

STATE OF NEW MEXICO

NEW MEXICO
BOARD OF EXAMINERS FOR ARCHITECTS

FINANCIAL STATEMENTS

FOR THE YEAR-ENDED JUNE 30, 2019



INTRODUCTORY SECTION

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NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
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FOR THE YEAR ENDED JUNE 30, 2019**

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**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2019**

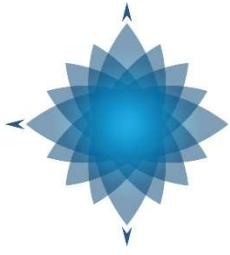
BOARD OF DIRECTORS

Tara Rothwell	Chair, Architect Member
Michael A. Bodelson	Vice-Chair, Architect Member
Mark A. Glenn	Secretary/Treasurer, Public Member
Geoffrey Adams	Architect Member/Educator
Robert Calvani	Architect Member
Jim Oswald	Architect Member
Raymond R. Vigil	Architect Member

ADMINISTRATIVE OFFICIALS

Melarie Gonzales	Executive Director/CFO
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FINANCIAL SECTION



Independent Auditor's Report

New Mexico Board of Examiners for Architects
and
Mr. Brian S. Colón
New Mexico State Auditor
Santa Fe, New Mexico

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the general funds of the New Mexico Board of Examiners for Architects (the Board) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and the major fund of the Board as of June 30, 2019, 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.

Emphasis of Matter

Reporting Entity

As discussed in Note 2, the financial statements of the Board are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the Board. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Pension Accounting and Reporting

As discussed in Note 8, the State of New Mexico, as a single employer, follows Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions (OPEB)*, in the June 30, 2019, CAFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Board's governmental funds. All other required footnotes and other disclosures required by the GASB are included in the State of New Mexico CAFR for June 30, 2019. Our opinion is not modified with respect to this matter.

Postemployment Benefits Other Than Pensions Accounting and Reporting

As discussed in Note 10, the State of New Mexico, as a single employer, has implemented GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, in the June 30, 2019, CAFR. Accordingly, there is no allocation of the proportional share of the net OPEB liability to individual agencies or to the Board's governmental funds. All other required footnotes and other disclosures required by the GASB are included in the State of New Mexico CAFR for June 30, 2019. Our opinion is not modified with respect to this matter.

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, 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 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.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC
Albuquerque, NM
September 27, 2019

STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
STATEMENT OF NET POSITION
GOVERNMENT-WIDE
As of June 30, 2019

	<u>Governmental Activities</u>
Assets and deferred inflows of resources:	
Assets:	
Current assets	
Investment in State Treasurer General	
Fund Investment Pool	\$ 721,261
Petty cash	200
Total current assets	<u>721,461</u>
Non-current assets:	
Total capital assets, net of depreciation	-
Total assets	<u>721,461</u>
Deferred Outflows of Resources:	
Total deferred outflows of resources	<u>-</u>
Total assests and deferred outflows of resources	<u>\$ 721,461</u>
Liabilities, deferred inflows of resources and net position	
Liabilities:	
Current liabilities	
Accounts payable	\$ 19,116
Accrued salaries payable	4,433
Accrued payroll liabilites	5,022
Compensated absences - current portion	12,918
Total current liabilities	<u>41,489</u>
Long-term liabilities:	
Compensated absences payable	4,243
Total liabilities	<u>45,732</u>
Deferred Inflows of Resources:	
Total deferred inflows of resources	<u>-</u>
Net position:	
Restricted	<u>675,729</u>
Total net position	<u>675,729</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 721,461</u>

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
For The Year Ended June 30, 2019

	<u>Governmental Activities</u>
Expenses:	
General government	
Personal services and benefits	\$ 230,158
Contractual services	6,223
Other costs	74,242
Total program expenses	<u>310,623</u>
Program revenues:	
Charges for services:	
Trades and licenses	16,250
Examination fees	343,380
Other fees	35
Total program revenues	<u>359,665</u>
Net program (expense) revenue	<u>49,042</u>
General revenues and (expenses):	
Penalties	<u>14,800</u>
Total general revenues and expenses	<u>14,800</u>
Change in net position	63,842
Beginning net position	611,887
Ending net position	<u>\$ <u>675,729</u></u>

See independent auditors' report.
 The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2019

	<u>General Fund (03800)</u>
Assets and deferred inflows of resources:	
Assets:	
Investment in State Treasurer General Fund Investment Pool	\$ 721,261
Petty cash	200
Total assets	<u>\$ 721,461</u>
Deferred Outflows of Resources:	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u><u>721,461</u></u>
Liabilities, deferred inflows of resources and fund balance	
Liabilities:	
Accounts payable	\$ 19,116
Accrued salaries payable	4,433
Accrued payroll liabilities	<u>5,022</u>
Total liabilities	<u>28,571</u>
Deferred Inflows of Resources:	
Total deferred inflows of resources	<u>-</u>
Fund balance:	
Nonspendable	200
Assigned	<u>692,690</u>
Total fund balance	<u>692,890</u>
Total liabilities, deferred inflows of resources and fund balances:	<u><u>\$ 721,461</u></u>

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2019

Total fund balance - Governmental funds	\$	692,890
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p> <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:</p>		
Current compensated absences	\$	(12,918)
Noncurrent compensated absences		<u>(4,243)</u>
		<u>(17,161)</u>
Net position for governmental activities	\$	<u><u>675,729</u></u>

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	<u>General Fund (03800)</u>
Revenues:	
Trade and Professional Licenses	\$ 16,250
Examination Fees	343,380
Other Penalties	14,800
Other fees	35
Total revenues	<u>374,465</u>
Expenditures:	
General government	
Current:	
Personal services and benefits	221,614
Contractual services	6,223
Other costs	74,242
Total expenditures	<u>302,079</u>
Excess (deficiency) of revenue over expenditures	<u>72,386</u>
Net change in fund balance	<u>72,386</u>
Beginning fund balance	<u>620,504</u>
Ending fund balance	<u>\$ <u>692,890</u></u>

See independent auditors' report.
 The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

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

Net change in fund balances (deficit) - total governmental funds	\$	72,386
<p>Some items reported in the Statement of Activities are not sources or uses of current financial resources and, therefore, are not reported as revenue or expenditures in governmental funds. These activities consist of</p>		
(Increase)/decrease in compensated absences		<u>(8,544)</u>
Change in net position of governmental activities	\$	<u><u>63,842</u></u>

See independent auditors' report.
 The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
GENERAL FUND (03800)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Trade and Professional Licenses	\$ 7,600	7,600	16,250	8,650
Examination Fees	162,200	162,200	343,380	181,180
Other Penalties	4,400	4,400	14,800	10,400
Other fees	100	100	35	(65)
Total revenues	<u>174,300</u>	<u>174,300</u>	<u>374,465</u>	<u>200,165</u>
Available fund balance	<u>217,400</u>	<u>217,400</u>		
Total revenues and fund balance	<u>391,700</u>	<u>391,700</u>		
Expenditures				
P-645 Expenditures				
Personal services and employee benefits	297,400	297,400	221,614	75,786
Contractual services	11,000	11,000	6,223	4,777
Other	83,300	83,300	74,242	9,058
Total P-645 expenditures	<u>391,700</u>	<u>391,700</u>	<u>302,079</u>	<u>89,621</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>72,386</u>	<u>72,386</u>
Other Financing Sources (Uses)				
Net interagency transfers and financial sources (uses)	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>72,386</u>	<u>72,386</u>
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total budget basis expenditures for fiscal year 2019:			\$ 302,079	
Adjustments:				
Accounts payable that required a request to pay prior-year bills out of the FY2020 budget			-	
Prior year accounts payable paid out of FY2019 budget			-	
Rounding			<u>-</u>	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2019:			<u>\$ 302,079</u>	

See independent auditors' report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – HISTORY AND FUNCTION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles (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 Board follows GASB 62 which updated its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes US GAAP for governmental units. Additionally, the Board follows GASB 76 that addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction is not specified within a source of GAAP. The Board's most significant accounting policies are described below.

A. Reporting Entity

The Board is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. The Board is a component unit of the executive branch and these financial statements include all funds, programs and activities over which the Board has oversight responsibility. Other Executive Branch entities of government are excluded because they are established separately by statutes. The Board is a user organization of the *Statewide Human Resource Accounting, and Management Reporting System (SHARE)*. The service organization is the Department of Finance and Administration (DFA).

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) 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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

In evaluating how to define the Board, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the Board has no component units.

B. *Basis of Accounting/Measurement Focus*

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Board's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the Board accompanied by a total column. Fiduciary activities of the Board are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Board include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

meeting the operational or capital requirements of a particular function or segment. Interest earned and penalties imposed on licensees are not included among program revenues are reported instead as general revenue.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements.

The Board reports the general fund (SHARE Fund #03800) as a major governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily from charges for license fees and other services. Expenditures include all costs associated with the daily operation of the Board except for items included in other funds. 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. As a result, no reversions to the State General Fund were needed during the year ended June 30, 2019.

The Board does not report any other funds.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Revenues are available if collected 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. The Board operates under a biennial license renewal policy. Licensees with an odd birth year (odd numbered last digit) renew during odd numbered years while licensees with an even birth year (even numbered last digit) renew during even numbered years Expenditures are recorded in the accounting period in which the related fund liability is incurred.

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

C. Assets, Liabilities and Equity

Investments

The Board's investments consist of amounts held in the State Treasurer General Fund Investment Pool. State law and regulations regulate this pool. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

Receivables and Payables

Receivables from and payables to external parties are reported separately and are not offset in the financial statements unless a right of offset exists.

The Board earns interest on the General Fund Investment Pool. Interest due from other state agencies from the State Treasurer's Office is accrued as of the end of the fiscal year. No allowance for doubtful accounts is established since all amounts are actually collected in the subsequent fiscal year.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the Board during the current fiscal year was \$-0-. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Vehicles	5
Furniture and fixtures	5 - 7

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such Board assets at June 30, 2019.

Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Board does not have any items that qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. The Board does not have any items that qualify for reporting in this category.

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on their tenure with the Board. Accumulated unused vacation may be carried from one calendar year to another but the amount of annual leave carry-over cannot exceed 240 hours.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours, on July 1 or January 1 of each year. However sick leave is paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2019, over 600 hours up to 120 hours per employee. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences.

A liability for compensated absences is recorded as a liability in the government-wide financial statements. The liability is not reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

The compensated absences liability is presented in two parts, a current portion and long-term portion, in the government-wide financial statements. The current portion is the amount expected to be expended during fiscal year 2020 and is an estimate management determined by fiscal year 2019 usage.

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the Board classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action at the highest level of decision making authority. These commitments can only be overturned by a like action.

Assigned includes spendable fund balance a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The Board's net position is all assigned as it is not a reverting agency and governing body intends to use its residual fund balances for Board operations.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above-mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the Board's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the Board's policy to use committed resources first, then assigned, and then unassigned as needed.

The Board does not have a formal minimum fund balance requirement.

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Net Position

Government-wide Financial Statements. The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. There was no related debt as of fiscal year-end.

Net Investment in Capital Assets – is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets – are liquid assets (generated from revenues and not bond proceeds), with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. These are assets which have a legally enforceable third-party (statutory or granting agency) limitation on their use. Legally enforceable means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation.

Unrestricted Assets – represent unrestricted liquid assets. These are comprised of all net position that is not otherwise classified as restricted or invested in capital assets. The Board allocates expenses to restricted or unrestricted resources based on the budgeted source of funds. It is the Board's practice to apply restricted resources prior to unrestricted funds when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

D. Income Taxes

As a governmental entity, the Board is not subject to federal or state income taxes. The Board is generally no longer subject to examination by federal and state taxing authorities for years prior to 2016. For the year ended June 30, 2019, no interest or penalties were recorded or included in the financial statements.

E. Estimates

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

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The State Legislature makes annual appropriations to the Board which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget and a financial control system which permits a budget-to-actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation program level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the original and final authorized amounts as legally revised during the year. The legal level of budgetary control is at the appropriation program level.

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

1. No later than September 1, the Board submits to the Legislative Finance Committee (LFC) and the Budget Division of the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the state's General Appropriations Act.
3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. No later than May 1, the Board submits to DFA an annual operating budget by appropriation program and object code based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
6. The budget for the General Fund is adopted on a modified accrual basis of accounting per the Annual General Appropriation Act. except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year's budget. There are no differences between the budget basis and fund financial statements as both are reported on the modified accrual basis.
7. The original budgets differ from the final budgets presented in the budget comparison statements by amendments made during the fiscal year. All budgetary adjustments must be approved by the Department of Finance and Administration Budget Division and the Legislative Finance Committees.
8. Appropriations lapse at the end of the fiscal year for those goods and services received by June 30th.

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

In accordance with the requirements of Section 2.2.2.10.A(2)(b) of 2.2.2 NMAC, Requirements for Conducting Audits of Agencies and the allowance made by GASB 34, footnote 53, the budgetary comparison statements prepared on the modified accrual basis have been included as part of the basic financial statements. The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

NOTE 4 – INVESTMENT IN STATE TREASURER GENERAL FUND INVESTMENT POOL

The following represents the Board's Interest in the State General Fund Investment Pool as of June 30, 2019:

<u>Fund</u>	<u>SHARE</u> <u>Agency-Acct</u>	<u>Location</u>	<u>Balance Per</u> <u>State</u> <u>Treasurer</u>	<u>Balance Per</u> <u>Financials</u>
General fund	40400-03800	STO	\$ 721,461	721,461
Total			\$ 721,461	721,461

The Board is required by State law to have all of its funds on deposit in the State General Fund Investment Pool (SGFIP) which is managed by the New Mexico State Treasurer's Office (STO).

By State statute, DFA is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer.

The comprehensive cash reconciliation model compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office. This process has been reviewed multiple times by the IPA's performing audits of the General Fund, DFA and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of fifty (50) percent. Collateral pledged to secure these deposits is monitored by the STO and STO issues separate financial statements which disclose the collateral pledged to secure these deposits.

The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by state statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

The Board follows GASB Statement 40, *Deposit and Investment Risk Disclosures*. GASBS 40 requires certain disclosures when balances with financial institutions exceed depository insurance.

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.

The Board does not have any credit quality, deposit custodial credit, security custodial credit, concentration of credit or foreign currency risks.

For additional GASBS 40 disclosure information regarding cash held by the State Treasurer, see the separate audit report of the STO for the fiscal year ending June 30, 2019.

NOTE 5 – CAPITAL ASSETS

For the year ended June 30, 2019, the Board did not have any items that meet the requirements of reporting as capital assets

NOTE 6 – LONG-TERM DEBT

A summary of changes in the compensated absences payable for the year ended June 30, 2019, is as follows:

	Balance			Amount due	
	06/30/18	Increases	Decreases	06/30/19	within one year
Governmental activities					
Compensated absences	\$ 8,617	12,985	(4,441)	17,161	12,918
Total governmental activities	\$ 8,617	12,985	(4,441)	17,161	12,918

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.

NOTE 7 – OPERATING LEASES

The Board leases office space from the NM General Services Department under an occupancy agreement with a four-year term beginning August 5, 2016 and ending on August 4, 2020. There is no rental payment due under the terms of the lease. The Board leases a copier with a four-year term beginning July 14, 2016 and ending on June 30, 2020. The Board also leases storage space on a month to month lease.

Rental expenditures for the year ended June 30, 2018 were \$8,191. The leases 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:

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2020	\$ 6,007
2021	-
2022	-
2023	-
2024	-
Total	\$ <u>6,007</u>

NOTE 8 – PERA PENSION PLAN

Compliant with the requirements of Government 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, 2019.

The Department, 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). 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 State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

The Department's contributions to PERA for the years ended June 30, 2019, 2018, and 2017 were \$23,944, \$27,543 and \$25,846, respectively, which equal the required contributions for each year.

NOTE 9 – DEFERRED COMPENSATION PLAN

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.

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 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.

The Department's contributions to the RHCA for the years ended June 30, 2019, 2018, and 2017 were \$2,819, \$3,242 and \$3,043, respectively, which equal the required contributions for each year.

NOTE 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. There are no known threatened legal proceedings involving the Board.

NOTE 12 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The Board did not have any funds with a deficit fund balance at June 30, 2019.

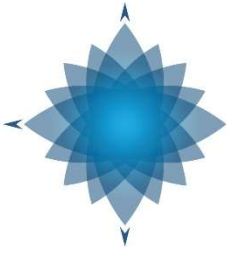
**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

Legal Compliance with Budget

The Department was in compliance with Section 6-6-6 of the New Mexico State Statutes regarding legal compliance with approved budgets. No funds exceeded budgeted expenditures as of June 30, 2019.

NOTE 13 – EVALUATION OF SUBSEQUENT EVENTS

The Department has evaluated subsequent events through September 27, 2019, the date which the financial statements were available to be issued.



**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***

Independent Auditor's Report

Board of Examiners for Architects
and
Mr. Brian S. Colon
New Mexico State Auditor
Santa Fe, New Mexico

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 general fund, the aggregate remaining fund information, and the budgetary comparison of the general fund of the New Mexico Board of Examiners for Architects (Board), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 27, 2019.

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. 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.

Integrity Accounting + Consulting, LLC

Integrity Accounting & Consulting, LLC

Albuquerque, NM

September 27, 2019

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

SECTION II PRIOR YEAR FINDINGS

None

SECTION III CURRENT YEAR FINDINGS

None

**STATE OF NEW MEXICO
NEW MEXICO BOARD OF EXAMINERS FOR ARCHITECTS
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2019**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

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

B. EXIT CONFERENCE

The contents of the report for the New Mexico Board of Examiners for Architects were discussed on September 27, 2019. The following individuals were in attendance.

New Mexico Board of Examiners for Architects:

Michael Bodelson

Melarie Gonzales

Chair

Executive Director/ CFO

Integrity Accounting & Consulting:

Erick Robinson, CPA, CFE

Partner