



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD

Financial Statements
Year Ended June 30, 2013

(With Independent Auditors' Report Thereon)

STATE OF NEW MEXICO

NEW MEXICO MEDICAL BOARD

**Financial Statements
Year Ended June 30, 2013**

(With Independent Auditors' Report Thereon)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

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**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

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**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Official Roster
at June 30, 2013**

Board Members

Steven Weiner, M.D.	Chairman
Steve Jenkusky, M.D.	Vice-Chairman
Paul J. Kovnat, M.D.	Secretary-Treasurer
Roger Miller, M.D.	Member
Sam Kankanala, M.D.	Member
Steve Komadina, M.D.	Member
Albert Bourbon, P.A.-C	Member
Jennifer Anderson, Esq.	Public Member
Rick Wallace, FACHE	Public Member

Administrative Official

Lynn Hart

Executive Director

FINANCIAL SECTION



Macias, Gutierrez
& Co., P.C.

Certified Public Accountants
Member AICPA, NMSCPA

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Española, New Mexico 87532
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INDEPENDENT AUDITORS' REPORT

Steven Weiner, M.D., Chairman
New Mexico Medical Board
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison statement of the New Mexico Medical Board (Board), as of and for the year ended June 30, 2013, 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.

Auditors' Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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, respective financial position of the governmental activities and major fund of the New Mexico Medical Board as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, each major fund, and the budgetary comparison for the General Fund 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, 2013, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vii through ix 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013 on our consideration of the Board's internal control over financial reporting and 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.

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Española, New Mexico
November 18, 2013

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Management's Discussion and Analysis
(required supplementary information)
June 30, 2013**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of the following: government-wide financial statements, governmental funds statements, and reconciliations of the above mentioned statements.

Basic Financial Statements (Statement of Net Position and Statement of Activities)

Basic financial statements report information about the New Mexico Medical Board (Board) as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The basic financial statements report the Board's net position and how it has changed.

Fund Financial Statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance)

The fund financial statements provide more 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 operates principally on its own self-generated revenues (license and registration fees, penalties, and miscellaneous revenue) and a budget, which is approved by the State Legislature each year.

Analysis of Financial Position – Statement of Net Position

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Assets			
Current assets	\$ 2,291,787	\$ 2,051,156	\$ 240,631
Capital assets, net	-	-	-
Total assets	<u>2,291,787</u>	<u>2,051,156</u>	<u>240,631</u>
Liabilities			
Current liabilities	122,627	158,165	(35,538)
Long-term liabilities	11,995	17,520	(5,525)
Total liabilities	<u>134,622</u>	<u>175,685</u>	<u>(41,063)</u>
Net position			
Net investment in capital assets	-	-	-
Restricted	<u>2,157,165</u>	<u>1,875,471</u>	<u>281,694</u>
Total net position	<u>\$ 2,157,165</u>	<u>\$ 1,875,471</u>	<u>\$ 281,694</u>

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Management's Discussion and Analysis
(required supplementary information)
June 30, 2013**

Results of Operations – Statement of Activities

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Revenues	\$ 1,821,066	\$ 1,917,576	\$ (96,510)
Transfer in-Naprapathic Board	-	42,674	(42,674)
	<u>1,821,066</u>	<u>1,960,250</u>	<u>(139,184)</u>
Expenses			
Personal services/employee benefits	952,391	938,016	14,375
Contractual services	237,592	252,160	(14,568)
Other	349,389	284,993	64,396
Other financial uses	-	-	-
Depreciation	-	-	-
Total expenses	<u>1,539,372</u>	<u>1,475,169</u>	<u>64,203</u>
Change in net position	281,694	485,081	(203,387)
Net position, beginning	<u>1,875,471</u>	<u>1,390,390</u>	<u>485,081</u>
Net position, ending	<u>\$ 2,157,165</u>	<u>\$ 1,875,471</u>	<u>\$ 281,694</u>

In compliance with state law, the Board adopts an annual appropriated budget and the Board's original, final and expended budget is shown in the budgetary statement.

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

The changes in the Board's Financial Position (Statement of Net Position) and Operations (Statement of Activities) from the prior year is mainly due to revenue continuing to exceed expenses. Capital assets have a value of \$-0- with fully depreciated dispositions of \$11,701 in FY2013. Total assets increased by approximately 11.73% from \$2,051,156 to \$2,291,878.

Total net position increased by approximately 15.02% from \$1,875,471 to \$2,157,165. The increase in net position, \$281,694, shown on the Statement of Activities indicates that the Board is better-off than it was a year ago.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the Board. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA).

Over the course of the year, there were two amendments made to the budget. Actual expenditures were \$77,620 below final budget amounts which was a result of unspent budget in all appropriation units.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Management's Discussion and Analysis
(required supplementary information)
June 30, 2013**

Capital Assets

The Board's investment in capital assets is \$-0- (net of accumulated depreciation).

Long-term Debt

The Board has compensated absences totaling \$57,995 at June 30, 2013, of which \$46,000 (estimated) is considered current and \$11,995 (estimated) is considered long-term.

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

None

Request for Information

This financial report is designed to provide a general overview of the New Mexico Medical Board finances for all those interested in the Board's finances. If you have any questions about this report or need additional information please contact:

New Mexico Medical Board
2055 S. Pacheco St. Bldg. 400
Santa Fe, NM 87505
(505) 476-7220

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

Exhibit A

**Statement of Net Position
June 30, 2013**

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Interest in State General Fund Investment Pool (note 3)	\$ 2,288,237
Employee receivable	254
Prepaid expenses	<u>3,296</u>
Total current assets	2,291,787
Noncurrent assets:	
Capital assets, net of depreciation (note 4)	<u>-</u>
Total assets	<u>2,291,787</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	56,705
Accrued payroll	9,264
Payroll taxes payable	3,870
Payroll benefits payable	5,840
Other payroll liabilities	685
Due to other state agencies (note 6)	263
Compensated absences payable (note 5)	<u>46,000</u>
Total current liabilities	122,627
Long-term liabilities:	
Compensated absences payable (note 5)	<u>11,995</u>
Total liabilities	<u>134,622</u>
<u>Net Position</u>	
Net investment in capital assets	-
Restricted for Medical Board fund expenses	<u>2,157,165</u>
Total net position	<u><u>\$ 2,157,165</u></u>

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

STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD

Exhibit B

Statement of Activities
Year Ended June 30, 2013

	<u>Governmental Activities</u>
Expenses:	
General government:	
Current:	
Personal services and employee benefits	\$ 952,391
Contractual services	237,592
Other	349,389
Depreciation expense	<u>-</u>
Total expenses	1,539,372
Program revenues:	
Charges for services	<u>1,729,925</u>
Net program expense	<u>190,553</u>
General revenues:	
Miscellaneous	53,946
Penalties	<u>37,195</u>
Total general revenues	<u>91,141</u>
Change in net position	281,694
Net position, beginning	<u>1,875,471</u>
Net position, ending	<u><u>\$ 2,157,165</u></u>

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

STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD

Exhibit C

Balance Sheet - Governmental Funds
June 30, 2013

	<u>General Fund</u>
<u>Assets</u>	
Interest in State General Fund Investment Pool (note 3)	\$ 2,288,237
Employee receivable	254
Prepaid expenses	<u>3,296</u>
Total assets	<u><u>\$ 2,291,787</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 56,705
Accrued payroll	9,264
Payroll taxes payable	3,870
Payroll benefits payable	5,840
Other payroll liabilities	685
Due to other state agencies (note 6)	<u>263</u>
Total liabilities	<u>76,627</u>
Fund Balances:	
Fund balances (note 7):	
Nonspendable:	
Prepaid expenses	3,296
Restricted for Medical Board fund expenses	<u>2,211,864</u>
Total fund balance	<u>2,215,160</u>
Total liabilities and fund balance	<u><u>\$ 2,291,787</u></u>

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013**

Total fund balance-Governmental funds \$ 2,215,160

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not
current financial resources and, therefore, are not
reported in the Governmental Funds Balance Sheet.

These assets consist of:

Machinery and equipment	\$ 2,149	
Furniture and fixtures	36,349	
Data processing equipment	111,887	
Accumulated depreciation	<u>(150,385)</u>	-

Some liabilities are not due and payable in the current
period and, therefore, are not reported in the Governmental
Funds Balance Sheet.

These liabilities consist of:

Compensated absences	<u>(57,995)</u>
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Net position of governmental activities	<u><u>\$ 2,157,165</u></u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD

Exhibit D

Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2013

	<u>General Fund</u>
Revenues:	
Licenses and fees	\$ 240,400
Registration fees	1,147,375
Other fees	342,150
Other penalties	37,195
Other	53,946
	<hr/>
Total revenues	1,821,066
	<hr/>
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	955,916
Contractual services	237,592
Other	349,389
Capital outlay	-
	<hr/>
Total expenditures	1,542,897
	<hr/>
Net change in fund balance	278,169
Fund balance, beginning	1,936,991
	<hr/>
Fund balance, ending	<u>\$ 2,215,160</u>

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Government-Wide Statement of Activities
Year Ended June 30, 2013**

Net change in fund balance-Governmental Funds \$ 278,169

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

Capital outlays are reported as expenditures in
governmental funds. However, in the Statement of
Activities, the cost of capital assets is allocated over
their estimated useful lives as depreciation expense.

In the current period, these amounts are:

Depreciation expense	-
Capital outlay	-

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:

Decrease in compensated absences	<u>3,525</u>
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Change in net position of governmental activities	<u><u>\$ 281,694</u></u>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

Exhibit E

**Statement of Revenues and Expenditures
GAAP Basis and Actual
Year Ended June 30, 2013**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	
Revenues:				
Licenses and fees	\$ 164,900	\$ 164,900	\$ 240,400	\$ 75,500
Registration fees	1,063,200	1,063,200	1,147,375	84,175
Other penalties	10,000	10,000	37,195	27,195
Other fees	328,800	328,800	342,150	13,350
Other-miscellaneous	53,900	53,900	53,946	46
Total revenues	1,620,800	1,620,800	\$ 1,821,066	\$ 200,266
Prior-year funds re-budgeted	-	-		
	<u>\$ 1,620,800</u>	<u>\$ 1,620,800</u>		
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ 1,044,800	\$ 998,800	\$ 955,916	\$ 42,884
Contractual services	288,300	258,300	237,592	20,708
Other	287,700	363,700	349,672	14,028
Other financing uses	-	-	-	-
Total expenditures	\$ 1,620,800	\$ 1,620,800	1,543,180	\$ 77,620
Increase in prepaid expenses			(283)	
Total expenditures, Exhibit D			<u>\$ 1,542,897</u>	

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

1. History and Organization

The State of New Mexico - New Mexico Medical Board (Board) was created under Laws of 1923, Chapter 44, New Mexico Statutes Annotated. The Board is responsible for enforcing and administering the provisions of the Medical Practice Act (Chapter 61, Article 6) NMSA 1978, the Physician Assistant Act (61-6-7), the Anesthesiologist Assistants Act (61-6-10.1), the Genetic Counseling Act (61-6A-1), the Polysomnography Practice Act (61-6B-1), the Impaired Physicians Act (61-7-1) and the Naprapathic Practice Act (61-12F-1).

The Board has the power to issue licenses to qualified physicians, to register qualified physician assistants, to discipline incompetent or unprofessional physicians or physician assistants and to aid in the rehabilitation of impaired physicians and physician assistants for the purpose of protecting the public. The Board is comprised of nine persons appointed by the Governor with the advice and consent of the Senate, to staggered terms of four years.

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 GASB periodically updates 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. Financial Reporting Entity

The Board, a nine-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to professional engineers and surveyors. The Board is a department of the primary government, the State of New Mexico. These financial statements present the financial position and results of operation of only the Statewide Human Resources Accounting and Management Reporting System (SHARE) fund for which the Board oversight responsibility. Even though board members are appointed by the governor, they have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. Included within the reporting entity is the Board as described above. There are no component units. Other Executive Branch entities of government are excluded because they are established separately by statutes.

B. Basic Financial Statements – GASB Statement No. 34

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. The Board has only governmental type activities. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

2. Summary of Significant Accounting Policies (cont'd)

B. Basic Financial Statements – GASB Statement No. 34 (cont'd)

In the government-wide Statement of Net Position, the governmental column reflects an accrual basis of accounting, economic measurement focus resources basis, which incorporates long-term assets as well as long-term debt and 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*.

Due to the implementation of GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2013, the Board reclassified “net assets” in the financial statements as “net position.” In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board did not have any items that qualified for reporting in this category at June 30, 2013. In addition to liabilities, the statement of financial position will sometimes report 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 and so will not be recognized as an inflow of resources (revenue) until that time. The Board did not have any items that were required to be reported in this category at June 30, 2013.

During FY13, the Board also implemented GASBS 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS 62 incorporates any old FASB statements that apply to government accounting into GASB statements. Therefore, the old policy disclosure is no longer necessary, regarding what FASB pronouncements apply, or do not apply, to the Board's financial statements.

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 (including depreciation) 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, registration and other fees. General revenues (penalties and miscellaneous) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity. This government-wide focus is more on the sustainability of the Board as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

2. Summary of Significant Accounting Policies (cont'd)

B. Basic Financial Statements – GASB Statement No. 34 (cont'd)

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.

Net position is restricted when constraints placed on it 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. When both restricted and unrestricted resources are available or use, generally it is the Board's policy to use restricted resources first, then unrestricted resources, as they are needed.

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 balances, 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. The reporting model, 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 measurement (in the fund 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 Fund types of the Board.

General Fund (SHARE Fund #446-071 – Nonreverting – Section 61-6-31 E) – The General 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.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

2. Summary of Significant Accounting Policies (cont'd)

C. Basis of Presentation – Fund Accounting

The General Fund is funded primarily through license and registration fees, penalties and miscellaneous revenue.

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 the accrual basis of accounting. The governmental funds in the fund financial statements are presented on the 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.

The Board operates under a staggered triennial license renewal policy. 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 a 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 the State of New Mexico Department of Finance and Administration 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 Department of Finance and Administration’s Budget Division (DFA) and to the Legislative Finance Committee (LFC).

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

2. Summary of Significant Accounting Policies (cont'd)

E. Budgets and Budgetary Accounting

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, 2013 was not amended but would have been allowed in a legally permissible manner by appropriating prior-year cash balances and increasing appropriation units as the need arose 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 30th 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 General Appropriation Act, Laws of 2012, 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. For the fiscal year ended June 30, 2013, the Board had no such payables. Therefore, there are no differences between the budget basis and fund financial statements for payables out of next year's budget. 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. Interest in State General Fund Investment Pool

The Board has defined cash and cash equivalents to include the Interest in State General Fund Investment Pool with the State Treasurer.

G. Receivables

Receivables consist of amounts due from employees for under withheld RHC contributions. No allowance for doubtful accounts is established since all amounts are expected to be collected in the subsequent fiscal year.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

2. Summary of Significant Accounting Policies (cont'd)

H. Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Before the 2005 legislative session, only items costing more than \$1,000 were capitalized.

Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. Computer software which is purchased with data processing computer equipment is included as part of the capitalized data processing computer equipment in accordance with 2.20.1.9 C (5). Other software purchased is capitalized and depreciated separately.

The major classifications of capital assets and their related depreciable lives are as follows:

Data processing (including software)	5 years
Machinery and equipment	6 years
Furniture and fixtures	7 years

I. 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. In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

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 2014 and is an estimate management determined by fiscal year 2013 usage. Based on this estimate, for the year ended June 30, 2013, there is a current portion (\$46,000) of the compensated absences liability and a long-term portion (\$11,995).

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

2. Summary of Significant Accounting Policies (cont'd)

J. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets (net of related debt, if applicable), restricted and unrestricted.

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

Restricted net position – is net position (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on its use.

Unrestricted net position – is net position that does not have third-party (statutory, bond covenant or granting agency) limitations on its use.

K. Use of Estimates

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

3. Interest in State General Fund Investment Pool

Interest in State General Fund Investment Pool of the Board at June 30, 2013:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Agency Number</u>	<u>Fund #</u>	<u>Account Balance and Financial Statement Balance</u>
State Treasurer	NM Medical Board	446	071	\$ 2,288,237

All funds are on deposit with the State Treasurer in the State General Fund Investment Pool (SGFIP). In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the State Treasurer's Office (STO). The STO issues separate financial statements that disclose the collateral pledged to secure these deposits. The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978 as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

3. Interest in State General Fund Investment Pool (cont'd)

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee **contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits**, but in all cases, settlement shall be on the a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars.
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
 - (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.;
 - (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
 - (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service.
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

3. Interest in State General Fund Investment Pool (cont'd)

- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

For additional disclosure information regarding the investment in the State Treasurer's GFIP, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2013, review the State Treasurer's Investment Policy at <http://www.stonm.org/ReportsandPolicies/Policies>, and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

4. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	<u>Balance 7/1/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/13</u>
Machinery and equipment	\$ 13,850	\$ -	\$ (11,701)	\$ 2,149
Accumulated depreciation	(13,850)	-	11,701	(2,149)
Data processing equipment	111,888	-	-	111,888
Accumulated depreciation	(111,888)	-	-	(111,888)
Furniture and fixtures	36,349	-	-	36,349
Accumulated depreciation	(36,349)	-	-	(36,349)
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

There is no debt related to capital assets. There was no depreciation expense for the year.

5. Changes in Long-Term Debt

A summary of changes in long-term debt is as follows:

	<u>Balance 7/1/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/13</u>	<u>Amount Due Within One Year</u>
Compensated Absences Payable	<u>\$ 61,520</u>	<u>\$ 45,917</u>	<u>\$ (49,442)</u>	<u>\$ 57,995</u>	<u>\$ 46,000</u>

The Board's general fund is used to pay compensated absences. The long-term portion of compensated absences payable is \$11,995.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

6. Due to Other State Agencies

Due to other state agencies in the amount of \$263 results from an intergovernmental professional services agreement between the Board and the New Mexico Department of Public Safety (NMDPS).

Sections 16.10.9.8 and 16.10.9.9 NMAC authorizes the Board to assess nationwide and statewide criminal history screening (fingerprinting) fees for physicians and physician assistants. Under the agreement, the Board collects such fees and gross receipts taxes and is required to submit them to the NMDPS and Taxation and Revenue Department.

7. Fund Balances

The GASB issued Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned).

Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

Currently, the Board has nonspendable fund balance for prepaid expenses in the amount of \$3,296 and restricted for Medical Board fund expenses of \$2,211,864.

8. Operating Leases

During FY 2005, the Board entered into a ten-year agreement for lease of office and parking space, with a monthly payment of \$9,167. The term of the lease is from November 1, 2004 to October 31, 2014. There are two five year option periods available for renewal. The escalation rate is 2%. For FY13, the monthly rate started at \$10,530 and increased to \$10,740. The Board also leased two copiers at \$550 per month and a postage meter at \$888 per year. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2014	\$ 134,921
2015	46,774
2016	2,954
2017	2,708
	<u>\$ 187,357</u>

Total lease expenditures for the year ended June 30, 2013 amounted to \$133,685.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

9. PERA Pension Plan

Plan Description. Substantially all of the New Mexico Medical Board's full time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees' Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute from 3.83% to 16.65%, depending on the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer, of their gross salary. The New Mexico Medical Board is required to contribute from 7.0% to 25.72%, depending on the plan, of the gross covered salary. The contribution requirements of plan members and the New Mexico Medical Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ended June 30, 2013, 2012 and 2011 were \$95,326, \$83,427 and \$89,225, respectively, equal to the amount of the required contributions for each fiscal year.

10. Post-Employment Benefits

Plan Description. The New Mexico Medical Board contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RCHA). The RCHA 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 RCHA 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 RCHA plan on the person's behalf, unless that person retires before the employer's NMRHCA 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 RCHA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87107.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

10. Post-Employment Benefits (cont'd)

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 medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the state required each participating employer to contribute 2.5% of each participating employees 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, 2013, 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 New Mexico Medical Board's contributions to the RCHA for the fiscal years ended June 30, 2013, 2012 and 2011 were \$12,642, \$11,412 and \$9,795, respectively, which equal the required contributions for each fiscal year.

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 General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Board are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Board is a party.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

12. Statewide Cash Reconciliation Issue

The cash to bank reconciliation for the State of New Mexico is performed at the statewide level by the Office of the State Treasurer and the Department of Finance and Administration (DFA). A report titled *Current State Diagnostic of Cash Control* prepared by Deloitte Consulting, LLP, dated June 20, 2012, stated on page 2 that “As of June, 2012, the SHARE book to bank reconciliation contains a significant number of un-reconciled items. Reconciling items are where a SHARE system transaction (general ledger (GL) journal entry) may or may not have a corresponding bank transaction or a bank transaction may or may not have a corresponding SHARE transaction. According to information gathered during the preparation of this report, there are 32 categories of reconciling items ranging in size from less than \$1,000,000 to over \$6,000,000,000 with an absolute value total in excess of \$32,500,000,000 for the periods of FY 2007 through FY 2011. The count of individual reconciling items exceeds 1,400,000 transactions between FY 2010 and FY2011. A transaction count is not available for FY2007 through FY2009. Reconciling items also include warrants that have been issued but have not cleared the bank.

A related updated report titled *Cash Management Plan and Business Processes* dated October 11, 2012, also prepared by Deloitte Consulting, LLP, states on page 30 that “The main premise (Premise) of the PeopleSoft Treasury reconciliation functionality is that all system transactions have an accounting entry on the general ledger and each bank transaction reconciles to a system transaction. Designing the processes to follow the Premise of the system will virtually eliminate the need for manual entries to cash directly on the GL.” This report identified three areas that the Department uses report-identified business processes: deposit processing (page 48); disbursement processing (page 54); and other bank activity processing (manual SHARE GL Journal) and ability to record pre and/or post bank activity.

The Department of Finance Administration (DFA), in partnership with the New Mexico State Treasurer’s Office, the New Mexico Department of Information Technology and a contracted third party PeopleSoft Treasury expert, conducted a Cash Management Remediation Project (Remediation Project) with a goal of achieving “a point forward” reconciliation of cash, in February 2013. A DFA representative verbally indicated to the Office that the SHARE cash reconciliation process from February 2013 forward, is working for agencies like the Office that issue warrants through DFA. As of June 30, 2013, the old unreconciled items that occurred from July 1, 2006 through February 2013, remain unreconciled.

On March 15, 2013, the third party PeopleSoft Treasury expert provided DFA with an additional report titled “Approach to the Historical Reconciliation of Bank Transactions.” This report describes three possible approaches to addressing the remaining reconciliation issue: (1) adjust balances only; (2) fully reconcile only the differences created from 2010 through the present that were created while Wells Fargo was the fiscal agent; or (3) fully reconcile the differences created: from 2002 through 2006 while Wells Fargo was the fiscal agent, from 2006 through 2010 while Bank of America was the fiscal agent and from 2010 through the present while Wells Fargo was again the fiscal agent. DFA is currently requesting a 3.2 million dollar supplemental appropriation to address the remaining reconciliation issues.

The Board has developed the following internal control procedures to monitor the monthly change in the New Mexico Medical Board’s Investment in General Fund Investment Pool account related to each of these areas of risk noted in the report referenced above: deposits;

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Notes to Financial Statements
June 30, 2013**

12. Statewide Cash Reconciliation Issue (cont'd)

disbursements; and journal entries posted to the investment in General Fund Investment Pool accounts in SHARE. These internal control procedures have been in effect for the most part since the conversion to SHARE in FY07. The CFO inputs into an Excel spreadsheet all monthly changes in every account from the SHARE A611 trial balance report, and then the CFO ties the changes in these various account balances back to the monthly change in the New Mexico Medical Board's Investment in General Fund Investment Pool account. In addition, the monthly deposits per the general ledger are tied back to the original deposit documentation. The changes in the payroll liabilities that are posted to the New Mexico Medical Board's general ledger by DFA are scheduled out on an Excel spreadsheet by the CFO for the entire year, and reviewed for consistency and reasonableness. Expenditures recorded for each month, and the related change in the accounts payable balances are included in the overall reconciliation back to the monthly change in the New Mexico Medical Board's Investment in General Fund Investment Pool account. The CFO reviews the posting of all journal entries to ensure that the resulting effect on Investment in General Fund Investment Pool and other accounts is the intended result. These processes that have been put into place by the New Mexico Medical Board are the reasons that risk of misstatement of the New Mexico Medical Board's Investment in General Fund Investment Pool accounts has been mitigated to a low level of risk, even though there are significant problems with the statewide cash reconciliation process.

However, pursuant to Section 6-5-2.1(J) NMSA 1978, the DFA is the agency responsible for the reconciliation.



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INDEPENDENT AUDITORS' 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 Auditors' Report

Steven Weiner, M.D., Chairman
New Mexico Medical Board
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, 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, the financial statements of the governmental activities, the major fund and the budgetary comparison of the general fund, of the New Mexico Medical Board (Board) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 18, 2013.

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

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.

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Espanola, New Mexico
November 18, 2013

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Schedule of Findings and Responses
June 30, 2013**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
None	N/A	N/A	N/A
Follow-up on Prior Year Findings:			
None	N/A	N/A	N/A

*** Legend for Current Year Findings:**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters involving Internal Control Over Financial Reporting
- D. Material Instance of Noncompliance
- E. Immaterial Instance of Noncompliance

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**

**Exit Conference
June 30, 2013**

Financial Statement Preparation

The financial statements and notes to the financial statements were prepared by the independent certified public accountants performing the audit. 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 and that the records are current and in balance. Management has reviewed and approved the financial statements and notes to the financial statements.

* * * * *

EXIT CONFERENCE

The financial statements and the auditors' reports were discussed at an exit conference held on November 25, 2013 with the following in attendance:

New Mexico Medical Board

Steven Weiner, MD, Board Chairman
Lynn S. Hart, Executive Director
Gayle Mascarenas, Deputy Director, CFO/HR Manager

Audit Firm

James R. (Jim) Macias, CPA