A large orange circle is positioned on the left side of the page, partially cut off by the edge. It contains the text for the financial statements.

**FINANCIAL
STATEMENTS AND
REPORT OF
INDEPENDENT
CERTIFIED PUBLIC
ACCOUNTANTS**

**STATE OF NEW MEXICO
BOARD OF NURSING**

June 30, 2009

atkinson

PRECISE. PERSONAL. PROACTIVE.

State of New Mexico
Board of Nursing

OFFICIAL ROSTER

June 30, 2009

<u>Name</u>	<u>Title</u>
Terri Fortner, RN, MSN, PMH-NP-BC	Chairperson, San Juan
Robin Jones, Ed.D, MSN, RN	Vice-Chairperson, Curry
Polly Petersen, RN, MSN	Secretary, Dona Ana
Denton Holmes, Public Member	Member, Dona Ana
Diale Fomukong, Public Member	Member, Bernalillo
Tony Escudero, Public Member	Member, San Miguel
Mike Wallace, MSN, FNP-BC	Member, Bernalillo

ADMINISTRATION

Jacqueline Waggoner, RN, MSN	Co-Interim Executive Director
Nancy Darbro, RN, PhD, CNS	Co-Interim Executive Director
Debra Werner, MSN, RN	Assistant Director/Practice Unlicensed Assistive Personnel
Jacqueline Waggoner, RN, MSN	Assistant Director/Nursing Education, Advance Practice
Daniel Griego	Agency Administrator/CFO

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Hector H. Balderas
New Mexico State Auditor and
Terri Fortner, Board Chairperson of the
State of New Mexico Board of Nursing
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, the general fund, the budgetary comparison of the general fund, and the aggregate remaining fund information of the State of New Mexico Board of Nursing (the Board) as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board of Nursing's management. 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 with 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

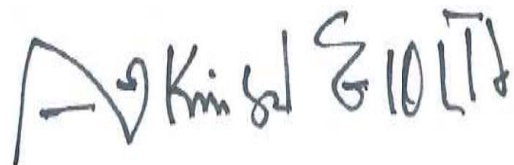
As discussed in Note A1, the financial statements of the Board are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information that is attributable to the transactions 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, 2009, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Board as of June 30, 2009, and respective changes in financial position and respective budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009 on our consideration of the Board of Nursing's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying schedule of the changes in fiduciary assets and liabilities – Nursing Excellence Fund listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
December 11, 2009

State of New Mexico
Board of Nursing

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Required Supplementary Information

June 30, 2009

Overview of the Financial Statements

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

Government-Wide Financial Statements (Statement of Net Assets and Statement of Activities)

Government-wide financial statements report information about the Board of Nursing (Board) as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets 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 assets and how they have 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 of Nursing operates principally on its own self-generated revenues (license and registration fees, examination fees, and interest earnings) and a budget, which is approved by the State Legislature each year.

Condensed Comparative Financial Information

Statements of Net Assets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets		
Current assets	\$ 2,663,301	\$ 3,800,076
Capital assets, net of depreciation	<u>9,964</u>	<u>15,576</u>
Total assets	<u>\$ 2,673,265</u>	<u>\$ 3,815,652</u>

State of New Mexico
Board of Nursing

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2009

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities	\$ 144,855	\$ 129,404
Compensated absences - non-current	<u>10,234</u>	<u>10,501</u>
Total liabilities	155,089	139,905
Net assets:		
Invested in capital assets	9,964	15,576
Unrestricted	<u>2,508,212</u>	<u>3,660,171</u>
Total net assets	<u>2,518,176</u>	<u>3,675,747</u>
Total liabilities and net assets	<u><u>\$ 2,673,265</u></u>	<u><u>\$ 3,815,652</u></u>
Statements of Activities		
Total - Program expenses	\$ (1,859,163)	\$ (1,634,949)
Transfers	(1,000,000)	-
Program revenues and interest	<u>1,701,592</u>	<u>2,565,396</u>
(Decrease) increase in net assets	<u><u>\$ (1,157,571)</u></u>	<u><u>\$ 930,447</u></u>

Analysis of Financial Position (Statement of Net Assets)

Total Assets: Consist of investments of \$2,661,636 with the State Treasurer, receivables and other assets of \$189 and capital assets of \$9,964, net of accumulated depreciation. Total assets are \$2,673,265, which decreased over the prior year due to the excess of expenses over revenues for the year.

Total Liabilities: Consist of current liabilities of \$144,859 and long-term liabilities of \$10,234. Total liabilities are \$155,093. Liabilities increased from the prior year due to an increase in accrued payroll.

Net Assets: Consist of \$9,964 invested in capital assets, unrestricted net assets of \$2,508,208 that would be used for unexpected litigation and one year's budget in the event revenues cannot be collected. Net assets decreased due to funds being transferred to the State General Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2009

Budgetary

Adjustments: During FY09, there were two budget adjustments. One for \$1,000,000 to increase budget in order to transfer \$1,000,000 to the State General Fund per Senate Bill-79. The second budget adjustment was to transfer \$60,000 from contractual services to other costs category to cover required resources.

Results of Operations (Statement of Activities)

Total expenses consist of \$1,859,167 mainly for operation, employee salaries, and benefit purposes and the transfer of \$1,000,000 to the State General Fund.

Changes in Net Assets: The Board's total revenue decreased by approximately 21% from \$2,165,561 to \$1,701,592. The Board's total fund level expenses increased by approximately 14% from \$1,634,949 to \$1,859,167 mainly from an increase in personnel costs.

Capital Assets and Long-Term Liabilities

The Board experienced a change in capital assets as investment in capital assets went from \$15,576 to \$9,964 due to normal depreciation of property, plant and equipment. There is no significant change in long-term liability amounts from the prior year.

Analysis of Significant Variations in the Original Budget Amounts and Final Budget Amounts

The Board did not have any significant variations between the original budget submitted to the Department of Finance and Administration and the final budget approved by the Department of Finance and Administration other than the \$1,000,000 increase to transfer funds to the State General Fund per Senate Bill 79.

Analysis of Significant Variances Between the Final Budgeted Amounts and the Actual Results

A new Board rule to discontinue the foreign exam transcript review resulted in a decrease in charges for services.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - CONTINUED
Required Supplementary Information

June 30, 2009

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

Total net assets decreased by approximately 3% from \$3,675,747 to \$2,518,172. The Board's total expenses increased by approximately 14% from \$1,634,949 to \$1,859,167. The revenues decreased by approximately 21% from \$2,165,561 to \$1,701,592 in the Statement of Activities which indicates that the Board is considerably worse-off than it was a year ago.

The Board experienced a decrease in revenue this past year due to a change in rules by the Board to discontinue the evaluation of foreign transcripts.

Currently Known Facts, Decisions, or Conditions

Management and the Board have been informed that they will transfer an additional \$750,000 to the State General Fund in FY10.

Further information may be obtained from the Board of Nursing at 6301 Indian School NE, Suite 710, Albuquerque, New Mexico 87110.

State of New Mexico
Board of Nursing

STATEMENT OF NET ASSETS

June 30, 2009

ASSETS

	<u>Governmental Activities</u>
CURRENT ASSETS	
Investments - State Treasurer investment pool	\$ 2,661,636
Due from other state agencies - accrued interest	189
Other receivables	<u>1,476</u>
Total current assets	2,663,301
NON-CURRENT ASSETS	
Capital assets, net of accumulated depreciation	<u>9,964</u>
Total assets	<u><u>\$ 2,673,265</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 33,756
Accrued payroll, taxes and benefits	70,159
Compensated absences payable, current portion	<u>40,940</u>
Total current liabilities	144,855
NON-CURRENT LIABILITIES	
Compensated absences payable, less current portion	<u>10,234</u>
Total liabilities	155,089
NET ASSETS	
Invested in capital assets	9,964
Unrestricted	<u>2,508,212</u>
Total net assets	<u>2,518,176</u>
Total liabilities and net assets	<u><u>\$ 2,673,265</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Board of Nursing

STATEMENT OF ACTIVITIES

Year ended June 30, 2009

	<u>Governmental Activities</u>
EXPENSES	
Personnel services	\$ 840,505
Operating costs	472,363
Employee benefits	312,239
Contractual services	148,910
Supplies	49,796
In-state travel	20,664
Out of state travel	9,074
Depreciation expense	<u>5,612</u>
Total expenses	1,859,163
PROGRAM REVENUES	
Charges for services	<u>1,674,111</u>
	(185,052)
GENERAL REVENUES	
Interest	<u>27,481</u>
Changes in net assets	(157,571)
OTHER FINANCING SOURCES (USES)	
Transfer out:	
To state general fund - 85200	<u>(1,000,000)</u>
Total other financing sources and uses	<u>(1,000,000)</u>
Net change in fund balance	(1,157,571)
Net assets, beginning of year	<u>3,675,747</u>
Net assets, end of year	<u><u>\$ 2,518,176</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Board of Nursing

BALANCE SHEET – GOVERNMENTAL FUND

June 30, 2009

	General Fund
ASSETS	
Investments with State Treasurer	\$ 2,661,582
Petty cash	54
Due from other State Agency - accrued interest	189
Other receivables	1,476
	1,476
Total assets	\$ 2,663,301
LIABILITIES	
Accounts payable	\$ 33,756
Accrued payroll, taxes and benefits	70,159
	70,159
Total liabilities	103,915
FUND BALANCE	
Unreserved/undesignated	2,559,386
	2,559,386
Total fund balance	2,559,386
Total liabilities and fund balance	\$ 2,663,301

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Board of Nursing

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET ASSETS – GOVERNMENTAL ACTIVITIES**

June 30, 2009

Total fund balance - governmental funds	\$	2,559,386
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Amounts reported for governmental activities in the statement of net assets 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:

Furniture and equipment	\$	72,987	
Data processing equipment		34,933	
Software		4,258	
Accumulated depreciation		<u>(102,214)</u>	9,964

Some liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet.

These liabilities consist of:

Compensated absences		<u>(51,174)</u>	
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Net assets of governmental activities	\$	<u><u>2,518,176</u></u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
Board of Nursing

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND**

Year ended June 30, 2009

	General Fund
REVENUES	
Charges for services	\$ 1,674,111
Interest	27,481
	1,701,592
EXPENDITURES	
Current:	
Personnel services	841,832
Operating costs	472,363
Employee benefits	312,239
Contractual services	148,910
Supplies	49,796
In-state travel	20,664
Out-of-state travel	9,074
	1,854,878
OTHER FINANCING SOURCES (USES)	
Transfer out:	
To state general fund - 85200	(1,000,000)
	(1,000,000)
Net change in fund balance	(1,153,286)
Fund balance, beginning of year	3,712,672
Fund balance, end of year	\$ 2,559,386

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Board of Nursing

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

June 30, 2009

Net change in fund balance - governmental funds	\$ (1,153,286)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Accrued compensated absences are recorded as expenses in the current year in the statement of activities, however, the corresponding amount is recorded as future funds to be provided in the governmental funds - net change in compensated absences expense.</p>	1,327
Depreciation expense	<u>(5,612)</u>
Changes in net assets of governmental activities	<u><u>\$ (1,157,571)</u></u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Board of Nursing

STATEMENT OF REVENUES AND EXPENDITURES (BUDGETARY BASIS)

Year ended June 30, 2009

	General Fund			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual (Budgetary Basis)	
REVENUES				
Charges for services	\$ 1,967,400	\$ 1,967,400	\$ 1,664,808	\$ (302,592)
Interest	-	-	27,481	27,481
Miscellaneous revenue	-	-	9,303	9,303
Total revenues	1,967,400	1,967,400	1,701,592	(265,808)
FUND BALANCE	-	1,000,000	1,000,000	-
Total revenues and cash balance	1,967,400	2,967,400	2,701,592	(265,808)
EXPENDITURES				
Personnel and employee benefits	1,210,500	1,210,500	1,154,071	56,429
Contractual services	213,500	153,500	148,910	4,590
Other costs	543,400	603,400	551,897	51,503
Total expenditures	1,967,400	1,967,400	1,854,878	112,522
TRANSFERS				
To state general fund	-	1,000,000	1,000,000	-
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (153,286)	\$ (153,286)

There are no reconciling items between GAAP basis and budget basis for this statement. The modified accrual basis applies to both presentations.

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Board of Nursing**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
NURSING EXCELLENCE FUND**

June 30, 2009

ASSETS

Investments on deposit with State Treasurer	<u>\$ 226,365</u>
Total assets	<u><u>\$ 226,365</u></u>

LIABILITIES

Due to others	<u>\$ 226,365</u>
Total liabilities	<u><u>\$ 226,365</u></u>

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ENTITY

1. Financial Reporting Entity

The Board of Nursing (the Board) was created under the Nursing Practice Act, Chapter 61. The Board operated on its own until the Regulation and Licensing Department was created July 1, 1983, by the Regulation and Licensing Department Act (Section 19 through 29, Chapter 297, Laws 1983). The act provided that the administration of professional and occupational licensing functions of the executive branch of state government is consolidated under the supervision of this department upon executive order issued by the Governor. The New Mexico Board of Nursing was placed under the supervision of the Regulation and Licensing Department by Executive Order 86-09. On July 22, 1988, the Governor issued Executive Order 88-34, effective August 1, 1988, removing the Board from the supervision of the Regulation and Licensing Department.

The Board has the power to adopt and amend all bylaws and rules of procedure, not inconsistent with the constitution, the laws of this state or the Nursing Practice Act which may be reasonable for the proper performance of its duties and the regulation of its procedures, meeting records, examinations and the conduct thereof. The Board also shall adopt and promulgate rules of professional responsibility for professional nurses.

The Board of Nursing has no component units. The Board's sole fiduciary fund, the Nursing Excellence Fund, is not included with the government-wide presentations. The Board of Nursing does not apply applicable Financial Accounting Standards Board Pronouncements issued subsequent to November 30, 1989.

2. Basic Financial Statements – GASB Statement No. 34

The financial statements of the Board of Nursing have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Account Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis—For State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years.

The Board of Nursing implemented the provisions of GASB No. 34 effective July 1, 2001.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basic Financial Statements – GASB Statement No. 34 – Continued

The basic financial statements include both government-wide (based on the Board of Nursing as a whole) and fund financial statements. The Board of Nursing has only 1 fund – The General Fund. 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 of Nursing has only governmental type activities. In the government-wide Statement of Net Assets, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets, as well as long-term debt and obligations.

Program revenues include charges for services which consist principally of registration, exam and licensing fees to nurses. There is no allocation of expenses to functions because the sole function of the Board is its special purpose function of regulation of the nursing profession. General revenues include interest on cash deposit amounts.

This government-wide focus relates to the sustainability of the Board of Nursing 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.

The governmental (general) fund statements are presented on a current financial resource 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 of Nursing's actual experience conforms to the budget of the 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 to the governmental column on the government-wide presentation.

3. Basis of Presentation – Fund Accounting

The financial transactions of the Board of Nursing are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses. 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Presentation – Fund Accounting – Continued

The new 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 of Nursing 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 of the Board of Nursing.

General Fund (SHARE Fund 07200 - nonreverting): Pursuant to the Laws of 1983, Chapters 297, the general fund is the general operating fund of the Board of Nursing. It 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.

Fiduciary Fund: (SHARE Fund 84200) Nursing Excellence Fund – used to account for assets held by the Board in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they are not assets of the Board available to support Board programs.

4. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues and 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 and the fiduciary financial statements are presented on an accrual basis of accounting using an economic resources measurement focus. The governmental funds in the fund financial statements are presented on a modified accrual basis using a current financial resources measurement focus.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Basis of Accounting and Measurement Focus – Continued

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within 60 days to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The Board operates under a biennial license renewal policy. Registered nurses renew during odd numbered years while licensed practical nurses renew during even numbered years.

5. Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, “for the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year’s budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control is at the appropriation unit level.

The New Mexico State Legislature may make appropriations to the Board of Nursing. Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation 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 limitation 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 of Nursing follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting – Continued

- a. By September 1st, the Board of Nursing prepares a budget request by appropriation unit to be presented to the next legislature.
- b. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
- c. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
- d. The Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
- e. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
- f. Budgetary control is exercised at the appropriation unit level of the Board of Nursing as a whole and changes are approved by the DFA.
- g. Appropriations, if reverting, lapse at the end of the year except for amounts in accounts payable.
- h. Beginning with fiscal year 2005, the General Appropriation Act establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico.
- i. Appropriations are non-reverting and credited to the Nursing Fund per 61-3-27 NMSA 1978.
- j. There were no appropriations made during fiscal year 2009.

6. Accrued Annual Leave

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. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate.

7. Accrued Sick Leave

Chapter 150, Laws of 1983 provided for the payments to employees for accumulated sick leave under certain conditions. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semi-annual period. There is no limit to the amount of sick leave, which an employee may accumulate. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Deposits

The Board's cash is on deposit with the New Mexico Office of the State Treasurer. The Board does not invest any of its funds. The State Treasurer's Office is responsible to ensure that the deposits are adequately insured or collateralized. The Board has defined cash and cash equivalents to include cash on deposit with the State Treasurer.

9. Receivables

Pursuant to Chapter 259, Laws of 1999, effective July 1, the Board earns interest on the State Treasurer's overnight investment. Interest due from other state agencies is accrued as of the end of the fiscal year. No allowance for doubtful accounts is established, since all amounts are collected in the subsequent fiscal year. Other receivables in the amount of \$1,476 consist of travel advances.

10. 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. Items with a cost of \$5,000 or more are capitalized per section 12-6-10 NMSA 1978.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Furniture and equipment	5 years
Data processing equipment	5 years
Software	5 years

11. Net Assets/Fund Equity

In the government-wide financial statements net assets consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Board has no debt related to capital assets; therefore net assets invested in capital assets equal the capital assets, net of accumulated depreciation. Capital assets are defined as those tangible or intangible assets used in operations and having a useful life greater than a single reporting period.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Net Assets/Fund Equity – Continued

Net assets are reported as restricted when constraints are placed on net asset use are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be used only for the specific purposes stipulated in the legislation.

Legal enforceability means that a government can be lowered by an external party – such as citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation.

The amount of net assets restricted by enabling legislation is \$0 at June 30, 2009. There are no restricted net assets.

All remaining net assets that are not related to capital assets are shown as unrestricted. Unrestricted net assets are available for any lawful purpose. It is the Board's policy to first apply restricted assets when an expense is incurred and both restricted net assets are available.

12. Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. New Accounting Standards Affecting Board of Nursing

Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* have been issued. This standard was issued to provide increased clarity for fund balance type definitions and for classification rules for fund balances. This standard will be implemented for the FY2011.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. New Accounting Standards Affecting Board of Nursing – Continued

The Plan administered by the New Mexico Retiree Health Care Authority is a cost-sharing multiple employer plan as defined in GASB 45. Cost-sharing employers such as the Board are required to recognize other post employment benefit expense on the modified accrual of accounting for their contractually required contributions. Contributions are set by legislation and are not based on actuarial calculation. The legislature periodically reviews the contribution rates pursuant to 10-7c-156 NMSA 1978. The effects of GASB 45 are not significantly different from the previous pay as you go requirement for monthly contributions. Required disclosures of GASB 45 are contained in this footnote and note E.

NOTE B – PERA PENSION PLAN

Plan Description. Substantially all of the Board of Nursing'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, 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. A copy of 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 7.42% of their gross salary. The Board of Nursing is required to contribute 16.59%. The contribution requirements of the plan and the Board of Nursing are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Board of Nursing's contributions to PERA for the years ended June 30, 2009, 2008, and 2007 were \$138,638, \$121,944, and \$105,203, respectively, equal to the amount of the required contribution for each year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE C – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>Asset Description</u>	<u>Balance at June 30, 2008</u>	<u>Current Year Additions</u>	<u>Current Year Deletions</u>	<u>Adjusted Balance June 30, 2009</u>
Furniture and equipment	\$ 72,987	\$ -	\$ -	\$ 72,987
Data processing equipment	34,933	-	-	34,933
Software	<u>4,258</u>	<u>-</u>	<u>-</u>	<u>4,258</u>
Total fixed assets	112,178	-	-	112,178
Accumulated Depreciation				
Machinery and equipment	(61,382)	(2,960)	-	(64,342)
Data processing equipment	(32,007)	(2,001)	-	(34,008)
Software	<u>(3,213)</u>	<u>(651)</u>	<u>-</u>	<u>(3,864)</u>
Total accumulated depreciation	<u>(96,602)</u>	<u>(5,612)</u>	<u>-</u>	<u>(102,214)</u>
Net Capital Assets	<u>\$ 15,576</u>	<u>\$ (5,612)</u>	<u>\$ -</u>	<u>\$ 9,964</u>

Depreciation expense of \$5,612 was charged entirely to the regulation function. All capital assets are being depreciated.

NOTE D – LEASE COMMITMENTS

The Board of Nursing has leased its office space for a period extending through June 30, 2015. The lease has a term of 10 years with an option to renew for two additional five year periods. The lease has an escalation provision of 5% every other year over the full term of the lease (including renewal option). The lease is subject to early termination by the lessee if certain conditions are present. Additionally, the Board leases various office equipment and vehicles under lease agreements ranging from terms of one to five years. During the year ended June 30, 2009, the Board paid approximately \$132,360 under its various lease agreements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE D – LEASE COMMITMENTS – CONTINUED

Future payments under leases exceeding one year are as follows:

For the years ended June 30,	
2010	\$ 118,834
2011	123,592
2012	124,077
2013	126,961
2014	122,475
Thereafter	<u>127,092</u>
	<u>\$ 743,031</u>

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

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE E – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

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

The 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. The statute requires each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Board’s contributions to the RHCA for the year ended June 30, 2009, 2008, and 2007 were \$10,864, \$9,556, and \$8,243, respectively, which equal the required contributions for each year.

NOTE F – INVESTMENTS WITH STATE TREASURER INVESTMENT POOL

Investments of the Board of Nursing at June 30, 2009:

Agency	SHARE Fund No.	Amount per Treasurer	Reconciling Items		Petty Cash	Balance per Financial Statements
			Outstanding Deposits	Outstanding Checks		
449	07200	\$ 2,661,582	\$ -	\$ -	\$ 54	\$ 2,661,636
449	84200	226,365	-	-	-	226,365

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE F – INVESTMENTS WITH STATE TREASURER – CONTINUED

There were no reconciling items provided to the Board by the State Treasurer's Office. Investments consist of interest in the State General Fund Investment Pool, which is managed by the New Mexico State Treasurer. In addition, the Nursing Board has a \$54 petty cash fund. The Board has no other investments. The Nursing Board does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate. Please see the separately issued financial statements at the State Treasurer's office for information regarding credit risk and other risk disclosures and other information.

NOTE G – FUND BALANCE

Reservations of fund balance of the government fund are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures.

The unreserved fund balance for the governmental fund represents the amount available for budgeting future operations.

NOTE H – RISK MANAGEMENT AND LITIGATION

The Board of Nursing is exposed to various risks of losses related to torts; theft of, or damage to, or destruction of assets; errors and omissions; injuries to employees or others; 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 of Nursing is party.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2009

NOTE I – CHANGES IN ACCRUED COMPENSATED ABSENCES

	Balance at June 30, 2008	Deletions	Additions	Balance at June 30, 2009	Amount Due Within One Year
Annual leave	\$ 52,501	\$ (50,172)	\$ 48,845	\$ 51,174	\$ 40,940
	<u>\$ 52,501</u>	<u>\$ (50,172)</u>	<u>\$ 48,845</u>	<u>\$ 51,174</u>	<u>\$ 40,940</u>

The Board of Nursing’s general fund is responsible for liquidating these liabilities.

NOTE J – COMMITMENT

The Board of Nursing has engaged in a new L2K licensing program. The program is the property of System Automation Corporation (SA). The Board uses the program under the licensing agreement with the New Mexico Regulation and Licensing Department. The program was installed through a professional contract with SA. In FY10, the Board and SA will enter into a maintenance agreement.

NOTE K – SUBSEQUENT EVENTS

Management and the Board have evaluated subsequent events through December 11, 2009, the date which financial statements were available to be issued. The following items were deemed to be significant:

Board of Nursing has been notified through House Bill 3 that the New Mexico State General Fund will be taking an additional \$750,000 from their unrestricted fund balance.

SUPPLEMENTARY INFORMATION

State of New Mexico
Board of Nursing

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
NURSING EXCELLENCE FUND**

For the year ended June 30, 2009

	Nursing Excellence Fund - 84200			
	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
ASSETS				
Investments with State Treasurer Investment Pool	\$ 174,208	\$ 52,157	\$ -	\$ 226,365
Total assets	\$ 174,208	\$ 52,157	\$ -	\$ 226,365
LIABILITIES				
Due to others	\$ 174,208	\$ 52,157	\$ -	\$ 226,365
Total liabilities	\$ 174,208	\$ 52,157	\$ -	\$ 226,365

Investments are held with the State Treasurer.



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246
ALBUQUERQUE, NM 87125

**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**

Hector H. Balderas
New Mexico State Auditor and
Terri Fortner, Board Chairperson
State of New Mexico Board of Nursing
Albuquerque, New Mexico

We have audited the accompanying financial statements of the governmental activities, the general fund, the budgetary comparison of the general fund and the aggregate remaining fund information of the State of New Mexico Board of Nursing as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board of Nursing's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Nursing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board of Nursing's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Board of Nursing's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting and can be referenced as findings 08-01 and 09-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board of Nursing's internal control.

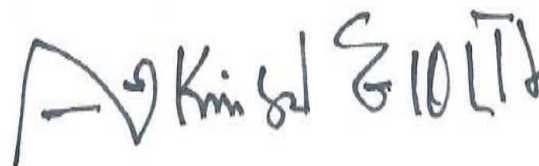
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Nursing'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 Governmental Auditing Standards.

The Board of Nursing's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Board of Nursing's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, the Office of the State Auditor, the Department of Finance and Administration, and the New Mexico State Legislature and its committees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Atkinson & Co. Ltd.", with a stylized flourish on the left side.

Atkinson & Co. Ltd.

Albuquerque, New Mexico
December 11, 2009

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2009

STATUS OF PRIOR YEAR FINDINGS

- 08-01 Financial Statement Adjustments (Significant Deficiency) – Repeated and Modified
- 08-02 Information Technology Controls – SHARE Passwords – Resolved
- 08-03 Performance Appraisal – Resolved

CURRENT AUDIT FINDINGS

Financial Statement Findings Required by *Government Auditing Standards*

- 08-01 Financial Statement Adjustments (Significant Deficiency)
- 09-01 Information Technology Policies and Procedures (Significant Deficiency)

Findings in Accordance with 2.2.2. NMAC

None

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

June 30, 2009

FINANCIAL STATEMENT FINDINGS

08-01 Financial Statement Adjustments (Significant Deficiency) – Repeated and Modified

Condition

The Board's financials were adjusted during the audit to correct fund balance, for capital assets and depreciation, for compensation absences, revenue in suspense, and miscellaneous accounts payable.

Criteria

Under Statement on Auditing Standard No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, it is considered a control deficiency if material misstatements exist in the financial statements.

Cause

Significant adjustments were made to the revenue accounts. Funds are deposited into the State Treasurer's Office on a daily basis. Organizations are required to post an entry into the SHARE system to inform the State Treasurer where to post the funds. If no entry is made, the funds are deposited into a liability account, and the Organization is then required to submit a corrective action to post the funds to the correct account. Throughout the year, the Board of Nursing has not followed up to ensure proper posting had been made. No entries were made to other specified accounts during the year.

Effect

At year-end various adjustments are needed to correct the specified accounts. Management operates on a substantially cash basis during the year which suffices for most operations. However, in certain instances, under the modified accrual basis of accounting, incorrect financial information is in SHARE.

Recommendation

We recommend that management follow a closing policy that is similar to that presented by Department of Finance Administration for monthly closings under SHARE. Appropriate entries should be recorded during the year for the specified accounts. Management should also ensure that funds recorded at the State Treasurer's Office are properly recorded in the revenue accounts.

Management's Response

Significant efforts have been made to reduce revenue in suspense on an ongoing basis by working with DFA and STO. Assistance was given to the external auditor in preparing the financial statements.

SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED

June 30, 2009

FINANCIAL STATEMENT FINDINGS

09-01 Information Technology Policies and Procedures (Significant Deficiency)

Condition

Certain general controls of the IT environment for Board of Nursing could not be tested as there are no policy to test them against. The procedures followed appeared adequate, but various policies were not documented. The Board of Nursing computer system is not adequately protected in connection with physical security issues.

Criteria

Statement on Auditing Standard No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, specifies internal control components including the information technology system. The Manual of Model Accounting Practices, FIN 0.9 specifies the policies and procedures including documentation and accountability of the system of internal control required for state government.

Cause

The Board of Nursing's IT department is a fairly new department. As such, policies and procedures has not been written or put in place. Due to space limitations, the computer is located in a closet that is shared with the wiring of the building.

Effect

Increased accountability coming from documented policies and procedures are not in place at year-end. Undocumented policies and procedures may lead to uneven performance including errors in the application of procedures. The monitoring function of internal control may be compromised due to undocumented policies and procedures. Without proper protection, the records of the Board of Nursing could be compromised.

Recommendation

We recommend that the Board of Nursing draft the necessary policies and procedures to ensure that policies are implemented for the coming year. All policies and procedures adopted and documented should be monitored for continued effectiveness. The Board of Nursing should consider looking for a more secure spot for the location of the computer.

Management's Response

It is management's intent to devise meaningful policies and review physical security controls in accordance with this recommendation.

ATKINSON & CO. LTD.
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ALBUQUERQUE, NM
T 505 843 6492
F 505 843 6817

RIO RANCHO, NM
T 505 891 8111
F 505 891 9169

ATKINSONCPA.COM

