

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

**Financial Statements
Year Ended June 30, 2016**

(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
 NEW MEXICO MEDICAL BOARD
 June 30, 2016

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NEW MEXICO MEDICAL BOARD
June 30, 2016

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**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
June 30, 2016**

Official Roster

<u>Name</u>	<u>Title</u>
Steven M. Jenkusky, M.D.....	Chair
Albert Bourbon, PA-C.....	Vice-Chair
Jennifer Anderson, Esq.	Secretary/Treasurer
Steve Komadina, M.D.	Physician Member
Peter Beaudette, M.D.	Physician Member
James Spence, M.D.	Physician Member
Karen Carson, M.D.	Physician Member
Phillip Styka, M.D.	Physician Member
Vacant.....	Public Member
Sondra Frank.....	Executive Director

FINANCIAL SECTION

Robert J. Rivera, CPA, PC

Certified Public Accountants

6 Calle Medico, Suite 4

Santa Fe, New Mexico 87505-4761

(505) 983-6002

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INDEPENDENT AUDITORS' REPORT

Steven Jenkusky, M.D., Chairman
New Mexico Medical Board
and
Honorable Timothy Keller
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, 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.

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, 2016, 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, 2016, 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 viii through x 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

Our audit was conducted for the purpose of expressing opinions on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Vendor Information for Purchases Exceeding \$60,000, required by 2.2.2 NMAC, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated October 7, 2016 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.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 7, 2016

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Management's Discussion and Analysis
June 30, 2016**

The New Mexico Medical Board's Management's Discussion and Analysis (MD&A) is designed to provide an overview of the Medical Board's activities and programs for the fiscal year ended June 30, 2016.

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

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

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 2016</u>	<u>FY 2015</u>	<u>Change</u>
Assets			
Current Assets	\$ 1,538,559	\$ 3,185,000	\$ (1,646,441)
Capital assets, net	-	-	-
Total assets	<u>1,538,559</u>	<u>3,185,000</u>	<u>(1,646,441)</u>
Liabilities			
Current Liabilities	113,065	133,663	(20,598)
Long-term liabilities	13,803	-	13,803
Total liabilities	<u>126,868</u>	<u>133,663</u>	<u>(6,795)</u>
Net Position			
Net investment in capital assets	-	-	-
Restricted	<u>1,411,691</u>	<u>3,051,337</u>	<u>(1,639,646)</u>
Total net position	<u>\$ 1,411,691</u>	<u>\$ 3,051,337</u>	<u>\$ (1,639,646)</u>

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Management's Discussion and Analysis
June 30, 2016**

Results of Operations – Statement of Activities

	<u>FY 2016</u>	<u>FY 2015</u>	<u>Change</u>
Revenues			
Charges for Services	\$ 1,913,075	\$ 1,968,350	\$ (55,275)
Others	127,884	103,432	24,452
	<u>2,040,959</u>	<u>2,071,782</u>	<u>(30,823)</u>
Expenses			
Personal services/employee benefits	995,012	984,845	10,167
Contractual services	289,450	256,393	33,057
Other	396,143	350,057	46,086
Other financial uses	2,000,000	-	2,000,000
Depreciation	-	-	-
Total expenses	<u>3,680,605</u>	<u>1,591,295</u>	<u>2,089,310</u>
Change in net position	(1,639,646)	480,487	(2,120,133)
Net position, beginning	<u>3,051,337</u>	<u>2,570,850</u>	<u>480,487</u>
Net position, ending	<u>\$ 1,411,691</u>	<u>\$ 3,051,337</u>	<u>\$ (1,639,646)</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- in FY2016. Total assets decreased by approximately 48.31% from \$3,185,000 to \$1,538,559.

Total net position decreased by approximately 53.73% from \$3,051,337 to \$1,411,691. The decrease in net position, \$1,639,646, shown on the Statement of Activities is primarily the result of \$2,000,000 of transfers out to the State General Operating Reserve for \$1,000,000, and \$1,000,000 to the University of New Mexico for capital projects. Both transfers were mandated by the state legislature from available fund balances of the Board.

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 three amendments (all within appropriation units-no increases) made to the budget. Actual expenditures were \$167,560 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
June 30, 2016**

Capital Assets

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

Long-term Debt

The Board has compensated absences payable for annual and sick leave payable to the Board's employees totaling \$45,956 at June 30, 2016, of which \$32,153 (estimated) is considered current and \$13,803 is considered long-term.

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

Senate Bill 2 from the Laws of 2016, 2nd Special Session, Section 3, provided that five hundred thousand dollars (\$500,000) is to be transferred from the New Mexico Medical Board fund to the State of New Mexico's General Fund Operating Reserve in fiscal year 2017. The actual transfer of funds was made on November 15, 2016.

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:

Sondra Frank, Executive Director
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
Statement of Net Position
June 30, 2016**

	<u>Governmental Activities</u>
Assets	
Current assets:	
Interest in State General Fund Investment Pool (note 3)	\$ 1,534,410
Employee receivable	254
Prepaid expenses	<u>3,895</u>
Total current assets	1,538,559
Noncurrent assets:	
Capital assets, net of depreciation (note 4)	<u>-</u>
Total assets	<u>1,538,559</u>
Liabilities	
Current liabilities:	
Accounts payable	47,486
Accrued payroll	15,582
Payroll taxes payable	5,957
Payroll benefits payable	10,662
Other payroll liabilities	685
NM gross receipts taxes payable (note 6)	540
Compensated absences payable (note 5)	<u>32,153</u>
Total current liabilities	113,065
Long-term liabilities:	
Compensated absences payable (note 5)	<u>13,803</u>
Total liabilities	<u>126,868</u>
Net Position	
Net investment in capital assets	-
Restricted for Medical Board fund expenses	<u>1,411,691</u>
Total net position	<u>\$ 1,411,691</u>

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Statement of Activities
June 30, 2016**

	<u>Governmental Activities</u>
Expenses:	
General government:	
Current:	
Personal services and employee benefits	\$ 995,012
Contractual services	289,450
Other	396,143
Depreciation expense	-
Total expenses	<u>1,680,605</u>
Program revenues:	
Charges for services	<u>1,913,075</u>
Net program expense	<u>232,470</u>
General revenues and transfers:	
Miscellaneous	86,359
Penalties	<u>41,525</u>
Total general revenues	<u>127,884</u>
Transfers:	
Transfers to State General Fund Operating Revenue (note 13)	(1,000,000)
Transfers to other governments-higher education institution (note 13)	<u>(1,000,000)</u>
Total transfers	<u>(2,000,000)</u>
Net general revenues and transfers	<u>(1,872,116)</u>
Change in net position	(1,639,646)
Net position, beginning	<u>3,051,337</u>
Net position, ending	<u>\$ 1,411,691</u>

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Balance Sheet - Governmental Funds
June 30, 2016**

	General Fund (SHARE 07100)
Assets	
Interest in State General Fund Investment Pool (note 3)	\$ 1,534,410
Employee receivable	254
Prepaid expenses	<u>3,895</u>
Total assets	<u>\$ 1,538,559</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 47,486
Accrued payroll	15,582
Payroll taxes payable	5,957
Payroll benefits payable	10,662
Other payroll liabilities	685
NM gross receipts taxes payable (note 6)	<u>540</u>
Total liabilities	<u>80,912</u>
Fund Balances:	
Fund balances (note 7):	
Nonspendable:	
Prepaid expenses	3,895
Committed to:	
Fiscal Year 2017 Budget	100,000
Restricted for Medical Board fund expenses	<u>1,353,752</u>
Total fund balance	<u>1,457,647</u>
Total liabilities and fund balance	<u>\$ 1,538,559</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, 2016**

Total fund balance-Governmental funds \$ 1,457,647

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	\$ -	
Furniture and fixtures	-	
Data processing equipment	-	
Accumulated depreciation	-	-

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		(45,956)
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Net position of governmental activities **\$ 1,411,691**

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

STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year Ended June 30, 2016

Exhibit E

	General Fund <u>(SHARE 07100)</u>
Revenues:	
Licenses and fees	\$ 295,475
Registration fees	1,249,200
Other fees	368,400
Other penalties	41,525
Other	63,182
Miscellaneous	<u>23,177</u>
Total revenues	<u>2,040,959</u>
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	991,494
Contractual services	289,450
Other	396,143
Capital outlay	<u>-</u>
Total expenditures	<u>1,677,087</u>
Excess (deficiency) of revenues over expenditures	<u>363,872</u>
Other financing sources (uses):	
Other financing uses (note 13)	<u>(2,000,000)</u>
Total other financing sources (uses)	<u>(2,000,000)</u>
Net change in fund balance	(1,636,128)
Fund balance, beginning	<u>3,093,775</u>
Fund balance, ending	<u>\$ 1,457,647</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, 2016**

Exhibit F

Net change in fund balance-Governmental Funds \$ (1,636,128)

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:

Increase in compensated absences	(3,518)
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Change in net position of governmental activities \$ (1,639,646)

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD**
Statement of Revenues and Expenditures Budget and Actual (Budget Basis)
General Fund
Year Ended June 30, 2016

	<u>Original Approved Budget</u>	<u>Final Approved Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Licenses and fees	\$ 207,700	\$ 207,700	\$ 295,475	\$ 87,775
Registration fees	1,140,800	1,140,800	1,249,200	108,400
Other penalties	40,000	40,000	41,525	1,525
Other fees	336,000	336,000	368,400	32,400
Other	50,000	50,000	63,182	13,182
Miscellaneous	-	-	23,177	23,177
Total revenues	1,774,500	1,774,500	\$ 2,040,959	\$ 266,459
Prior-year cash budgeted	<u>2,070,000</u>	<u>2,070,000</u>		
Total Budgeted Revenue	\$ 3,844,500	\$ 3,844,500		
Expenditures:				
General government:				
Current:				
Personnel services and employee benefits	\$ 1,224,600	\$ 1,074,200	\$ 991,494	\$ 82,706
Contractual services	245,000	333,500	289,450	44,050
Other	374,900	436,800	395,996	40,804
Other financing uses	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total expenditures	\$ 3,844,500	\$ 3,844,500	\$ 3,676,940	\$ 167,560
Reconciliation of Budgetary Basis to GAAP Basis:			<u>Revenue</u>	<u>Expenditures</u>
Budgetary Basis			\$ 2,040,959	\$ 3,676,940
Decrease in prepaid postage			<u>-</u>	<u>147</u>
GAAP Basis (Exhibit E)			\$ 2,040,959	\$ 3,677,087

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, 2016**

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 medical profession licensing and discipline as described above. 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 has 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. The Board is a user organization of SHARE-AGENCY 44600. The service organization is the Department of Finance and Administration (DFA).

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

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

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

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

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, 2016. 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, 2016.

Also, due to the implementation of GASBS 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year 2014, the Board will reclassify “deferred revenue” in the financial statements as “deferred inflows of resources”, when required.

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, 2016**

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

During fiscal year 2016, the Board adopted the following GASB statements:

GASBS 72, Fair Value Measurement and Application. The Statement is to provide guidance for determining a fair value measurement for financial reporting purposes, and for applying fair value to certain investments and disclosures related to all fair value measurements. This statement will not have a material impact on the Board's financial statements.

GASBS 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Statement will not have a material impact on the Board's financial statements.

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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

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

C. Basis of Presentation – Fund Accounting (cont'd)

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 #07100 – 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.

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.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

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

E. Budgets and Budgetary Accounting (cont'd)

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).
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 amended in a legally permissible manner by increasing and decreasing appropriation units in similar amounts 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 2015, 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, 2016, 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.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

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

E. Budgets and Budgetary Accounting (cont'd)

In accordance with the requirements of Section 2.2.2.10, A(2)(b)(iii) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies*, effective March 15, 2016, 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 and are immaterial to the financial statements.

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 Position 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.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

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

I. Accrued Compensated Absences (cont'd)

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 2017 and is an estimate management determined by fiscal year 2016 usage. Based on this estimate, for the year ended June 30, 2016, there is a current portion (\$32,153) of the compensated absences liability and (\$13,803) of long-term portion.

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.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

3. Interest in State General Fund Investment Pool

Interest in State General Fund Investment Pool of the Board at June 30, 2016:

Name of Depository	Account Name	Agency Number	Fund #	Account Balance and Financial Statement Balance
State Treasurer	NM Medical Board	44600	07100	\$1,534,410

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:

- (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 or 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.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

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

- (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
- (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, 2016, review the State Treasurer's Investment Policy at http://www.nmsto.gov/investment_policy, 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.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

4. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	Balance 7/1/2015	Additions	Retirements	Balance 6/30/2016
Machinery and equipment	\$ 2,149	\$ -	\$ -	\$ 2,149
Accumulated depreciation	(2,149)	-	-	(2,149)
Data processing equipment	111,887	-	-	111,887
Accumulated depreciation	(111,887)	-	-	(111,887)
Furniture and fixtures	36,349	-	-	36,349
Accumulated depreciation	(36,349)	-	-	(36,349)
Totals	\$ -	\$ -	\$ -	\$ -

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:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amount Due One Year
Compensated Absences Payable	\$ 42,438	\$ 13,803	\$ (10,285)	\$ 45,956	\$ 32,153

The Board's general fund is used to pay compensated absences.

6. NM Gross Receipts Taxes Payable

Gross receipts taxes payable in the amount of \$540, are gross receipts taxes due to the Taxation and Revenue Department-Combined Reporting System-Tax Administration Account (Fund #832). This is resulting from the sale of data disks for \$100 including \$5 of gross receipts taxes paid to the Taxation and Revenue Department semiannually. This balance is for amounts collected from January to June 2016.

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 Branch's intent to be used for specific purposes or in some cases by legislation.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

7. Fund Balances (cont'd)

Currently, the Board has nonspendable fund balance for prepaid expenses in the amount of \$3,895, committed fund balance of \$100,000 to balance the FY 2017 budget and restricted for Medical Board fund expenses of \$1,353,752.

8. Operating Leases

During FY 2014, the Board agreed to increase an existing ten-year lease into a twenty-year lease for office and parking space, with a monthly payment beginning at \$12,511. The lease amendment included substantial additional office square footage.

The terms of the lease are from November 1, 2004 to October 31, 2024. For FY16, the monthly rate started at \$12,681 and increased to \$12,857. The Board also leased two copiers at \$246 and \$262 per month and a postage meter at \$1,829 per year. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2017	\$ 167,746
2018	157,947
2019	160,229
2020	162,579
2021	165,000
Thereafter	<u>568,128</u>
	<u>\$ 1,381,629</u>

Total lease expenditures for the year ended June 30, 2016 amounted to \$162,177.

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 8.92% (ranges from 6.28% to 18.15% depending upon the plan, i.e., state general, municipal police, municipal fire, municipal detention office) of their gross salary. The Board is required to contribute to 99% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

9. **PERA Pension Plan** (cont'd)

Funding Policy (cont'd)

PERA for the fiscal years ending June 30, 2016, 2015, and 2014 were \$106,813, \$103,723, and \$109,739, respectively, which equal the amount of the required contributions for each fiscal year.

Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico implemented the standard starting in fiscal year ending June 30, 2015.

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 government 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, for the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

9. **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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

10. Post-Employment Benefits (cont'd)

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.

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, 2016, 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, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act. The New Mexico Medical Board's contributions to the RCHA for the fiscal years ended June 30, 2016, 2015 and 2014 were \$12,574, \$12,215 and \$13,253, 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

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

11. Risk Management and Litigation (cont'd)

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.

12. State General Fund Investment Pool- Statewide Cash Reconciliation

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP), 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.

As communicated by the DFA in prior letters and memoranda, recorded agency claims against the State General Fund Investment Pool and fiduciary resources held at the State Treasurer's Office to fulfill those claims were not reconciled from the inception of SHARE, July 2006, through January 2013. A late 2014 effort to reconcile transactions which occurred during this period, also referred to as the Historical Cash Reconciliation Project, was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive and therefore not meriting additional energy.

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress has been made in the overall reconciliation process and the Financial Control Division (FCD) now has an operational model that effectively compares statewide claims against the SGFIP and resources held at the State Treasurer's Office. This process has been operational since March 2015.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance and Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the STO, the NM Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project 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. As of June 30, 2016, the FCD in collaboration with the STO implemented a comprehensive reconciliation model that compared aggregated agency claims on the Pool and to the associated resources held by the STO. This process now has been reviewed by the independent public accountants performing audits of the State General Fund, the DFA, and the State of New Mexico's Comprehensive Annual Financial Report for the fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to cash reconciliations were significantly reduced or eliminated.

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; disbursements; and journal entries posted to the investment in General Fund Investment Pool

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Notes to Financial Statements
June 30, 2016**

12. State General Fund Investment Pool- Statewide Cash Reconciliation (cont'd)

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.

13. Other Financing Uses – Transfers to Other

Senate Bill 1 from the Laws of 2015, 1st Special Session, Section 73, provides that one million dollars (\$1,000,000) is appropriated from the New Mexico Medical Board fund to the board of regents of the University of New Mexico for expenditure in fiscal years 2015 through 2019, to plan, design, construct, renovate, equip and furnish the final phase of a health education building at the health sciences center at the University of New Mexico in Albuquerque in Bernalillo County. The actual transfer of funds was made on September 4, 2015 by state warrant.

House Bill 311 from the Laws of 2016, Chapter 12, 2nd Session, provides that one million dollars (\$1,000,000) is to be transferred from the New Mexico Medical Board to the State of New Mexico's General Fund Operating Reserve in fiscal year 2016. The actual transfer of funds was made on June 6, 2016 by operating transfer.

14. Subsequent Events

The Board has evaluated subsequent events through October 7, 2016, which is the date the financial statements were available to be issued and concluded that no additional disclosures are required.

SUPPLEMENTAL SECTION

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Schedule of Vendor Information
For Purchases Exceeding \$60,000 (excluding GRT)**
Prepared by: Gayle Mascarenas Title: CFO/HR Manager Date: October 7, 2016

The New Mexico Medical Board's Office did not have any vendor purchases exceeding \$60,000 (excluding GRT) for the fiscal year ended June 30, 2016.

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) for federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
14-44600-00028	Implementation and Administration of an Impaired Health Care Provider Treatment Program	NM Monitored Treatment Program	\$608,000	\$204,000	New Mexico Monitored Treatment Program, 2500 Louisiana NE, Suite 250, Albuquerque, NM 87112	In-State-Y	N	The contractor is to provide care and rehabilitation services of impaired and recovering health care providers regulated by the NM Medical Board.

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Schedule of Operating Transfers
Year Ended June 30, 2016**

<u>General Fund</u> <u>Fund 07100</u>	From	To	Transfers	
	Fund No.	Fund No.	In	Out
(1) Department of Regulation and Licensing Software support- RLD	07100	43300	\$ -	\$ 15,000
(2) Department of Finance and Administration Transfer to State Operating Reserve	07100	85200	-	1,000,000
(3) General Services Department Printing- GSD	07100	80603	-	408
(4) General Services Department Postage and Mail Service	07100	19704	-	260
(5) General Services Department Unemployment Compensation Premium	07100	35303	-	798
(6) General Services Department Employee Liability Insurance Premium	07100	35703	-	53,210
(7) General Services Department Transportation Insurance	07100	35603	-	99
(8) General Services Department Workers Compensation Insurance Premium	07100	35903	-	887
(9) General Services Department Employee Training and Education	07100	19704	-	30
(10) General Services Department Supplies- Inventory Exempt	07100	19704	-	25
(11) General Services Department State Transportation Charges	07100	19704	-	43
			\$ -	\$ 1,070,759

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

OTHER REPORTS

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REPORT ON INTERANL 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

Steven Jenkusky, M.D., Chairman
New Mexico Medical Board
and
Honorable Timothy Keller
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, 2016 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.



Robert J. Rivera, CPA, PC.
Santa Fe, New Mexico
October 7, 2016

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Schedule of Findings and Responses
June 30, 2016**

I. PRIOR – YEAR AUDIT FINDINGS

a. Repeated in current-year

None

b. Resolved and not included in current-year

None

**II. CURRENTY-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH
ARE REQUIRED TO BE REPORTED**

None

**STATE OF NEW MEXICO
NEW MEXICO MEDICAL BOARD
Financial Statement of Preparation and Exit Conference
June 30, 2016**

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

An exit conference was held on November 18, 2016, to discuss audit. The following individuals were in attendance:

New Mexico Medical Board

Steven Jenkusky, MD, Board Chairman
Sondra Frank, Executive Director
Gayle Mascarenas, Deputy Director, CFO/HR Manager

Audit Firm (Robert J. Rivera, CPA, PC)

Robert J. Rivera, CPA