LLC

FINANCIAL AUDITS + ATTESTATION ENGAGEMENTS + CONSULTING + TAX

INDEPENDENT AUDITOR'S 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*

Raymond R. Vigil, Chair
New Mexico Board of Examiners for Architects
and
Timothy Keller, New Mexico State Auditor

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, and the budgetary comparison 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, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 17, 2016.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

October 17, 2016

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Schedule of Findings and Responses
June 30, 2016**

I. STATUS OF PRIOR-YEAR AUDIT FINDINGS

a. Repeated in current-year

None.

b. Resolved and not included in current-year

None.

II. CURRENT-YEAR AUDIT FINDINGS

None.

**STATE OF NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS
Financial Statement Preparation and Exit Conference
June 30, 2016**

Financial Statement Preparation

The financial statements and schedules were prepared by the independent certified public accountant performing the audit with the assistance of the Board's staff. Management of the Board 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 and schedules.

Exit Conference

An exit conference was held in a closed meeting on October 17, 2016, to discuss the results of the audit and the contents of this report. The following individuals were in attendance:

New Mexico Board of Examiners for Architects

Raymond R. Vigil, Chair
Melarie Gonzales, Acting Director/CFO

Audit Firm – Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA

