



ACCOUNTING & AUDITING SERVICES, LLC

FINANCIAL AUDITS + ATTESTATION ENGAGEMENTS + CONSULTING + TAX

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS**

**Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

(With Independent Auditor's Report Thereon)

**STATE OF NEW MEXICO
 BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
 AND PROFESSIONAL SURVEYORS
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**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
OFFICIAL ROSTER
June 30, 2017**

Board of Directors

Ron Bohannon, PE	Chair
Augusta Meyers	Vice-Chair
David Cooper, PS	Secretary
Karl Tonander, PE	PEC Chair
Julie Samora, PE	PSC Vice-Chair
Cliff Shiprock, PS.....	Member
Glen Thurow, PS.....	Member
Dr. Nadir Yilmaz, PE, F.NSPE.....	Member
Paul Brasher, PE.....	Member
Joshua Skarsgard, Esq.	Member

Administrative Officials

Perry Valdez.....	Executive Director
Annette Thompson-Martinez	Deputy Director
Clayton Pelletier.....	CFO



ACCOUNTING & AUDITING SERVICES, LLC

FINANCIAL AUDITS + ATTESTATION ENGAGEMENTS + CONSULTING + TAX

INDEPENDENT AUDITOR'S REPORT

New Mexico Board of Licensure for Professional Engineers and Professional Surveyors
and
Tim Keller, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison for the general fund of the State of New Mexico, Board of Licensure for Professional Engineers and Professional Surveyors (Board), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the Board's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Board's management.

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 misstatements, 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 of material misstatement.

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

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the budgetary comparison for the general fund of the Board, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements of the Board of Licensure for Professional Engineers and Professional Surveyors are intended to present the net position and the changes in net position and cash flows, where applicable, of only that portion of the governmental activities, the major fund and budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2017, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 9, the State of New Mexico, as a single employer, has implemented GASB Statement 68, Accounting and Financial Reporting for Pensions, in the June 30, 2017 Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Board's governmental fund. All other required footnote and other disclosures required by the Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October , 2017, on our consideration of the Board'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 the Board's internal control over financial reporting and compliance.

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC

Santa Fe, New Mexico

October 30, 2017

STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Management's Discussion and Analysis
June 30, 2017

The Board of Licensure for Professional Engineers and Professional Surveyors' discussion and analysis provides an overview of the financial activities for the fiscal year ended June 30, 2017. Since this information is designed to focus on the current year's activities, resulting changes and currently known facts, it should be read in conjunction with the financial statements.

Overview of the Financial Statements

The financial statements consist of the Introductory Section, the Financial Section, which includes the management's discussion and analysis, the basic financial statements, and the individual fund statements. The last Other Reports section consists of the report on internal controls and compliance, the schedule of findings and responses, and the exit conference information.

The basic financial statements include a series of financial statements. The Government-Wide Financial Statements consist of the Statement of Net Position and the Statement of Activities which provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. The Fund Financial Statements follow consisting of the General Fund Balance Sheet and the General Fund Statement of Revenues, Expenditures and Changes in Fund Balances. For governmental activities, these statements tell how these services were financed for the reporting period. The fund financial statements report the Board's operations in more detail than the government-wide statements by providing information about the Board's General Fund. These financial statements are then followed by reconciliations of the Government-Wide Financial Statements to the Fund Financial Statements. Finally, the Statement of Revenues and Expenditures - Budget and Actual is provided which compares the Board's budgeted revenues and expenditures to actual amounts (Exhibit G on p. 7).

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

The Statement of Net Position and the Statement of Activities report information about the Board as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Board's net position and changes in them. In the Statement of Net Position and the Statement of Activities, all of the Board's governmental activities are reported here.

Fund Financial Statements

The fund financial statements provide detailed information about the Board's General Fund. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes. The Board's fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The fund statements provide a detailed view of the Department's operations and the services it provides. Governmental fund information is an indicator of whether there are more or fewer financial resources that can be spent in the future to finance the Department's programs. The Board operates principally on its own self-generated revenues (license and registration fees, examination fees and interest earnings) and an annual appropriated budget which is adopted by the Board and approved by the State Legislature each year in compliance with state law.

STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Management's Discussion and Analysis
June 30, 2017

Government-wide condensed financial information is displayed below. Comparative information from the previous fiscal year is included for the reader's information.

<u>Statement of Net Position</u>	<u>06/30/2016</u>	<u>06/30/2017</u>	<u>Increase (Decrease)</u>
Assets:			
Current assets	\$ 3,955,229	\$ 296,695	\$ (3,658,534)
Capital assets, net	-	-	-
Total assets	<u>3,955,229</u>	<u>296,695</u>	<u>(3,658,534)</u>
Liabilities:			
Current liabilities	45,539	67,647	22,108
Long-term liabilities	-	-	-
Total liabilities	<u>45,539</u>	<u>67,647</u>	<u>22,108</u>
Net position:			
Committed	1,000,000	-	(1,000,000)
Restricted	2,924,606	229,048	(2,674,924)
Unrestricted	(14,916)	-	14,916
Total net position	<u>\$ 3,909,690</u>	<u>\$ 229,048</u>	<u>\$ (3,680,642)</u>
<u>Changes in Net Position</u>			
Program revenues - charges for services	<u>\$ 1,019,215</u>	<u>\$ 989,039</u>	<u>\$ (30,176)</u>
Total program revenue	<u>1,019,215</u>	<u>989,040</u>	<u>(30,176)</u>
General revenues and transfers:			
Interest on investments	8,389	6,076	(2,313)
Penalties	49,540	40,011	(9,529)
Transfers to State General Fund	-	(3,944,800)	3,944,800
Total general revenues & transfers	<u>57,929</u>	<u>(3,898,713)</u>	<u>(3,956,642)</u>
Expenses – general government	<u>(600,686)</u>	<u>(770,969)</u>	<u>170,283</u>
Total expenses	<u>(600,686)</u>	<u>(770,969)</u>	<u>170,283</u>
Change in net position	476,458	(3,680,643)	(4,157,101)
Net position, beginning	<u>3,433,323</u>	<u>3,909,691</u>	<u>476,368</u>
Net position, ending	<u>\$ 3,909,691</u>	<u>\$ 229,048</u>	<u>\$ (3,680,643)</u>

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Management's Discussion and Analysis
June 30, 2017**

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

The State Legislature makes an annual appropriation of the Board's revenue. The Board is a non-reverting agency. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). The Board did have one budget adjustment for the fiscal year ended June 30, 2017 which moved \$6,000 from Category 200 - Personal Services into the 400 Category - Other for modification and electrical services of office spaces.

The changes in the Board's Financial Position (Statement of Net Position) and Operations (Statement of Activities) from the prior year are mainly due to licensing fees exceeding amounts budgeted by \$102,790 due to the State of New Mexico's capital projects attracting out of state engineers who needed to obtain a new license to qualify to bid on these projects and other services exceeding amounts budgeted by \$72,325 due to the application fee of these out of state engineers applying for new licenses, expenditures being \$74,649 below budgeted due to vacancy savings in personal services, and Transfers to the State General Fund of \$3,944,800. Total assets decreased by approximately 92% from \$3,955,229 to \$296,695. Total net position decreased by \$3,680,643 from \$3,909,691 to \$229,048. The decrease in net position was mainly due to the legislative passing HB 311 which appropriated \$1,000,000 and SB2 which appropriated \$2,944,800 in order to true up the overall State budget deficit. Net Position decreased in FY2017 by \$3,680,643 as compared to an increase in 2016 of \$476,458, as shown in the Statement of Activities.

As disclosed in note 9 to the financial statements, the State of New Mexico implemented GASB 68, Accounting and Financial Reporting for Pensions, only in the Statewide Comprehensive Annual Financial Report (CAFR) which did not impact the Board's Financial Statements.

Capital Assets

The Board's investment in capital assets is \$0 (net of accumulated depreciation). This investment in capital assets consists mainly of data processing equipment. There were no capital assets purchases during the current fiscal year. Depreciation expense was \$0 for the fiscal year.

Long-term Debt

The Board had long-term debt (compensated absences) totaling \$ 20,634 at June 30, 2017 which was determined to be a current liability based on the amount of the June 30, 2016 balance used during FY 2017.

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

The Board uses the Regulation and Licensing Department's staff to perform certain financial job functions for the Board that will continue through the 2018 fiscal year. The amount of \$135,000 was transferred to the Regulation and Licensing Department during FY 2017 for these services.

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Management's Discussion and Analysis
June 30, 2017**

If you have questions about this report or need additional financial information please contact the Board's Chief Financial Officer at (505) 476-4526 or address inquiries to:

Board of Licensure for Professional Engineers and Professional Surveyors
Toney Anaya Building
2550 Cerrillos Road, 2nd Floor
P.O. Box 25111
Santa Fe, NM 87507
www.sblpes.state.nm.us

STATE OF NEW MEXICO
 BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
 Statement of Net Position
 June 30, 2017

	Governmental Activities
<u>Assets</u>	
Current:	
Investment in the State Treasurer General Fund Investment Pool	\$ 296,695
Total current assets	296,695
Noncurrent:	
Capital assets	52,270
Less accumulated depreciation	(52,270)
Total capital assets, net of depreciation	-
Total assets	\$ 296,695
<u>Liabilities and Net Position</u>	
Liabilities:	
Accounts payable	\$ 29,698
Accrued payroll	7,674
Payroll taxes payable	2,639
Payroll benefits payable	7,002
Compensated absences payable:	
Due within one year	20,634
Due after one year	-
Total liabilities	67,647
Net Position:	
Investment in capital assets	-
Unrestricted	229,048
Total net position	229,048
Total liabilities and net position	\$ 296,695

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

STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
Statement of Activities
For the Year Ended June 30, 2017

	Governmental Activities
Expenses:	
General government:	
Personal services, taxes and benefits	\$ 463,903
Contractual services	201,643
Other costs	105,423
Depreciation expense	-
	770,969
Total expenses	770,969
Program revenues:	
Charges for services:	
Trades and licenses	819,289
Examination fees	1,450
Other fees	1,750
Other services	166,550
	989,039
Total program revenues	989,039
Net program revenues	218,070
General revenues:	
Interest on investments	6,076
Penalties	40,011
	46,087
Total general revenues	46,087
Transfers and special items:	
Transfers out to State General Fund	(3,944,800)
	(3,944,800)
Total transfers and special items	(3,944,800)
Change in net position	(3,680,643)
Net position, beginning, as reported	3,909,691
Net position, ending	\$ 229,048

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

STATE OF NEW MEXICO
 BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
 Balance Sheet
 Governmental Funds
 June 30, 2017

	General Fund
<u>Assets</u>	
Investment in the State Treasurer General Fund Investment Pool	\$ <u>296,695</u>
Total assets	\$ <u><u>296,695</u></u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 29,698
Accrued payroll	7,674
Payroll taxes payable	2,639
Payroll benefits payable	<u>7,002</u>
Total liabilities	<u>47,013</u>
Fund Balance:	
Non-spendable	-
Spendable - Restricted	249,682
Committed	-
Assigned	-
Unassigned	<u>-</u>
Total fund balance	<u>249,682</u>
Total liabilities and fund balance	\$ <u><u>296,695</u></u>

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

STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2017

Total fund balance for the governmental funds (Balance Sheet - Exhibit C)	\$	249,682
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:

Capital assets	\$	52,270	
Accumulated depreciation		<u>(52,270)</u>	
 Total capital assets			-

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of the following:

Compensated absences		<u>(20,634)</u>
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Net position of governmental activities (Statement of Net Position - Exhibit A)	\$	<u><u>229,048</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO **Exhibit E**
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>
Revenues:	
Trades and licenses	\$ 819,290
Examination fees	1,450
Other penalties	40,011
Other fees	1,750
Other services	166,550
Interest on investments	<u>6,076</u>
 Total revenues	 <u>1,035,127</u>
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	458,185
Contractual services	201,643
Other costs	<u>105,423</u>
 Total expenditures	 <u>765,251</u>
 Excess (deficiency) of revenues over expenditures	 <u>269,876</u>
Other financing sources (uses):	
Transfers out:	
To State General Fund (note 6)	<u>(3,944,800)</u>
 Total other financing sources (uses)	 <u>(3,944,800)</u>
 Net change in fund balance	 (3,674,924)
 Fund balance, beginning, as reported	 <u>3,924,607</u>
 Fund balance, ending	 <u>\$ 249,683</u>

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

STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2017

Net change in fund balance - Governmental Funds (Statement of Revenues, Expenditures and Changes in Fund Balance - Exhibit E)	\$ (3,674,924)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	\$ -	
Depreciation expense	-	
Excess of depreciation over capital outlay expense	-	-

Government funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal:

Loss on disposal of capital assets	-
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Expenses recognized in the statement of activities, but not reported in governmental funds:

Increase in liability for compensated absences	(5,718)
Rounding	(1)
	-

Change in net position - Governmental Activities (Statement of Activities - Exhibit B)	\$ <u>(3,680,643)</u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS AND PROFESSIONAL SURVEYORS
 Statement of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Trade and Professional Licences	\$ 716,500	\$ 716,500	\$ 819,290	\$ 102,790
Trade and Professional Examination Fees	2,000	2,000	1,450	(550)
Printing and Reproduction	600	600	1,196	596
Other Services	78,300	78,300	150,625	72,325
Other Current Services	7,000	7,000	15,925	8,925
Forms	100	100	10	(90)
Interest on Investments	-	-	6,076	6,076
Other	100	100	544	444
Other penalties	<u>35,300</u>	<u>35,300</u>	<u>40,011</u>	<u>4,711</u>
Total revenues	<u>\$ 839,900</u>	<u>\$ 839,900</u>	<u>\$ 1,035,127</u>	<u>\$ 195,227</u>
Expenditures and Other Financing Uses:				
Expenditures - General government:				
Personal services & employee benefits	\$ 504,800	\$ 498,800	\$ 458,185	\$ 40,615
Contractual services	224,500	224,500	201,643	22,857
Other costs	<u>110,600</u>	<u>116,600</u>	<u>105,423</u>	<u>11,177</u>
Total expenditures	839,900	839,900	765,251	74,649
Other financing uses - transfers out	<u>-</u>	<u>-</u>	<u>3,944,800</u>	<u>(3,944,800)</u>
Total expenditures and other financing uses	<u>\$ 839,900</u>	<u>\$ 839,900</u>	<u>\$ 4,710,051</u>	<u>\$ (3,870,151)</u>

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

STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Notes to the Financial Statements
June 30, 2017

1. History and Organization

The Board of Licensure for Professional Engineers and Professional Surveyors (Board) was created under the Laws of 1956, Chapter 211. The primary duties and obligations of the Board are to administer the provisions of the Engineering and Surveying Practice Act (Sections 61-23-1 through 61-23-32 NMSA 1978) and to exercise the authority granted the Board in this act.

The Board has the power to adopt and amend all bylaws and rules of procedures, not inconsistent with the constitution, the laws of New Mexico or the Engineering and Surveying 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 engineers and professional surveyors.

2. Summary of Significant Accounting Policies

The financial statements of the New Mexico Board of Licensure for Professional Engineers and Professional Surveyors (Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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. The Board follows GASBS 62 which updated its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units. Additionally, the Board follows GASBS 76 that addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction is not specified within a source of GAAP. The more significant of the Board's accounting policies are described below.

A. Financial Reporting Entity

The Board, a ten-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to professional engineers and surveyors. Even though the board members are appointed by the governor, they have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. These financial statements present only the portion of the State of New Mexico attributable to the transactions of the Board. The Board has no component units. Other executive branch entities of the State of New Mexico are excluded because they are established separately by state statutes.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Notes to the Financial Statements
June 30, 2017**

2. Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

The Board is part of the primary government of the State of New Mexico and its financial data is included with the financial data of the State. These financial statements present the financial position and results of operations of only the Statewide Human Resources, Accounting and Management Reporting System (SHARE) fund which the Board has oversight responsibility.

B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The GASBS No. 34 reporting model focus is on either the Board as a whole or major individual funds. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type activities. Neither fiduciary funds nor component units that a fiduciary in nature are included in the government-wide financial statements. The Board only has governmental type activities and does not have any business-type activities, fiduciary activities or component units. The government-wide financial statements reflect an accrual basis of accounting, economic resources measurement focus, which incorporates long-term assets, deferred inflows of resources as well as long-term debt, deferred outflows of resources and other obligations. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and non-exchange transactions are recognized when the exchange takes place in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Board has only one function (general government). Program revenues include charges for services such as license, examination and other related fees. General revenues (interest income, penalties, miscellaneous, etc.) normally cover the net cost of the function. The governmental fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Board's actual experience conforms to the budget or fiscal plan. Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund financial statements into the government-wide financial statements.

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Notes to the Financial Statements
June 30, 2017**

2. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements – GASB Statement No. 34 (Continued)

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Basis of Presentation – Fund Accounting

The financial transactions of the Board are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources and uses. The Board does not have any debt service requirements. The compensated absences liability is not included in the fund financial statements. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type and reported by generic classification in the accompanying financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Board uses the following fund types:

Governmental Fund Type - The focus of governmental fund measurements in the 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 funds of the Board.

The General Fund is the general operating fund of the Board. It is used to account for all financial resources and transactions of the Board to fulfill its general government function. There are no resources required to be accounted for in another fund. The General Fund is funded primarily through license and registration fees, penalties and interest on state funds. The unexpended balance remaining in the General Fund at the end of the fiscal year does not revert to the State General Fund of New Mexico per Section 61-23-11.A NMSA 1978. The SHARE fund number is 07300.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

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2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

The government-wide financial statements are presented on the accrual basis of accounting. The governmental fund financial statements are presented on the modified accrual basis of accounting.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they are measurable and available. Measurable means knowing or being able to reasonably estimate the amount.

Available means collectible in the current period or within 60 days after fiscal-year end to pay current liabilities. The Board operates under a biennial license renewal policy. Licensees that hold an odd numbered license (odd numbered last digit) renew during odd numbered years while licensees that hold an even numbered license renew during even numbered years. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred.

E. Budget and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to the Board. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico, Department of Finance and Administration (DFA) within the limitations 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 fiscal year. The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

By September 1st, the Board prepares and submits a budget request by appropriation unit to be presented to the next legislature for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

The appropriation request is submitted to DFA's Budget Division and to the Legislative Finance Committee (LFC). DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the State Legislature. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the State Legislature.

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2. Summary of Significant Accounting Policies (Continued)

E. Budget and Budgetary Accounting (Continued)

Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit. Subsequent budget adjustments affecting a category must be approved by the State Budget Division of DFA.

Budgets are controlled at the appropriation unit level. Appropriations lapse at the end of the fiscal year except for those goods and services received by June 30th which are recorded as accounts payable in the financial statements. The accounting records are held open for approximately one additional month per DFA directive in order to record all transactions in the fiscal year ending June 30th.

The budget for the General Fund is adopted on a modified accrual basis of accounting per the General Appropriations Act, Laws of 2012, Chapter 19, Section 3, Paragraph M, 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 require approval from DFA to pay the prior year bills out of the next year's budget; as of June 30, 2017, there were none.

In accordance with the requirements of Section 2.2.2 10.A(2)(b) NMAC of the State Audit Rule and the allowance made by GASB Statement 34, footnote 53, the budgetary comparison statement has been included as part of the basic financial statements. There are no differences between the budgetary comparison and the fund financial statements since both are reported on the modified accrual basis.

F. Investment in the State General Fund Investment Pool

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

G. Receivables

The Board earns interest from the Investment in the State General Fund Investment Pool. Interest due from the State Treasurer's Office 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.

H. Capital Assets

Capital assets are tangible assets used in operations that have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Position at historical cost or estimated fair value, if donated. Capital assets are depreciated using the

**STATE OF NEW MEXICO
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2. Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

straight-line method over their estimated useful lives. Before the 2005 legislative session, only items that cost more than \$1,000 were capitalized. Effective June 19, 2005, House Bill 1074 amended Section 12-6-10 NMSA 1978 and increased the capitalization threshold to items that cost more than \$5,000. Repairs and maintenance expenditures are charged to operations when incurred and major betterments and replacements are capitalized. Computer software which is purchased with data processing equipment is included as part of the capitalized data processing equipment. Other software purchased is capitalized and depreciated separately. The major classification of capital assets and their related depreciable lives are as follows:

Furniture and Fixtures	5 years
Machinery and Data Processing Equipment (including software)	3 to 5 years
Automobile	5 years

I. Accrued Compensated Absences

Employees are entitled to accumulated annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their currently hourly rate for accumulated unpaid annual leave as of the date of termination up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate. State agencies are allowed to pay fifty percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in January or July.

The compensated absences liability is presented in two parts, a current portion and a long-term portion, in the government-wide financial statements. The current portion is the amount expected to be expended during fiscal year 2018 and is an estimate management determined based on fiscal year 2017 usage. Based on the estimate for the fiscal year ending June 30, 2017, the compensated absence liability is all a current liability

J. Net Position

The government-wide financial statements utilize a net position presentation. Net position are categorized as net investment in capital assets (net of related debt, if applicable), restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflow of resources and deferred inflows of resources.. There were not deferred inflows or outflows for the fiscal year.

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BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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2. Summary of Significant Accounting Policies (Continued)

J. Net Position (Continued)

The net investment in capital assets is intended to reflect the portion of net position associated with capital assets less outstanding capital assets and related debt. The Board has no debt related to its capital assets.

Restricted expendable net position represents resources generated from revenues and not bond proceeds, which have third-party (statutory, bond covenant or granting agency) limitations on their use. The Board's net position is all restricted since it is not a reverting agency and the enabling legislation restates its use for operations of the Board.

Unrestricted net position represents resources that do not have third-party limitations on their use.

K. Use of Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Investment in the State General Fund Investment Pool

The Board is required by State law to have all of its funds on deposit in the State General Fund Investment Pool (SGFIP) which is managed by the New Mexico State Treasurer's Office (STO).

Compliant with Section 6-10-3 NMSA 1978 and to optimize state cash management and investment practices, funds of most state agencies are deposited in the SGFIP. Claims on the SGFIP are reported as financial assets by the state agencies investing in the SGFIP.

The following represents the Board's Interest in the State General Fund Investment Pool as of June 30, 2017:

Investments at year-end are classified as follows:

Governmental Funds:	<u>Maturity</u>	<u>State Treasurer Balance</u>	<u>Financial Statement Balance</u>
State General Fund Investment Pool (SGFIP)	1 Day	\$ 296,695	\$ 296,695

In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of fifty percent. Collateral pledged to secure these deposits is monitored by the STO

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3. Investment in the State General Fund Investment Pool (Continued)

which issues separate financial statements that disclose the collateral pledged to secure these deposits.

The State Treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by state statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the State General Fund.

The State Treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral is generally in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment depending upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

The Board follows GASB Statement 40, *Deposit and Investment Risk Disclosures*. GASBS 40 requires certain disclosures when balances with financial institutions exceed depository insurance.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is the means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The State Treasurer's State General Fund Investment Pool is not rated.

The Board does not have any credit quality, deposit custodial credit, security custodial credit, concentration of credit or foreign currency risks.

For additional GASBS 40 disclosure information regarding cash held by the State Treasurer, see the separate audit report of the STO for the fiscal year ending June 30, 2017.

State General Fund Investment Pool Reconciliation Update

According to the State Controller in a letter dated August 8, 2016 (Statewide Cash Reconciliation Update), "the Financial Control Division (FCD) in collaboration with the State Treasurer's Office implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process has now been reviewed by the IPAs performing audits of the State General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully

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3. Investment in the State General Fund Investment Pool (Continued)

addressing this issue allowed the Department to reinstate \$100 million that had been reserved as a loss contingency.

For FY2016, the following assertions are provided: 1) The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (less than \$200,000 standard deviation) over the last twelve months; 2) Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the State General Fund Investment Pool; and 3) All claims will be honored at face value.”

The Board believes the impact of the cash reconciliation does not have a material impact on its financial statements since the main source of cash is the trade and license fees deposited which are reconciled to the general ledger.

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 DFA’s Financial Control Division for correction. The 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 the Board’s State General Fund Investment Pool account is accurate as of the end of the reporting period.

4. Inter-agency Transfers Out

On July 13, 2016, the Board transferred \$1,000,000 from its General Fund (SHARE Agency #46400, Fund #07300) to the NM Department of Finance and Administration’s State General Fund Operating Reserve (SHARE Agency #34101, Fund #85300) as required by the Legislature of the State of New Mexico, Laws of 2016, HB311, 2nd Session, Chapter 12, Section 2.A, Item 12.

On December 2, 2016, the Board transferred \$2,944,800 from its General Fund (SHARE Agency #46400, Fund #07300) to the NM Department of Finance and Administration’s State General Fund Operating Reserve (SHARE Agency #34101, Fund #85300) as required by the Legislature of the State of New Mexico, Laws of 2016, SB2, Chapter 4, Section 3.A, Item 37.

5. Changes in Capital Assets - Governmental Activities

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2017:

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<u>Cost</u>	Balance 06/30/2016	Additions	Deletions	Balance 06/30/2017
Machinery and Equipment	\$ 28,798	\$ -	\$ -	\$ 28,798
Automobile	15,583	-	-	15,583
Furniture and Fixtures	7,889	-	-	7,889
Total capital assets	52,270	-	-	52,270
 <u>Accumulated Depreciation</u>				
Machinery and Equipment	(28,798)	-	-	(28,798)
Automobile	(15,583)	-	-	(15,583)
Furniture and Fixtures	(7,889)	-	-	(7,889)
Total accumulated depreciation	(52,270)	-	-	(52,270)
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -

There is no debt related to capital assets. Depreciation expense for the year was \$0.

6. Changes in Long-Term Debt

The following is a summary of changes in long-term debt for compensated absences:

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017	Due Within One Year
Annual Leave	\$ 14,916	37,282	(31,564)	\$ 20,634	\$ 20,634

The Board's General Fund is used to pay for compensated absences. All of the compensated absences payable of \$20,634 is considered to be a current liability.

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7. Fund Equity

The Board follows GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to properly classify the Board's fund balance. The effect on GASBS 54 on the Board's fund balance is that the reserve for prepaid expenses is no longer presented but shown as non-spendable fund balance. Spendable fund balance is shown by the most binding constraint which is restricted by an external resource or enabling legislation. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications.

In the governmental fund financial statements, *restricted fund balances* are reported when constraints placed on the use of resources are either: 1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. The Board is a non-reverting agency and the funds are restricted by its enabling legislation to carry out the provisions of the Board. Accordingly, all of the Board's fund balance is restricted.

Committed fund balances consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (policy action). The Board has no committed fund balances as of June 30, 2017.

Assigned fund balances consist of fund balances which are constrained by the government intent to be used for specific purposes, but are neither committed nor restricted. Intent can be expressed by 1) the governing body itself or 2) a body (such as a budget or finance committee) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned fund balance is the residual classification for the Board's general fund and includes all amounts not contained in the other classifications.

8. Operating Leases

The Board leases a storage shed on a month to month basis for \$220 per month. The Board also leases a car on an annual basis from the NM General Services Department for \$2,160 per year. Total expenditures for the leases for the year ended June 30, 2017 were \$4,945. The leases can be terminated with no penalty to the Board if the New Mexico State Legislature does not appropriate funds to the Board. Future minimum lease payments for each of the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2018	\$ 2,160
June 30, 2019-2022	<u>0</u>
	<u>\$ 2,160</u>

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9. Pension Plan - Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 8.92% (ranges from 6.28% to 18.15% depending upon the plan - i.e. state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Board is required to contribute 16.99% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's employer contribution to PERA for the years ending June 30, 2017, 2016 and 2015 were \$52,252, \$36,123 and \$42,455 respectively, equal to the amount of the required contributions for each year.

GASB 68 – Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers. Compliant with the requirements of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2017. The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).

Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

10. Deferred Compensation Plan

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all state employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary

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10. Deferred Compensation Plan (Continued)

until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

There are employees that are making contributions to the Deferred Compensation Plan. Neither the Board nor the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Board have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

11. Post-Employment Benefits - State Retiree Health Care Plan

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

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

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

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.

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11. Post-Employment Benefits - State Retiree Health Care Plan (Continued)

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, 2017, 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, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were \$6,151, \$4,252 and \$5,000, respectively, which equal the required contributions for each year.

12. Risk Management and Litigation

The Board is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the New Mexico General Services Department's Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state laws have been passed which allow RMD to insure, self-insure or a combination of both. For the past several years, RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. RMD has effectively managed risk through various employee education programs. Risk management expenditures for the Board are accounted for in the General Fund. Any claims are processed through RMD. There are two pending legal proceedings involving the Board in which favorable decisions from the respective courts are anticipated. There are no known threatened legal proceedings involving the Board.

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13. New Accounting Standards

The Governmental Accounting Standards Board has issued the following new pronouncements that may have any effect on the Board's future financial statements. However, the Board has not determined the future impact, if any, on its financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Provisions for GASBS 75 are effective for fiscal years beginning after June 15, 2017. The New Mexico Retiree Health Care Authority is the cost-sharing multiple-employer defined benefit post-employment healthcare plan.

14. Subsequent Events Review

The Board has evaluated subsequent events through October 30, 2017 and determined there are no subsequent events which require disclosure in the notes to the financial statements.



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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

Board of Licensure for Professional Engineers and Professional Surveyors
and
Timothy Keller, New Mexico State Auditor

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, the major fund, and the budgetary comparison of the general fund of the State of New Mexico, Board of Board of Licensure for Professional Engineers and Professional Surveyors (Board), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 30, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist and were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Accounting & Auditing Services, LLC

Accounting & Auditing Services, LLC
Santa Fe, New Mexico
October 30, 2017

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
Schedule of Findings and Responses
June 30, 2017**

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditor's report issued – Unmodified.
2. Internal Control Over Financial Reporting:
 - a. Material weakness identified? No.
 - b. Significant deficiency identified not considered to be a material weakness? No.
 - c. Noncompliance material to financial statements noted? No.

Section II – Current Year Audit Findings

None.

Section III – Status of Prior Year Audit Findings

None.

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS
June 30, 2017**

Financial Statement Preparation

The financial statements and schedules were prepared by the independent certified public accountant performing the audit with the assistance of the Board's staff. Management of the Board is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements and schedules.

Exit Conference

The following officials held an exit conference on October 30, 2017 to discuss the results of the audit and the contents of this report:

New Mexico Board of Licensure for Professional Engineers and Professional Surveyors

Karl Tonander, PE, Board Chair
Perry Valdez, Executive Director
Annette Thompson-Martinez, Deputy Director
Clayton Pelletier, CFO, NM Regulation and Licensing Department

Accounting & Auditing Services, LLC

Steve B. Archibeque, CPA, General Manager