



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO BOARD OF NURSING

FINANCIAL STATEMENTS

For The Year Ended June 30, 2012

**STATE OF NEW MEXICO
BOARD OF NURSING**

For The Year Ended June 30, 2012

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**STATE OF NEW MEXICO
BOARD OF NURSING**

OFFICIAL ROSTER

As Of June 30, 2012

Name	Title
Mike Wallace, MSN, FNP-BC	Chairperson, Bernalillo
Terri Fortner, RN, NMS, PMH-NP-BC	Vice Chairperson, San Juan
Dr. Kathleen Lopez-Bushnell	Secretary, Bernalillo
David Bramhall, Public Member	Member, San Juan
Rebecca Hatch, Public Member	Member, Union
Robin Jones, Ed.D, MSN, RN	Member, Curry
Polly Petersen, RN, MSN	Member, Dona Ana
ADMINISTRATION	
Dr. Nancy Darbro, PhD, APRN, CNS, LPCC, LADAC	Executive Director
Donna Arbogast	Agency Administrator/CFO

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor and
Mike Wallace, 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, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico Board of Nursing (the Board) as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012, 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, each major fund, and the aggregate remaining fund information of the Board as of June 30, 2012, and respective changes in financial position and respective budgetary comparison of the general fund and major special revenue 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 14, 2012, 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, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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.



Hinkle + Landers, PC
December 14, 2012

**STATE OF NEW MEXICO
BOARD OF NURSING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2012**

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, 2012</u>	<u>June 30, 2011</u>
Assets		
Current assets	\$ 1,929,535	1,968,479
Capital assets, net of depreciation	<u>38,969</u>	<u>2,418</u>
Total assets	<u>\$ 1,968,504</u>	<u>1,970,897</u>

**STATE OF NEW MEXICO
BOARD OF NURSING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2012**

	June 30, 2012	June 30, 2011
Liabilities and Net Assets		
Liabilities:		
Current liabilities	\$ 186,540	145,554
Compensated absences - non-current	10,228	9,193
Total liabilities	196,768	154,747
Net assets:		
Invested in capital assets	38,969	2,418
Restricted	312,346	9,460
Unrestricted	1,420,421	1,804,272
Total net assets	1,771,736	1,816,150
Total liabilities and net assets	1,968,504	1,970,897

Statements of Activities

Total - Program expenses	(1,748,888)	(1,490,233)
Transfers	-	-
Program revenues and and interest	1,704,474	1,624,736
Increase (Decrease) in net assets	\$ (44,414)	134,503

Analysis of Financial Position (Statement of Net Assets)

Total Assets: Consist of investments of \$1,929,009 with the State Treasurer, receivables and other assets of \$526 and capital assets of \$38,969, net of accumulated depreciation. Total assets are \$1,968,504, which decreased over the prior year due to the excess of expenses over revenues. This decrease is due the increase in funds awarded through the Nursing Excellence Fund.

Total Liabilities: Consist of current liabilities of \$186,540 and long-term liabilities of \$10,228. Total liabilities are \$196,768. Liabilities increased from the prior year due to an increase in accrued payroll related liabilities.

Net Assets: Consist of \$38,969 invested in capital assets, unrestricted net assets of \$1,420,421 that would be used for unexpected litigation and one year's budget in the event revenues cannot be collected and \$312,346 in restricted net assets that are reserved for the Nursing Excellence Funds

Budgetary Adjustments: A budget adjustment totaling \$400,000 was made during the year to reflect the transfer of funds between the Agency's funds.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2012**

Results of Operations (Statement of Activities)

Total expenses consist of \$1,748,888 mainly for operation, employee salaries, and benefit purposes. In FY12, the Nurse Excellence Fund continues disbursing funds to nursing organizations.

Changes in Net Assets: The Board's total revenue increased by approximately 5% from \$1,624,736 to \$1,704,474. The Board's total fund level expenses increased by approximately 14% from \$1,533,727 to \$1,748,888, mainly from an increase in personnel costs and IT updates.

Capital Assets and Long-Term Liabilities

The Board experienced a change in capital assets as investment in capital assets went from \$2,418 to \$38,969 due to the upgrading of the IT Server room and IT 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.

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

The Board did not experience a significant variance between the final budgeted amounts and the actual amounts. In both revenues and expenditures, the variances were favorable.

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

Total net assets decreased by approximately 2.4% from \$1,816,150 to \$1,771,736. The Board's total expenditures increased by approximately 14% from \$1,533,727 to \$1,748,888. The revenues increased by approximately 5% from \$1,624,736 to \$1,704,474.

Currently Known Facts, Decisions, or Conditions

The Board continues to update and improve the on-line renewal licensing for nurses. In FY12, the number of on-line renewals have increased.

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
GOVERNMENT-WIDE
As of June 30, 2012**

	<u>Governmental Activities</u>
CURRENT ASSETS	
Cash on hand	\$ 54
Investments - State Treasurer investment pool	1,929,009
Due from other state agencies - accrued interest	82
Other receivables	<u>390</u>
Total current assets	1,929,535
NON-CURRENT ASSETS	
Capital assets, net of accumulated depreciation	<u>38,969</u>
Total assets	<u><u>\$ 1,968,504</u></u>
LIABILITIES & NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 97,156
Due to other state agencies	50
Due to state general fund	1,346
Accrued payroll, taxes and benefits	47,078
Compensated absences payable, current portion	<u>40,910</u>
Total current liabilities	186,540
NON-CURRENT LIABILITIES	
Compensated absences payable, less current portion	<u>10,228</u>
Total liabilities	196,768
NET ASSETS	
Invested in capital assets	38,969
Restricted	312,346
Unrestricted	<u>1,420,421</u>
Total net assets	<u>1,771,736</u>
Total liabilities and net assets	<u><u>\$ 1,968,504</u></u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
For The Year Ended June 30, 2012**

	Governmental Activities
EXPENSES	
Personnel services	\$ 750,085
Employee benefits	281,242
Operating costs	431,677
Contractual services	183,471
Supplies	72,311
In-state travel	22,400
Out of state travel	4,033
Depreciation expense	3,669
Total expenses	1,748,888
PROGRAM REVENUES	
Charges for services	1,701,569
Net program (expenses)/revenues	(47,319)
GENERAL REVENUES	
Interest	2,905
Changes in net assets	(44,414)
Net assets, beginning of year	1,816,150
Net assets, end of year	\$ 1,771,736

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

**STATE OF NEW MEXICO
BOARD OF NURSING
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2012**

	General Fund (07200)	Nursing Excellence Fund (84200)	Total
ASSETS			
Cash on hand	\$ 54	-	54
Investments with State Treasurer	1,616,663	312,346	1,929,009
Due from other State agency - accrued interest	82	-	82
Other receivables	390	-	390
	<u>1,617,189</u>	<u>312,346</u>	<u>1,929,535</u>
Total assets	\$ 1,617,189	312,346	1,929,535
LIABILITIES			
Accounts payable	\$ 104,626	-	104,626
Due to other state agencies	50	-	50
Due to state general fund	1,346	-	1,346
Accrued payroll, taxes and benefits	39,608	-	39,608
	<u>145,630</u>	<u>-</u>	<u>145,630</u>
Total liabilities	145,630	-	145,630
FUND BALANCE			
Restricted - recruitment/educational programs	-	312,346	312,346
Unassigned	1,471,559	-	1,471,559
	<u>1,471,559</u>	<u>312,346</u>	<u>1,783,905</u>
Total fund balance	1,471,559	312,346	1,783,905
Total liabilities and fund balance	\$ 1,617,189	312,346	1,929,535

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

**STATE OF NEW MEXICO
BOARD OF NURSING
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
As of June 30, 2012**

Total fund balance - governmental funds \$ 1,783,905

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	\$ 19,033	
Data processing equipment	51,413	
Accumulated depreciation	\$ <u>(31,477)</u>	38,969

Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:

Compensated absences	<u>(51,138)</u>
Net assets of governmental activities	<u><u>\$ 1,771,736</u></u>

**STATE OF NEW MEXICO
BOARD OF NURSING
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For The Year Ended June 30, 2012**

	General Fund (07200)	Nursing Excellence Fund (84200)	Total
REVENUES			
Charges for services	\$ 1,639,059	-	1,639,059
Other miscellaneous	-	62,510	62,510
Interest	2,905	-	2,905
	<u>1,641,964</u>	<u>62,510</u>	<u>1,704,474</u>
Total revenues	1,641,964	62,510	1,704,474
EXPENDITURES			
Current:			
Personnel services	1,026,154	-	1,026,154
Contractual services	183,471	-	183,471
Other costs	370,797	159,624	530,421
Capital outlay	40,220	-	40,220
	<u>1,620,642</u>	<u>159,624</u>	<u>1,780,266</u>
Total expenditures	1,620,642	159,624	1,780,266
Excess (deficiency) of revenues over expenditures	21,322	(97,114)	(75,792)
Other financing sources (uses)			
Transfers in	-	400,000	400,000
Transfers out	(400,000)	-	(400,000)
Total other financing sources (uses):	<u>(400,000)</u>	<u>400,000</u>	<u>-</u>
Net change in fund balance	(378,678)	302,886	(75,792)
Fund balance, beginning of year,	<u>1,850,237</u>	<u>9,460</u>	<u>1,859,697</u>
Fund balance, end of year	<u>\$ 1,471,559</u>	<u>312,346</u>	<u>1,783,905</u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2012**

Net change in fund balance - governmental funds \$ (75,792)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital expenditures recorded in capital outlay 40,220

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (3,669)

The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Increase in compensated absences (5,174)

Changes due to rounding 1
Change in net assets of governmental activities \$ (44,414)

**STATE OF NEW MEXICO
BOARD OF NURSING
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 1,186,000	1,186,000	1,639,059	453,059
Other miscellaneous	31,500	31,500	-	(31,500)
Interest	85,000	85,000	2,905	(82,095)
Total revenues	<u>1,302,500</u>	<u>1,302,500</u>	<u>1,641,964</u>	<u>339,464</u>
Expenditures				
Current:				
Personnel services	1,242,400	1,242,400	1,026,154	216,246
Contractual services	259,800	259,800	183,471	76,329
Other	606,900	606,900	370,797	236,103
Capital outlay	-	-	40,220	(40,220)
Total expenditures	<u>2,109,100</u>	<u>2,109,100</u>	<u>1,620,642</u>	<u>488,458</u>
Excess (deficiency) of revenues over expenditures	<u>(806,600)</u>	<u>(806,600)</u>	<u>21,322</u>	<u>827,922</u>
Other Financing Sources (Uses)				
Intraagency transfer	-	(400,000)	(400,000)	-
Net interagency transfers and financial sources (uses)	-	(400,000)	(400,000)	-
Net change in fund balance	<u>(806,600)</u>	<u>(1,206,600)</u>	<u>(378,678)</u>	<u>827,922</u>
Budgeted fund balance carryforward	<u>806,600</u>	<u>1,206,600</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>-</u>	<u>(378,678)</u>	<u>827,922</u>
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total budget basis expenditures for fiscal year 2012:			\$ 1,620,642	
No adjustment necessary			<u>-</u>	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2012:			<u>\$ 1,620,642</u>	

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

**STATE OF NEW MEXICO
BOARD OF NURSING
NURSING EXCELLENCE FUND (84200) - MAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 53,500	53,500	-	(53,500)
Other miscellaneous	-	-	62,510	62,510
Total revenues	<u>53,500</u>	<u>53,500</u>	<u>62,510</u>	<u>9,010</u>
Expenditures				
Current:				
Other	<u>453,500</u>	<u>853,500</u>	<u>159,624</u>	<u>693,876</u>
Total expenditures	<u>453,500</u>	<u>853,500</u>	<u>159,624</u>	<u>693,876</u>
Excess (deficiency) of revenues over expenditures	<u>(400,000)</u>	<u>(800,000)</u>	<u>(97,114)</u>	<u>702,886</u>
Other Financing Sources (Uses)				
Intraagency transfer	-	400,000	400,000	-
Net interagency transfers and financial sources (uses)	-	400,000	400,000	-
Net change in fund balance	<u>(400,000)</u>	<u>(400,000)</u>	<u>302,886</u>	<u>702,886</u>
Budgeted fund balance carryforward	<u>400,000</u>	<u>400,000</u>	-	-
Total	<u>\$ -</u>	<u>-</u>	<u>302,886</u>	<u>702,886</u>

Reconciliation of Budgetary Basis to Fund Financial Statement

Total budget basis expenditures for fiscal year 2012:	\$ 159,624
Adjustments:	
No adjustment necessary	<u>-</u>
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2012:	<u>\$ 159,624</u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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 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.

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 2 funds – The General Fund and The Nursing Excellence 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 governmental type activities and special revenue 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.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

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.

The reporting model, GASB Statement No. 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Board also considered its Nursing Excellence Fund to be a major program. 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.

**STATE OF NEW MEXICO
BOARD OF NURSING**

**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

Special Revenue Fund: (SHARE Fund 84200 - nonreverting) Nursing Excellence Fund – Established in 2003, the fund was created to provide strategies to enhance recruitment and retention of professional nurses, increase career and educational opportunities and improve interaction with health facilities administrations, the medical profession and institutions of higher education. Revenue is generated through a surcharge of \$5 per license renewals issued. The Board is authorized to collect surcharges by 61-3-10.5 NMSA 1978. The General Fund has the authority to transfer funds up to \$400,000 annually. The fund receives no appropriations and is nonreverting.

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 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. Internal activity and balances between funds is eliminated in the government-wide presentation.

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. The Board will apply expenditures first to restricted resources and then to unrestricted. The Board operates under a biennial license renewal policy.

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 program unit level.

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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:

- 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 program 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 2012.

The budgetary comparison presented in the financial statements is on the program structure basis. This is comprised of the General and the Nurse Excellence Funds' individual budgets and both funds fall under the same overall program.

6. Cash and Cash Equivalents

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.

7. 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.

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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

8. 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:

<u>Asset Type</u>	<u>Years</u>
Furniture and equipment	5
Data processing equipment	5
Software	5

9. 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.

10. 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.

11. Net Assets/Fund Balance

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.

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.

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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 \$312,346 at June 30, 2012.

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

Recently Issued and Adopted Accounting Pronouncements

In May 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASBS No. 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The Board adopted GASBS No. 54 in fiscal year 2011. Required disclosure is provided below.

In June 2010, the GASB issued Statement No. 59, *Financial Instruments Omnibus*. GASBS No. 59 updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. This Statement is effective for financial statements for periods beginning after June 15, 2010. The Board adopted GASBS No. 59 in fiscal year 2011. The adoption of GASBS No. 59 does not have any impact on the Board's financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA)

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Committee on Accounting Procedure. This Statement is effective for periods beginning after December 15, 2011. The adoption of GASBS No. 62 does not have any impact on the Board's financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53*. GASBS No. 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement is effective for periods beginning after June 15, 2011. The adoption of GASBS No. 64 does not have any impact on the Board's current financial statements.

Other Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASBS No. 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This Statement is effective for periods beginning after December 15, 2011.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASBS No. 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This Statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the Board's financial statements.

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For The Year Ended June 30, 2012**

NOTE B – INVESTMENTS WITH STATE TREASURER INVESTMENT POOL

Investments of the Board of Nursing at June 30, 2012:

<u>Agency</u>	<u>SHARE Fund No.</u>	<u>Amount per Treasurer</u>	<u>Reconciling Items</u>		<u>Balance per Financial Statements</u>
			<u>Outstanding Deposits</u>	<u>Outstanding Checks</u>	
449	07200	\$ 1,616,663	-	-	1,616,663
449	84200	312,346	-	-	312,346
		\$ 1,929,009	-	-	1,929,009

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.

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management REporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration’s website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

The General Fund Investment Pool is the State of New Mexico’s main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Board of Nursing’s balances at the business unit/fund level is not possible. It is DFA’s responsibility to complete, on a monthly basis, a reconciliation with the balances and accounts kept by the state treasurer per Section 6-5-2.I(J) NMSA 1978.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico

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State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

To the extent possible the Board does reconcile all deposits and transfers that come into its possession. The cash transactions processed by the Board flow through the state general fund investment pool. Since SHARE was implemented, the Board recognized potential concerns related to the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Board. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities by fund, and review of outstanding warrants of the Board. This monthly internal reconciliation of cash receipts and disbursements flowing through the Board's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Board reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Board's share in the State General Fund Investment Pool account are accurate.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The DA does not have an investment policy that limits investment interest rate risk.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

NOTE C – RECEIVABLES

A. Due From Other State Agencies

The following amounts are due from other state agencies:

<u>Due From Agency/Fund</u>	<u>Due To Agency/Fund</u>	<u>Amount</u>	<u>Purpose of Receivable</u>
39400/80100	44900/07200	\$ 74	SGFIP interest receivable
Receivable from other agencies		<u>\$ 74</u>	

B. Due From Others

Additional receivables from others totaled \$390 as of June 30, 2012. These amounts are all considered to be collectible and as a result, no allowance had been created for potential uncollectible amounts.

NOTE D – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>Asset Description</u>	<u>Balance at 06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/12</u>
Furniture and equipment	\$ 32,034	-	(13,000)	19,034
Data processing equipment	30,802	40,220	(19,609)	51,413
Software	-	-	-	-
Total fixed assets	62,836	40,220	(32,609)	70,447
Accumulated Depreciation				
Machinery and equipment	(29,847)	(2,187)	13,000	(19,034)
Data processing equipment	(30,802)	(1,251)	19,609	(12,444)
Software	231	(231)	-	-
Total accumulated depreciation	(60,418)	(3,669)	32,609	(31,478)
Net Capital Assets	\$ 2,418	36,551	-	38,969

Depreciation expense of \$3,669 was charged entirely to the regulation function in the general fund. All capital assets are being depreciated.

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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

NOTE E – CHANGES IN ACCRUED COMPENSATED ABSENCES

The amount recorded as a long-term liability in the government-wide statements for compensated absences consist of accrued annual leave and accrued sick leave as follows:

<u>Governmental Activities</u>	<u>Balance 06/30/11</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/12</u>	<u>Current due within one year</u>
Annual Leave	\$ 45,369	37,264	(35,079)	47,554	38,043
Sick Leave	596	33,043	(33,044)	595	476
Compensatory	-	21,011	(18,022)	2,989	2,391
Total	<u>\$ 45,965</u>	<u>91,318</u>	<u>(86,145)</u>	<u>51,138</u>	<u>40,910</u>

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

NOTE F – FUND BALANCE

In the governmental funds, GASB Statement No. 54 clarifies the existing fund type definitions and provides clearer fund balance categories and classifications. The new hierarchical fund balance classifications are based primarily upon the extent to which a government is bound to follow constraints on resources in governmental funds. GASB Statement No. 54 was implemented in the current fiscal year. Details of the Board's fund balance classifications and policies follows.

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 by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation, but are neither restricted nor committed.

Spending policy – When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

NOTE G – 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

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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

under lease agreements ranging from terms of one to five years. During the year ended June 30, 2012, the Board paid approximately \$135,446 under its various lease agreements.

Future payments under leases exceeding one year are as follows:

For the Year Ended June 30	Total
2013	\$ 126,961
2014	122,475
2015	127,092
2016	-
2017	-
Thereafter	-
Total	\$ 376,528

NOTE H – 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 10.67% of their gross salary. The Board of Nursing is required to contribute 13.34%. 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, 2012, 2011, and 2010 were \$89,133, \$84,216, and \$111,395, respectively, equal to the amount of the required contribution for each year.

NOTE I – 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.

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For The Year Ended June 30, 2012**

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 the 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 post-employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

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

The 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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

Also, 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, 2012, 2011, and 2010 were \$12,198, \$9,233, and \$9,567, respectively, which equal the required contributions for each year.

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**NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2012**

NOTE J – 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.

NOTE K – INTERFUND TRANSFERS

Interfund transfers consisted of the following:

<u>Transferring Agency/Fund</u>	<u>Receiving Agency/Fund</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
44900/07200	44900/84200	\$ 400,000	Transfer of Nursing Excellence Funds

**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
Mike Wallace, Board Chairperson
State of New Mexico Board of Nursing
Albuquerque, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico Board of Nursing (the Board) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. 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

Management of the agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered agency'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the agency'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.

We noted no other matter that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978.

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.



Hinkle + Landers, P.C.
December 14, 2012

**STATE OF NEW MEXICO
BOARD OF NURSING**

**SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2012**

Findings	Status of Prior Year Findings	Financial Statement Finding	State Auditor Rule	Material Weakness	Significant Deficiency	Compliance
Prior Year Findings						
11-01 Certification of Capital Assets	Resolved	No	Yes	No	No	No
11-02 Disposition of Capital Assets	Resolved	No	Yes	No	No	No
11-03 Reconciliation between L2K and SHARE	Resolved	Yes	No	No	Yes	No
Current Year Findings						
None						

**STATE OF NEW MEXICO
BOARD OF NURSING**

**EXIT CONFERENCE
For The Year Ended June 30, 2012**

The basic financial statements have been prepared by Donna Arbogast, CFO New Mexico Board of Nursing.

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An Exit Conference was held on December 14, 2012 and attended by the following:

For the State of New Mexico Board of Nursing:

Mike Wallace, MSN, FNP-BC	Chairperson
Dr. Kathleen Lopez-Bushnell	Secretary
Dr. Nancy Darbro, PhD, APRN, CNS, LPCC, LADAC	Executive Director
Donna Arbogast	CFO/HR Director

For Hinkle + Landers, PC.:

Erick J. Robinson, CPA, CFE	Audit Manager
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