



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO BOARD OF NURSING

FINANCIAL STATEMENTS

For The Year Ended June 30, 2015

**STATE OF NEW MEXICO
BOARD OF NURSING
For The Year Ended June 30, 2015**

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**STATE OF NEW MEXICO
BOARD OF NURSING**

OFFICIAL ROSTER

As Of June 30, 2015

Name	Title
Robin Jones, Ed.D, MSN, RN	Chairperson, Curry
Claudia Saiz, RN, MSN	Vice Chairperson, Dona Ana
David Bramhall, Public Member	Member, San Juan
Rebecca Hatch, Public Member	Member, Curry
Dr. Kirk Irby	Member, Eddy
Kris Willingham	Member, Bernalillo
Jonathan Palmer	Member, San Juan
ADMINISTRATION	
Demetrius Chapman	Executive Director
Donna Arbogast	CFO



INDEPENDENT AUDITOR’S REPORT

Mr. Tim Keller
New Mexico State Auditor and
Robin Jones, Board Chairperson of the
State of New Mexico Board of Nursing
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico Board of Nursing (BON), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the BON’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the BON, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for

the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The schedule of vendor information, which is required by the State Auditor Rule, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015 on our consideration of the BON's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BON's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, NM
December 1, 2015

**STATE OF NEW MEXICO
BOARD OF NURSING
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2015**

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 Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Current assets	\$ 923,154	1,151,908
Capital assets, net of depreciation	<u>42,347</u>	<u>52,705</u>
Total assets	<u>\$ 965,501</u>	<u>1,204,613</u>

**STATE OF NEW MEXICO
BOARD OF NURSING
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2015**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Liabilities and Net Position		
Liabilities:		
Current liabilities	\$ 119,821	155,507
Compensated absences - non-current	<u>9,301</u>	<u>12,283</u>
Total liabilities	129,122	167,790
Net position:		
Invested in capital assets	42,347	52,705
Restricted	333,257	321,022
Unrestricted	<u>460,775</u>	<u>663,096</u>
Total net position	<u>836,379</u>	<u>1,036,823</u>
Total liabilities and net position	<u>\$ 965,501</u>	<u>1,204,613</u>
 Statements of Activities		
Total - Program expenses	\$ (2,045,576)	(2,214,498)
Transfers	-	-
Program revenues and and interest	<u>1,845,131</u>	<u>1,777,239</u>
Increase (Decrease) in net position	<u>\$ (200,445)</u>	<u>(437,259)</u>

Analysis of Financial Position (Statement of Net Position)

Total Assets: Consist of investments of \$920,484 with the State Treasurer, receivables and other assets of 2,670, and capital assets of \$42,347, net of accumulated depreciation. Total assets are \$965,501, which decreased over the prior year due to the excess of expenditure over revenues. This decrease is due the increase in funds awarded through the Nursing Excellence Fund.

Total Liabilities: Consist of current liabilities of \$119,821 and long-term liabilities of \$9,301. Total liabilities are \$129,122. Liabilities decreased from the prior year due to the decrease in the amount of voucher payables. The Board was more proactive in ensuring that our vendors were paid timely.

Net Position: Consist of \$42,347 invested in capital assets, unrestricted net position of \$460,775 that would be used for unexpected litigation and one year's budget in the event revenues cannot be collected and \$333,257 in restricted net position that are reserved for the Nursing Excellence Funds.

**STATE OF NEW MEXICO
BOARD OF NURSING
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2015**

Budgetary
Adjustments: There were no budgetary adjustments for FY 15.

Results of Operations (Statement of Activities)

Total expenses consist of \$2,045,576 mainly for operation, employee salaries, and benefit purposes. In FY15, the Nurse Excellence Fund disbursed \$253,123 to nursing schools and organizations for nursing research and scholarships.

Changes in Net position: The Board's total revenue increased slightly from \$1,777,239 to \$1,845,131. The Board's total fund level expenses increased by approximately 7.63% from \$2,214,498 to \$2,045,576, mainly from an increase in personnel costs.

Analysis of Significant Changes in Individual Funds

No significant changes in funds occurred.

Capital Assets and Long-Term Liabilities

The Board experienced a change in capital assets as investment in capital assets went from \$52,705 to \$42,347. The decrease is due to the depreciation expense.

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

The Board did not have any adjustment 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 position decreased by approximately 6.88% from \$1,036,823 to \$965,501. The Board's total expenditures decreased by approximately 7.63% from \$2,214,498 to \$2,045,576. The revenues increased by approximately 3.82% from \$1,777,239 to \$1,845,131.

Currently Known Facts, Decisions, or Conditions

The Board continues to update and improve the on-line renewal licensing for nurses. In FY15, the number of on-line renewals increased as the Board implemented on-line procedures for initial nurse examinations and endorsements. The Board has also

**STATE OF NEW MEXICO
BOARD OF NURSING
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For The Year Ended June 30, 2015**

embarked on several ambitious Information Technology Projects such as full implementation of electronic archiving of licensing documents. There were six Nurse Excellence Award grants this past year totaling \$244,965.

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 POSITION
GOVERNMENT-WIDE
As of June 30, 2015**

	Governmental Activities
CURRENT ASSETS	
Cash on hand	\$ 54
Investments - State Treasurer investment pool	920,484
Other receivables	2,616
Total current assets	923,154
 NON-CURRENT ASSETS	
Capital assets, net of accumulated depreciation	42,347
Total assets	\$ 965,501
 LIABILITIES & NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 54,888
Due to state general fund	1,346
Accrued payroll, taxes and benefits	26,383
Compensated absences payable, current portion	37,204
Total current liabilities	119,821
 NON-CURRENT LIABILITIES	
Compensated absences payable, less current portion	9,301
Total liabilities	129,122
 NET POSITION	
Net investment in capital assets	42,347
Restricted	333,257
Unrestricted	460,775
Total net position	836,379
Total liabilities and net position	\$ 965,501

See independent auditor's 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, 2015**

	<u>Governmental Activities</u>
EXPENSES	
Personnel services	\$ 873,104
Employee benefits	394,556
Operating costs	532,710
Contractual services	173,030
Supplies	29,861
In-state travel	25,519
Out of state travel	848
Depreciation expense	<u>15,948</u>
Total expenses	2,045,576
 PROGRAM REVENUES	
Charges for services	<u>1,844,622</u>
Change in net position: net program (expenses)/revenues	(200,954)
 GENERAL REVENUES	
Interest	509
Changes in net position	(200,445)
 Net position, beginning of year	 <u>1,036,824</u>
Net position, end of year	<u><u>\$ 836,379</u></u>

See independent auditor's 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, 2015**

	General Fund (07200)	Nursing Excellence Fund (84200)	Total
ASSETS			
Cash on hand	\$ 54	-	54
Investments with State Treasurer	569,261	351,223	920,484
Other receivables	<u>2,616</u>	<u>-</u>	<u>2,616</u>
 Total assets	 <u>\$ 571,931</u>	 <u>351,223</u>	 <u>923,154</u>
LIABILITIES			
Accounts payable	\$ 36,922	17,966	54,888
Due to state general fund	1,346	-	1,346
Accrued payroll, taxes and benefits	<u>26,383</u>	<u>-</u>	<u>26,383</u>
 Total liabilities	 64,651	 17,966	 82,617
FUND BALANCE			
Restricted - recruitment/educational programs	-	333,257	333,257
Unassigned- petty cash	54	-	54
Unassigned	<u>507,226</u>	<u>-</u>	<u>507,226</u>
 Total fund balance	 <u>507,280</u>	 <u>333,257</u>	 <u>840,537</u>
 Total liabilities and fund balance	 <u>\$ 571,931</u>	 <u>351,223</u>	 <u>923,154</u>

See independent auditor's 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 POSITION
As of June 30, 2015**

Total fund balance - governmental funds	\$	840,537
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

These assets consist of:

Furniture and equipment	\$	19,034	
Data processing equipment		95,124	
Accumulated depreciation	\$	<u>(71,811)</u>	42,347

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>(46,505)</u>
Net position of governmental activities	\$	<u><u>836,379</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, 2015**

	General Fund (07200)	Nursing Excellence Fund (84200)	Total
REVENUES			
Charges for services	\$ 1,749,083	60,811	1,809,894
Other miscellaneous	30,180	4,548	34,728
Interest	<u>509</u>	<u>-</u>	<u>509</u>
 Total revenues	 1,779,772	 65,359	 1,845,131
EXPENDITURES			
Current:			
Personal services/employee benefits	1,282,562	-	1,282,562
Contractual services	173,030	-	173,030
Other costs	335,815	253,123	588,938
Capital outlay	<u>5,590</u>	<u>-</u>	<u>5,590</u>
 Total expenditures	 <u>1,796,997</u>	 <u>253,123</u>	 <u>2,050,120</u>
 Excess (deficiency) of revenues over expenditures	 (17,225)	 (187,764)	 (204,989)
Other financing sources (uses)			
Transfers in	-	200,000	200,000
Transfers out	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
 Net change in fund balance	 (217,225)	 12,236	 (204,989)
 Fund balance, beginning of year	 <u>724,505</u>	 <u>321,021</u>	 <u>1,045,526</u>
 Fund balance, end of year	 <u>\$ 507,280</u>	 <u>333,257</u>	 <u>840,537</u>

See independent auditor's 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, 2015**

Net change in fund balance - governmental funds	\$	(204,989)
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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		5,590
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.

		(15,948)
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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 position. 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.

Decrease in compensated absences		14,905
Rounding		(3)
Change in net position of governmental activities	\$	<u><u>(200,445)</u></u>

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

**STATE OF NEW MEXICO
BOARD OF NURSING
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET POSITION BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 1,720,400	1,720,400	1,749,083	28,683
Other miscellaneous	16,800	16,800	30,180	13,380
Interest	2,800	2,800	509	(2,291)
Total revenues	<u>1,740,000</u>	<u>1,740,000</u>	<u>1,779,772</u>	<u>39,772</u>
Expenditures				
Current:				
Personal services/employee benefits	1,492,300	1,492,300	1,282,562	209,738
Contractual services	172,100	173,100	173,030	70
Other	365,400	359,810	335,815	23,995
Capital outlay	-	5,590	5,590	-
Total expenditures	<u>2,029,800</u>	<u>2,030,800</u>	<u>1,796,997</u>	<u>233,803</u>
Excess (deficiency) of revenues over expenditures	<u>(289,800)</u>	<u>(290,800)</u>	<u>(17,225)</u>	<u>273,575</u>
Other Financing Sources (Uses)				
State general fund appropriations	-	-	-	-
Compensation appropriation	-	-	-	-
Interfund transfers	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balance	<u>(489,800)</u>	<u>(490,800)</u>	<u>(217,225)</u>	<u>273,575</u>
Fund Balance, beginning of year	<u>489,800</u>	<u>489,800</u>	<u>724,505</u>	<u>234,705</u>
Fund Balance, end of year			\$ <u><u>507,280</u></u>	
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total budget basis expenditures for fiscal year ended June 30, 2015			\$ 1,796,997	
Adjustments:				
Accounts payable that required a request to pay prior-year				
No adjustment necessary			<u>-</u>	
Rounding			<u>-</u>	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2015			\$ <u><u>1,796,997</u></u>	

See independent auditor's 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 POSITION BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Charges for services	\$ 60,000	60,000	60,811	811
Other miscellaneous	-	-	4,548	4,548
Fund balance budgeted	-	-	-	-
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>65,359</u>	<u>5,359</u>
Expenditures				
Current:				
Other	<u>57,000</u>	<u>257,000</u>	<u>253,123</u>	<u>3,877</u>
Total expenditures	<u>57,000</u>	<u>257,000</u>	<u>253,123</u>	<u>3,877</u>
Excess (deficiency) of revenues over expenditures	<u>3,000</u>	<u>(197,000)</u>	<u>(187,764)</u>	<u>9,236</u>
Other Financing Sources (Uses)				
State general fund appropriations	-	-	-	-
Compensation appropriation	-	-	-	-
Interfund transfers	-	200,000	200,000	-
Net change in fund balance	<u>3,000</u>	<u>3,000</u>	<u>12,236</u>	<u>12,236</u>
Fund Balance, beginning of year	<u>321,021</u>	<u>321,021</u>	<u>321,021</u>	<u>-</u>
Fund Balance, end of year			<u>\$ 333,257</u>	
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total budget basis expenditures for fiscal year ended June 30, 2015			\$ 253,123	
Adjustments:				
Accounts payable that required a request to pay prior-year			-	
No adjustment necessary			-	
Rounding			-	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2015			<u>\$ 253,123</u>	

See independent auditor's 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, 2015

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.

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 Accounting 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 Position, 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

STATE OF NEW MEXICO
BOARD OF NURSING
NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended June 30, 2015

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.

Special Revenue Fund: (SHARE Fund 84200 - nonreverting) Nursing Excellence Fund – Established in 2003, the fund was created to provide strategies to enhance recruitment and

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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 renewal 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 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.

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

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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 2015.

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.

8. Capital Assets

Capital assets are tangible assets that are used in operations and that have initial useful lives

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that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Position at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. 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 is 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 Position/Fund Balance

In the government-wide financial statements Net Position consist of three components: investment in capital assets, net of related debt; restricted; and unrestricted. The Board has no debt related to capital assets; therefore Net Position 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 Position 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

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citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation.

The amount of Net Position restricted by enabling legislation is \$333,257 at June 30, 2015.

All remaining Net Position items that are not related to capital assets are shown as unrestricted. Unrestricted Net Position is 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 Position 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The BON has no deferred outflows of resources during fiscal year 2015 on the government wide or fund financial statements.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The BON has no deferred inflows of resources during fiscal year 2015 on the government wide or fund financial statements.

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NOTE B – INVESTMENTS WITH STATE TREASURER INVESTMENT POOL

Investments of the Board of Nursing at June 30, 2015:

Agency	SHARE Fund No.	Amount per Treasurer	Reconciling Items		Per Financial Statements
			Outstanding Deposits	Outstanding Checks	
449	07200	\$ 569,261	-	-	569,261
449	84200	351,223	-	-	351,223
		\$ <u>920,484</u>	<u>-</u>	<u>-</u>	<u>920,484</u>

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.

Custodial Credit Risk—Investment Accounts

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Board. Therefore, collateralization of the Board’s accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Board is not permitted to have any investments other than what is held at the State Treasurer’s Office and the Board did not have any other investments during the year ended June 30, 2015. There is no custodial risk at the Board’s level since the Board’s investments are under the contract of the Office of the State Treasurer.

General Fund Investment Pool Not Reconciled

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

http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State. The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation

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Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

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

Per the directive issued by the Office of the State Auditor on October 30, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2012 and continues into 2015.

That directive instructed agencies to do the following:

1. Provide copies of the referenced reports to the agency's Independent Public Accountant (IPA) performing the fiscal year 2015 audit;
2. Explain to the IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
3. Disclose in the agency's notes to the financial statements the facts about the statewide cash reconciliation as of June 30, 2015, and what the agency's policies and procedures were during the fiscal year 2015 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2015.

The Board has provided copies of the referenced diagnostic reports to the IPA. The Board has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the Board has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

The Board has an interest in the State General Fund Investment Pool allocated between five funds operating under the oversight of SHARE and the State Treasurers Office. The cash transactions processed by the Board flow through the state general fund investment pool. Since SHARE was implemented, the Board recognized 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. 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 and a review of outstanding warrants. The Board conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing

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through the Board 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.

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 BON 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.

NOTE C – RECEIVABLES

Accounts receivable including amounts due from other agencies totaled \$2,616 as of June 30, 2015. 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 06/30/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/15</u>
Furniture and equipment	\$ 19,034	-	-	19,034
Data processing equipment	89,534	5,590	-	95,124
Software	-	-	-	-
Total capital assets	<u>108,568</u>	<u>5,590</u>	<u>-</u>	<u>114,158</u>
Accumulated Depreciation				
Machinery and equipment	(19,034)	-	-	(19,034)
Data processing equipment	(36,829)	(15,948)	-	(52,777)
Software	-	-	-	-
Total accumulated depreciation	<u>(55,863)</u>	<u>(15,948)</u>	<u>-</u>	<u>(71,811)</u>
Net Capital Assets	\$ <u>52,705</u>	<u>(10,358)</u>	<u>-</u>	<u>42,347</u>

Depreciation expense of \$15,948 was charged entirely to the regulation function in the general fund. All capital assets are being depreciated.

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BOARD OF NURSING
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For The Year Ended June 30, 2015**

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 06/30/14</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/15</u>	<u>Current due within one year</u>
Annual Leave	\$ 54,258	42,930	(61,963)	35,225	28,180
Compensatory	6,207	4,662	-	10,869	8,695
Sick Leave	945	1,411	(1,945)	411	329
Total	<u>\$ 61,410</u>	<u>49,003</u>	<u>(63,908)</u>	<u>46,505</u>	<u>37,204</u>

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

NOTE F – FUND BALANCE

The Board’s fund balance is classified under the following GASB Statement 54 components:

- **Nonspendable:** Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Board has no amounts in the category of nonspendable fund balance for the year ended June 30, 2015.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The Board’s balance shown as restricted funds in the financial statements of the Nursing Excellence Fund is for the purpose of assisting the Board in funding its recruitment and educational programs.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The Board does not have any committed fund balance for the year ended June 30, 2015.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch’s intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The Board does not have any assigned fund balance for the year ended June 30, 2015.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The Board does not currently have a minimum fund balance policy. The unassigned amount represents petty cash in the General Fund.

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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 under lease agreements ranging from terms of one to five years. During the year ended June 30, 2015, the Board paid approximately \$132,808 under its various lease agreements. Future payments under leases exceeding one year are as follows:

For the Year Ended June 30	Total
2016	\$ 126,033
2017	120,137
2018	126,144
2019	126,144
2020	129,290
Thereafter	383,265
Total	\$ 1,011,012

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 8.92% of their gross salary. The Board of Nursing is required to contribute 17%. 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, 2015, 2014, and 2013 were \$144,378, \$153,465, and \$121,368, respectively, equal to the amount of the required contribution for each year.

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

Plan Description. BON 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

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was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature reviewed and adjusted the distributions pursuant to Section 7-1-6.1 NMSA 1978 and

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the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act

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

There was one interfund transfer in 2015 from the General fund to the Nursing Excellence fund:

Transferring Agency/Fund	Receiving Agency/Fund	Amount	Purpose of Transfer
44900/07200	44900/84200	\$ 200,000	Transfer of Nursing Excellence Funds

NOTE L – EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The State of New Mexico Board of Nursing recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The State of New Mexico Board of Nursing's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization has evaluated subsequent events through December 1, 2015, which is the date the financial statements were available to be issued.

**STATE OF NEW MEXICO
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SCHEDULE OF VENDOR INFORMATION
June 30, 2015**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
2004-1803	Lease Agreement	Citadel	886,867	886,867	Citadel Associates LP % Rosemont Property 320 Gold Ave SW Ste 400 Albuquerque NM 87102	Y	N	Building Lease
RFP- 1544907200 002	RFP	Law Office of Russell Lowe	322,070	322,070	Law Office of Russell Lowe 110 2nd St SW Ste 207 Albuquerque NM 8199+0536	Y	N	Prosecuting Attorney
					Sheehan & Sheehan PA 40 1st Plaza NW Ste 740, Albuquerque NM 87102			
					Murray Law Firm 400 10th Street Alamogordo NM 88310			



**INDEPENDENT AUDITOR'S 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***

Mr. Tim Keller
New Mexico State Auditor and
Robin Jones, Board Chairperson of the
State of New Mexico Board of Nursing
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Board of Nursing (BON) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the BON's basic financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BON's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BON's internal control. Accordingly, we do not express an opinion on the effectiveness of the BON's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider 2015-002 to be a significant deficiency.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BON'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 following findings represent instances of noncompliance or other matters that are required to be reported under Government Auditing Standards 2015-001, 2015-002 and 2015-003.

New Mexico Board of Nursing Response to Findings

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

Purpose of This Report

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

This report is intended solely for the information and use of management, of the BON and others within the agency, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle + Landers, P.C.
Albuquerque, NM
December 1, 2015

**STATE OF NEW MEXICO
BOARD OF NURSING
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015**

<u>Findings</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding*</u>
Prior Year Findings		
none		
Current Year Findings		
2015-001 Bid Procurement Process Not Followed	CURRENT	C, D
2015-002 Unauthorized Salary Increases	CURRENT	B, D
2015-003 Personnel Files	CURRENT	C, D

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Compliance with State Audit Rule

2015-001- BID PROCUREMENT PROCESS NOT PROPERLY FOLLOWED

Type of Finding: C, D

Statement of Condition

During our testing of procurement contracts, we identified a professional service contract for IT services that did not properly detail the professional services thresholds for this type of procurement, and was not reviewed and approved by DFA as required.

Criteria

“All contracts for professional services with state agencies shall be reviewed as to budget requirements by the department of finance and administration, if such review is required by DFA or subsequent DFA rules.”

[1.4.1.47 NMAC - Rp, 1.4.1.47 NMAC, 08-30-13]

DFA Rule

2.40.2.11 --SMALL PURCHASES: A contract for professional services having a value over five thousand dollars (\$5,000) including applicable gross receipts taxes, but not exceeding fifty thousand dollars (\$50,000) excluding applicable gross receipts taxes, except for the services of architects, landscape architects engineers, or surveyors for state public works projects, may be procured in accordance with the Procurement Code, Sections 13-1-28 to 13-1-99 NMSA 1978. [7-10-85, 7-1-87, 5-15-97, 6-15-98, 7-1-01; 2.40.2.11 NMAC - Rn & A, 2 NMAC 40.2.11, 1-14-2005; A, 9-15-2005, A/E, 10-17-2005; A/E, 10-30-2007]

Effect

The BON is out of compliance with the State Statutes in reference to the procurement process as noted in above in “Criteria.”

Cause

Management was unaware that this rule applied to small purchases.

**STATE OF NEW MEXICO
BOARD OF NURSING
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015**

Recommendation

The BON should ensure that every contract for professional services meet the proper procurement requirements.

Management Response

The Board agrees with this finding. The Board will develop and implement the appropriate procedures to ensure that the required compliance with State Procurement Statutes is complied with. The Procurement Officer will attend procurement trainings to ensure that these procedures are complied with.

2015-002 – UNAUTHORIZED SALARY INCREASES

Type of Finding: B, D

Statement of Condition

During our testing of 25 payroll transactions, it was noted that 3 individuals had previously been given temporary salary increases, which were carried over beyond the time for which they were authorized. For 2 of these individuals, the increases were supposed to have ended in 2011, and for the other one, the increase was supposed to have ended in fall of 2014.

Criteria

Employees should be paid at rates that are appropriately authorized per state statutes.

Effect

The impact in the testing sample was a total of \$1,676.58 in overpaid compensation. Based on this information, it is logical to conclude, that for the entire fiscal year, the total overpayment would be estimated at approximately \$18,000, and if the same situation exists for additional employees outside our testing sample, the amount would go beyond this estimate.

Cause

Management did not keep track of the terms for which the increases were authorized.

Recommendation

We recommend that management implement procedures to ensure that temporary salary increases are properly monitored and end at their appointed time.

Management Response

The Board agrees with this finding. These increases were corrected in FY15. One of the employees was given a permanent salary increase and the other two employees' temporary salary increases were terminated. These two employees' salaries were adjusted to the previous salary. The Board has outsourced HR to the State Personnel Office (SPO) as of May 2015. SPO will now be responsible for ensuring that all personnel actions are in compliance.

**STATE OF NEW MEXICO
BOARD OF NURSING
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2015**

2015-003 – PERSONNEL FILES

Type of Finding: C,D

Statement of Condition

During testing of 25 payroll transactions it was noted that:

- For 2 personnel files, a current W-4 could not be located.
- For 2 personnel files, a current I-9 could not be located.
- For 1 employee, authorization to withhold vision insurance could not be located, although vision insurance was being deducted from her paychecks.

Criteria

Personnel files should contain proper documentation to support payroll transactions per state statutes.

Cause

The BON did not maintain proper documentation in the personnel files to support payroll transactions.

Effect

There is an increased risk of the possibility of misstated financial statements due to a loss from fraud or error.

Recommendation

The BON should maintain proper documentation in the personnel files to support payroll transactions.

Management Response

The Board agrees with this finding. The Board has outsourced HR to the State Personnel Office (SPO) as of May 2015. SPO will be responsible for the maintenance of the personnel file and ensure that all documents are included in the file.

**STATE OF NEW MEXICO
BOARD OF NURSING
EXIT CONFERENCE
For The Year Ended June 30, 2015**

The financial statements of the **New Mexico Board of Nursing** as of June 30, 2015, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.

* * * * *

An Exit Conference was held on December 1, 2015 and attended by the following:

For the State of New Mexico Board of Nursing:

Donna Arbogast

Robin Jones

Demetrius Chapman, MPH, MSN(R), RN

CFO/HR Director

Chair

ED

For Hinkle + Landers, PC.:

Farley Vener

President