
State of New Mexico
Regulation and Licensing Department
Board of Accountancy

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON

June 30, 2016

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**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Official Roster
June 30, 2016**

Board Members

C. Jack Emmons, CPA	Chair
Patrick P. Stewart	Vice Chair
Maria Cassimus, CPA	Treasurer
Dennis Houston	Secretary
William Golden, CPA	Professional Member
Farley Vener, CPA	Professional Member
Ben Roybal	Public Member

Administrative Officials

Jeanette Contreras	Executive Director
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INDEPENDENT AUDITOR'S REPORT

Timothy Keller
New Mexico State Auditor
and
C. Jack Emmons, Chair
New Mexico Board of Accountancy

Report on the Financial Statements

We have audited the accompanying financial statements of fund 46600 Board of Accountancy, a special revenue fund of the State of New Mexico Regulations and Licensing Department, and the budgetary comparison for that special revenue fund 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. These financial statements are the responsibility of the Board's management.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of fund 46600 Board of Accountancy a special revenue fund of the State of New Mexico Regulations and Licensing Department, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the special revenue fund, as described above, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 7 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedule of Vendor Information listed under the "Compliance Section" in the table of contents 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only fund 46600 Board of Accountancy a special revenue fund of the State of New Mexico Regulations and Licensing Department, and do not purport to, and do not present fairly the financial position of the State of New Mexico Regulations and Licensing Department, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 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.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.

November 29, 2016

Management's Discussion and Analysis (Unaudited)

June 30, 2016

The Accountancy Board's discussion and analysis provides an overview of the financial activities for the fiscal year ended June 30, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

Overview of the Financial Statements

The financial statements consist of three sections. The first section is the Introductory Section. The second is the Financial Section, which includes the management's discussion and analysis (this section), the basic financial statements, individual Fund Statement, and the Supplementary Information. The third section is the Other Information section which consists of the report on internal controls and schedules of prior and current year findings.

The basic financial statements include a series of financial statements. The Government-wide Financial Statements consist of the Statement of Net Position and the Statement of Activities which provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. The Fund Financial Statements follow consisting of the General Fund Balance Sheet and the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances. For governmental activities, these statements tell how these services were financed for the reporting period. The Fund financial statement reports the Board's operations in more detail than the government-wide statements by providing information about the Board's most significant fund which is the General Fund. These financial statements are then followed by reconciliations of the Government-wide Financial Statements to the Fund Financial Statements. Finally, the Statement of Revenues and Expenditures is provided which compares the Board's budgeted revenues and expenditures to actual amounts.

The statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the Board as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Board's net position and changes in them. In the Statement of Net Position and the Statement of Activities, the Board presents Governmental activities. All of the Board's activities are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the Board's significant funds. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes. The Board's funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The fund statements provide a detailed view of the Department's operations and the services it provides. Governmental fund information is an indicator of whether there are more or fewer financial resources that can be spent in the future to finance the Department's programs. The Board operates principally on its own self-generated revenues (license and registration fees, examination fees and interest earnings) and a budget which is approved by the State Legislature each year.

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

Management's Discussion and Analysis (Unaudited)

June 30, 2016

Analysis of Financial Position-Statement of Net Position

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Change</u>
Assets			
Current assets	\$ 1,034,822	905,410	129,412
Capital assets, net of depreciation	-	-	-
Total assets	<u>\$ 1,034,822</u>	<u>905,410</u>	<u>129,412</u>
Liabilities:			
Current liabilities	\$ 254,542	239,082	15,460
Long-term liabilities	-	-	-
Total liabilities	<u>\$ 254,542</u>	<u>239,082</u>	<u>15,460</u>
Net position:			
Net investment in capital assets	\$ -	-	-
Restricted	648,100	-	648,100
Unrestricted	132,180	666,328	(534,148)
Total net position	<u>\$ 780,280</u>	<u>666,328</u>	<u>113,952</u>

Results of Operations-Statement of Activities

Revenue			
Trade licenses	\$ 467,093	490,370	(23,277)
Services	9,520	10,859	(1,339)
Printing and reproduction	1,560	1,458	102
Interest on investment	2,213	714	1,499
Other revenue	18,451	37,071	(18,620)
Total Revenue	<u>498,837</u>	<u>540,472</u>	<u>(41,635)</u>
Expenses			
Personal services and benefits	232,292	243,013	(10,721)
Contractual services	1,701	127	1,574
Other costs	71,235	107,319	(36,084)
Depreciation	-	-	-
Total Expenses	<u>305,228</u>	<u>350,459</u>	<u>(45,231)</u>
Other financing uses	<u>(79,657)</u>	<u>(63,850)</u>	<u>(15,807)</u>
Net position, beginning	<u>666,328</u>	<u>540,165</u>	<u>126,163</u>
Net position, ending	<u>\$ 780,280</u>	<u>666,328</u>	<u>113,952</u>

Management's Discussion and Analysis (Unaudited)

June 30, 2016

In compliance with state law, the Board adopts an annual appropriated budget and the Board's original and final budget and actual expenditures are shown in the budgetary statement on page 12.

Analysis of Board's overall Financial Position and Result of Operations

The State Legislature makes an annual appropriation of the Board's revenue. The Board is a non-reverting agency. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). The Board did not have any budget adjustments for the fiscal year ended June 30, 2016.

The changes in the Board's Financial Position (Statement of Net Position) and Operations (Statement of Activities) from the prior year are mainly due to licensing fees being less than amounts budgeted by \$12,163 and expenditures being \$135,022 below budgeted amounts. Total assets increased by approximately 14% from \$905,410 to \$1,034,822. Total net position increased by \$113,952 from \$666,328 to \$780,280. The increase in net position in 2016, \$113,952 as compared to \$126,163 in 2015, as shown in the Statement of Activities.

Actual expenditures were \$135,022 below budget amounts. The most significant positive variance resulted from unspent personnel costs. Revenues were \$12,163 below the final budgeted amount, principally from decreases in trade and license fees.

Capital Assets

The Board's investment in capital assets is \$0 (net of accumulated depreciation). There were no capital assets purchases during the current fiscal year. Depreciation expense was \$0 for the year.

Long-term Debt

The Board has no long-term debt

Description of currently known facts, decisions or conditions that are expected to have a significant effect on financial position.

In the Analysis of Financial Position-Statement of Net Position above, the restricted amount in FY 2016 of \$648,100 reflects the amount required to be sent to the State General Fund during FY 2017 per HB 311.

Request for Information

The Board's financial statements are designed to provide users with a general overview of the Board's finances and to show the Board's accountability for the money it receives.

If you have questions about this report or need additional financial information please contact the Board's Chief Financial Officer at (505) 476-4526 or address inquiries to:

Board of Accountancy
Toney Anaya Building
2550 Cerrillos Road, 2nd Floor
PO Box 25111
Santa Fe, NM 87507

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Statement of Net Position
June 30, 2016**

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 1,034,045
Prepaid expenses	777
Capital assets, net	-
TOTAL ASSETS	\$ 1,034,822
LIABILITIES	
Accounts payable	\$ 2,383
Payroll benefits payable	2,826
Payroll taxes payable	1,029
Accrued payroll	3,040
Unearned revenue	240,255
Compensated absences short-term	5,009
Compensated absences long-term	-
TOTAL LIABILITIES	254,542
NET POSITION	
Net investment in capital assets	-
Restricted (Note 5)	648,100
Unrestricted	132,180
TOTAL NET POSITION	780,280
TOTAL LIABILITIES AND NET POSITION	\$ 1,034,822

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

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Statement of Activities
For The Year Ended June 30, 2016**

	Governmental Activities
EXPENSES	
General government:	
Personal services and employee benefits	\$ 232,292
Contractual services	1,701
Other costs	71,235
Depreciation	-
	<hr/>
TOTAL EXPENSES	305,228
	<hr/>
PROGRAM REVENUE	
Charges for services:	
Trade licenses	467,093
Services	9,520
Printing and reproduction	1,560
Interest on investment	2,213
Other revenue	18,451
	<hr/>
TOTAL PROGRAM REVENUE	498,837
	<hr/>
NET PROGRAM REVENUE	193,609
	<hr/>
OTHER FINANCING USES	
Transfers out - interfund	(79,657)
	<hr/>
CHANGE IN NET POSITION	113,952
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NET POSITION, BEGINNING	722,181
Restatement of beginning net position	(55,853)
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NET POSITION, ENDING	\$ 780,280
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Balance Sheet - Governmental Fund
June 30, 2016**

	General Fund
ASSETS	
Current Assets:	
Investment in State GF Investment Pool	1,034,045
Prepaid Expenses	777
TOTAL ASSETS	1,034,822
LIABILITIES	
Current Liabilities:	
Accounts payable	2,383
Payroll benefits payable	2,826
Payroll taxes payable	1,029
Accrued payroll	3,040
Unearned revenue	240,255
TOTAL LIABILITIES	249,533
FUND BALANCES	
Nonspendable: prepaid postage	777
Restricted (Note 5)	648,100
Assigned to future year's expenditures	136,412
TOTAL FUND BALANCE	785,289
TOTAL LIABILITIES AND FUND BALANCE	1,034,822

Amounts reported in the Statement of Net Position differ because:

Total fund balances	\$ 785,289
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	(5,009)
Net Position per Statement of Net Position	\$ 780,280

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

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Fund
For The Year Ended June 30, 2016**

	General Fund
REVENUES	
Trade licenses	\$ 467,093
Services	9,520
Printing and reproduction	1,560
Interest on investment	2,213
Other revenue	18,451
TOTAL REVENUES	498,837
EXPENDITURES	
General government:	
Current:	
Personal services and employee benefits	233,685
Contractual services	1,701
Other costs	71,235
Capital Outlay	-
TOTAL EXPENDITURES	306,621
EXCESS OF REVENUES OVER EXPENDITURES	192,216
OTHER FINANCING USES	
Transfers out - interfund	(79,657)
NET CHANGE IN FUND BALANCE	112,559
FUND BALANCE, BEGINNING	728,583
Restatement of beginning fund balance (Note 5)	(55,853)
FUND BALANCE ENDING	\$ 785,289

Amounts reported in the Statement of Activities are different because:

Net change in fund balance	\$ 112,559
Net change in current and long-term portions of compensated absences	1,393
Excess depreciation over capital outlay expenditures	-
Changes in net position of governmental activities	\$ 113,952

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

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
General Fund
For the year ended June 30, 2016**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenues	\$ 511,000	511,000	498,837	(12,163)
TOTAL REVENUES	511,000	511,000	498,837	(12,163)
Fund Balance	10,300	10,300		
TOTAL RESOURCES	\$ 521,300	521,300		
EXPENDITURES				
General government:				
Current:				
Personal services and employee benefits	\$ 296,700	296,700	233,685	63,015
Contractual services	16,600	16,600	1,701	14,899
Other costs	126,600	126,600	71,235	55,365
Other financing uses	81,400	81,400	79,657	1,743
	\$ 521,300	521,300	386,278	135,022

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

Note 1. Organization and Function

The State of New Mexico Regulation and Licensing Department (Department) was created July 1, 1983, by the Regulation and Licensing Department Act (Laws of 1983, Chapter 297, Section 19 through 29). The Act provided that the administration of professional and occupational licensing functions of the executive branch of state government may be consolidated under the supervision of the Department upon executive order issued by the Governor. This consolidation was completed during the fiscal year ended June 30, 1987.

The mission of the Department is to enforce applicable laws, rules, regulation and codes and administer them in a manner that affects a balanced approach to public safety, financial welfare and the development of the regulated industries. The Department consists of the Office of the Superintendent and seven divisions: the Administrative Services Division, the Construction Industries Division, the Manufactured Housing Division, the Financial Institutions Division, the Securities Division, Boards and Commissions Division and the Alcohol and Gaming Division.

The Accountancy Board (Board) is a Special Revenue Fund within the Boards and Commissions Division. Separate SHARE funds have been set up by the Boards and Commissions Division to account for the administration of each individual board and commission established by certain sections of the New Mexico state statutes. The Accountancy Board has been established as SHARE Fund Number: 46600 SHARE, Fund Name: Accountancy, and Funding Authority: NMSA 61-28B-6. Each board or commission's revenue is restricted to each board or commission's activity and administration. Any excess funds at the end of the fiscal year do not revert to the State General Fund.

The Regulation and Licensing Act (Laws of 1983, Chapter 297, Section 30) provides for the administration of professional and occupational licensing functions of the executive branch of state government under the supervision of the Regulation and Licensing Department upon executive and financial services to 48 boards and commissions. Each of the boards and commissions has Department employees assigned as staff which are responsible for licensing of individuals and for maintaining licensing files containing historical, continuing education and disciplinary information on each licensee, thereby providing daily accessibility to the public, licensees, legislators and board members. Additionally, the staff is responsible for the daily execution of board operations, including all licensing and examination functions, preparing minutes of board meetings, responding to inquiries, taking actions as required by the boards they serve, and coordinating actions with appropriate officials and agencies.

Complaints received are reviewed by the boards, referred for investigation, when appropriate, and returned to the specific licensing boards for a determination of disciplinary action. Inspections are performed on sites or person who distribute, manufacture, or sell prescription drugs, cosmetology establishments, barber establishments, funeral homes and real estate offices in order to ensure compliance with statutes, regulations and minimum standards of sanitation, where applicable.

Note 2. Summary of Significant Accounting Policies

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America 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. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

These financial statements present only the portion of the State attributable to the transactions of the Board. There are no component units. Other Executive Branch entities of government are excluded because they are established separately by statutes.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The GASB No. 34 reporting model focus is on either the Board, as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements. The Board has only governmental type activities. The government-wide financial statements reflect an accrual basis of accounting, economic resources measurement focus basis, which incorporates long-term assets, deferred inflows of resources as well as long-term debt, deferred outflows of resources and other obligations. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduced gross expenses by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Board includes only one function (general government). Program revenues include charges for services from license, exam and other fees. General revenues (interest income, penalties, miscellaneous, etc.) normally cover the net cost (by function). The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This 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 statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

C. Basis of Presentation – Fund Accounting

The financial transactions of the Board are maintained 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, liabilities, fund balance, revenues, expenditures and other financing sources or uses. The Board does not have any debt service requirements. The compensated absences liability is not included in the fund financial statements. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type and reported by generic classification in the accompanying financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Board uses the following fund types:

Governmental Fund Types

The focus of Governmental Fund measurements (in the financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Board.

Special Revenue Fund (Fund #46600 -Nonreverting - Section 61-28B-6) - The Special Revenue Fund is the general operating fund of the Board and is used to account for all financial resources; there are no resources required to be accounted for in another fund. The Special Revenue Fund is funded primarily through license and registration fees, penalties and interest on state funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide financial statements are presented on an accrual basis of accounting. The governmental fund financial statements are presented on a modified accrual basis. Modified Accrual - All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. "Available means collectible within the current period or within

sixty days thereafter in order to pay current liabilities." Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

E. Budgets and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to the Board. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of State of New Mexico Department of Finance and Administration (DFA) within the limitations as specified in the General Appropriation Act.

The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year. The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By September 1st, the Board prepares a budget request by appropriation unit to be presented to the next legislature.
2. The appropriation request is submitted to the DFA's Budget Division and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the appropriation unit level of the Board as a whole and changes are approved by the DFA.
7. The Board's budget for the fiscal year ended June 30, 2016 was not amended during the fiscal year.
8. Appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30, 2016 which are reflected as accounts payable in the financial statements.
9. The budget for the General Fund is adopted on a modified accrual basis 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.

In accordance with the requirements of Section 2.2.2.10, A (2) (b) of 2.2.2. NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34, footnote 53, the budgetary comparison statement has been included as a part of the basic financial statements.

F. Capital Assets

Capital assets of the Board include furniture and fixtures, and equipment. The Board does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold to \$5,000. The Board currently does not have any capital assets.

G. Accrued Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July.

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 2017 and is an estimate management determined by fiscal year 2016 usage. Based on the estimate for the year ended June 30, 2016, compensated absences liability is all a current liability.

I. Net Position

The government-wide financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets (net of related debt, if applicable), restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Net investment in capital assets is intended to reflect the portion of net position which are associated with capital assets less outstanding capital asset related debt. The Board has no debt related to capital assets.

Net positions are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position.

Unrestricted net position represents resources that do not have third-party (statutory, bond covenant or granting agency) limitations on their use.

When both restricted and unrestricted resources are available for use, generally it is the Board's policy to use restricted resources first, then unrestricted resources, as they are needed.

J. Fund Balance Classification

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

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

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

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

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

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

K. Revenue Recognition and Unearned Revenue

As noted above revenues are recognized when "both measurable and available". Amounts received prior to the time they are considered available to pay current liabilities are recorded as unearned revenue and recognized as revenue using the modified accrual basis of accounting. Such revenue sources include collections received by the board for licenses prior to their effective license period as of the end of the fiscal year. The board issues licenses with a one year renewal period. License revenue is recognized ratably over the licenses period. License revenue received prior to year-end but not recognized during the year is "unearned" at year-end.

J. Use of Estimates

Financial statement preparation in conformity with U.S. generally accepted accounting principles requires management to make estimates/assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Investment in the State Treasurer General Fund Investment Pool

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

At June 30, 2016 the Board had the following invested in the General Fund Investment Pool:

	Maturity	Account Balance	Fair Value
Governmental Funds:			
Investment in the State General Fund Investment Pool, fund 46600	1 day	\$1,034,045	\$1,034,045

For additional GASB 40 disclosure information regarding the State Treasurer General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer’s Board for the fiscal year ended June 30, 2016.

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

Credit risk - The New Mexico State Treasurer pools are not rated. For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2016.

Investment in State Treasurer General Fund Investment Pool Not Reconciled

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

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

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

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

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

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

Update for Fiscal Year 2016: 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 to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the independent public accountants performing audits of the 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 \$100M that had been reserved as a loss contingency.

For FY 2016 the following assertions are provided:

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Notes to the Financial Statements
June 30, 2016**

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k 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 SGFIP;
3. All claims will be honored at face value.

The Board believes the impact of the cash reconciliation does not have a material impact on its financial statements since the main source of cash is the trade and license fees deposited which are reconciled to the general ledger and has properly recorded its expenditures. The effect of adjustments to the Board's financial statements, if any, from reconciliation of the General Fund Investment Pool cannot be determined.

4. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16	Due within One Year
Annual					
Leave	\$ 6,402	10,569	11,962	\$ 5,009	\$ 5,009

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

5. Net Position and Fund Balance

Restricted net position and restricted fund balance

During fiscal year 2016 the State of New Mexico approved a bill whereby \$648,100 of the Board's fund balance was transferred to the fiscal year 2017 appropriation account of the state general fund. For this reason the amount has been shown as restricted on the statement of net position and on the balance sheet.

Restatement of beginning Net Position and Fund Balance

During fiscal year 2016 management discovered that unearned revenues for fiscal year 2015 were understated by \$55,853. Accordingly, Net Position and Fund Balance have been restated to reflect the corrected amount. Annually, management of the Board calculates unearned revenue by fund using a number of factors. One of the factors used in the calculations are cash receipts from licenses. Cash received by the Board in fiscal year 2015 for certain renewed licenses were incorrectly coded within the general ledger and, as a result, the revenue was recognized immediately and not included in the unearned revenue calculation.

6. PERA Retirement 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, 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). 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.

7. Deferred Compensation

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

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

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

8. Post-Employment Benefits Other than Pensions (OPEB) – Retiree Health Care

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

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

employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

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 Board member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention Board member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes 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, 2015, 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 \$3,041 \$3,324 and \$2,894 respectively, which equal the required contributions for each year.

10. Risk Management and Litigation

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Risk management expenditures for the Board are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Board is a party.

11. Subsequent Events

The Board has evaluated subsequent events through November 29, 2016, which is the date the financial statements were available to be issued. See also Note 5.

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

Timothy Keller
New Mexico State Auditor
and
C. Jack Emmons, Chair
New Mexico Board of Accountancy

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 fund 46600 Board of Accountancy, a special revenue fund of the State of New Mexico Regulations and Licensing Department, and the budgetary comparison for that special revenue fund 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.

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. We consider the deficiency described as finding 2016-001 in the accompanying schedule of findings and responses to be a material weakness.

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 that were not identified.

Compliance and Other Matters

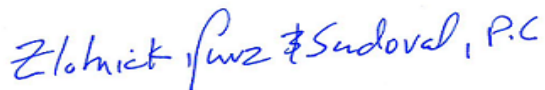
As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

The Board's Response to Findings

The Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Zlotnick, Laws & Sandoval, P.C.

November 29, 2016

2016-001 Unearned Revenue – Material Weakness

Condition: Unearned Revenue for the fiscal year ended June 30, 2015 was miscalculated and understated by \$55,853.

Criteria: The Board needs to strengthen controls over the calculation of unearned revenues to make sure that all amounts received during any fiscal year are included in the calculation.

Cause: Annually, management of the Board calculates unearned revenue by fund using a number of factors. One of the factors used in the calculation are cash receipts from licenses. Cash received by the Board in fiscal year 2015 for certain renewed licenses were incorrectly coded within the general ledger and, as a result, the revenue was recognized immediately and not included in unearned revenue calculation.

Effect: Revenue and unearned revenue amounts were misstated in the fiscal year ended June 30, 2015 audited financial statements making it necessary to restate the fund balance and net position.

Recommendation: The Board should bolster controls to include analytics such as comparing balances to the prior period to further evaluate the reasonableness of balances and to check for potential misstatements.

Management Response: For the Fiscal Year ended June 30, 2015 and prior, the Board of Accountancy has coded License Renewals into the general ledger as Registration for Trades & Professions. Starting in the Fiscal Year ended June 30, 2016 these License Renewals have been properly coded into the general ledger as Trade & Professions Licenses. Therefore, as a result, the revenue for Fiscal Year 2015 was recognized immediately and not included in the unearned revenue calculation. The Department restated its special revenue fund balance for the Board of Accountancy that was effected by this miscoding issue. This correction has now been made to correctly reflect a comparison of Fiscal Year 2015 to Fiscal Year 2016. The responsible party that made this correction is the Chief Financial Officer of the Department.

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Schedule of Findings and Responses
June 30, 2016**

Prior Year's Findings:

None

**STATE OF NEW MEXICO
BOARD OF ACCOUNTANCY**

**Schedule of Vendor Information
For purchases exceeding \$60,000 (excluding GRT)
For The Year Ended June 30, 2016**

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
N/A								

See Independent Auditor's Report

The contents of this report were discussed at an exit conference, a closed meeting, held November 29, 2016.

The Board of Accountancy was represented by:

C. Jack Emmons, CPA, Chair

Clayton Pelletier, CPA, CFO

Alex Sanchez, Deputy Supervisor, Regulation and Licensing Department

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

Asa Laws, CPA

Richard Sandoval, CPA

The financial statements were prepared by the auditors: Zlotnick, Laws & Sandoval, P.C. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Management has reviewed and approved the financial statements and notes to the financial statements.