

STATE OF NEW MEXICO

**BOARD OF LICENSURE FOR
PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS**

**Financial Statements
Year Ended June 30, 2008**

(With Independent Auditors' Report Thereon)

INTRODUCTORY SECTION

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

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June 30, 2008**

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**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
at June 30, 2008**

Name	Title	Committee
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Board

Gilbert Chavez, PS	Chair	PS
Patricio Guerrerortiz, PE	Vice-Chairman	PE
John T. Romero, Sr., PE	Secretary	PE
Salvador Vigil, PS	Member	PS
Subhas Shah, PE	Member	PE
Charles Atwell	Member	Public Member
Stevan Schoen, Esq.	Member	Public Member
Severiano Sisneros, PE	Member	PE
Rola Idress, Ph.D., PE	Member	PE
Fred Sanchez, PS	Member	PS

Administrative Officials

Edward Ytuarte	Executive Director
Patricia Bordenave	Line Manager/CFO

FINANCIAL SECTION



**Macias, Gutierrez
& Co., P.C.**

*Certified Public Accountants
Member AICPA, NMSCPA*

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INDEPENDENT AUDITORS' REPORT

Subhas Shah, PE, Chair
Board of Licensure for Professional Engineers
and Professional Surveyors
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, and major fund of the Board of Licensure for Professional Engineers and Professional Surveyors (Board), as of and for the year ended June 30, 2008 which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the Board are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, each major fund, and the budgetary comparison of the State that are attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated November 10, 2008 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

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

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.

Espanola, New Mexico

November 10, 2008

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

**Management's Discussion and Analysis
(required supplementary information)
June 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Basic financial statements report information about the Board of Licensure for Professional Engineers and Professional Surveyors (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 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.

Analysis of Financial Position – Statement of Net Assets

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
Assets			
Current assets	\$ 587,242	\$ 497,491	\$ 89,751
Capital assets, net	5,714	9,042	(3,328)
Total assets	<u>592,956</u>	<u>506,533</u>	<u>86,423</u>
Liabilities			
Current liabilities	46,259	54,572	(8,313)
Long-term liabilities	139	4,568	(4,429)
Total liabilities	<u>46,398</u>	<u>59,140</u>	<u>(12,742)</u>
Net assets			
Invested in capital assets	5,714	9,042	(3,328)
Unrestricted	<u>540,844</u>	<u>438,351</u>	<u>102,493</u>
Total net assets	<u>\$ 546,558</u>	<u>\$ 447,393</u>	<u>\$ 99,165</u>

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

**Management's Discussion and Analysis
(required supplementary information)
June 30, 2008**

Results of Operations – Statement of Activities

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
Revenues			
Interest on investments	\$ 24,620	\$ 21,378	\$ 3,242
Miscellaneous fees	125	-	125
Penalties	25,883	27,044	(1,161)
Charges for services	626,013	591,574	34,439
Total revenues	<u>676,641</u>	<u>639,996</u>	<u>36,645</u>
Expenses			
Personal services/employee benefits	318,926	276,641	42,285
Contractual services	56,926	60,804	(3,878)
Other	198,296	190,826	7,470
Depreciation	3,328	7,352	(4,024)
Total expenses	<u>577,476</u>	<u>535,623</u>	<u>41,853</u>
Change in net assets	99,165	104,373	(5,208)
Net assets, beginning	<u>447,393</u>	<u>343,020</u>	<u>104,373</u>
Net assets, ending	<u>\$ 546,558</u>	<u>\$ 447,393</u>	<u>\$ 99,165</u>

In compliance with state law, the Board adopts an annual appropriated budget and the Board's original, final and expended budget is shown in the budgetary statement.

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

The changes in the Board's Financial Position (Statement of Net Assets) and Operations (Statement of Activities) from the prior year is mainly due to the increase in charges for services (increase in fees). Total assets increased by approximately 17% from \$506,533 to \$592,956. Total net assets increased by approximately 22.2% from \$447,393 to \$546,558. The increases were mainly due to the increase in licensing fees. In fiscal year '08, the increase in licensing fees generated additional revenue of \$34,439. The increase in net assets, \$99,165, shown in the Statement of Activities indicates that the Board is slightly better-off than it was a year ago.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the Board. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration (DFA). Over the course of the year, the Board increased its budget by fund balances of \$30,000, while also increasing personal services/employee benefits by the same amount.

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

**Management's Discussion and Analysis
(required supplementary information)
June 30, 2008**

General Fund Budgetary Highlights (cont'd)

The increase was needed due to the retirement of the former executive director and payment of a significant amount of accrued leave. Also, there were additional personal service and benefits costs due to appointment of the new executive director at a higher salary and increased benefits. Actual expenditures were \$57,871 below final budget amounts. The most significant positive variance resulted from unspent other costs. Resources available for appropriation were \$84,741 above the final budgeted amount, principally from licenses and interest on overnight invested fund balances.

Capital Assets

The Board's investment in capital assets is \$5,714 (net of accumulated depreciation). This investment in capital assets consists mainly of data processing equipment. There were no major capital assets events during the current fiscal year.

Long-term Debt

The Board had long-term debt (compensated absences totaling \$13,429) at June 30, 2008 amounting to \$139. \$13,290 was determined to be a current liability based on the amount of the June 30, 2007 balance used during FY 2008.

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

In FY 2009, license fees will be increased due to increasing economic costs for the agency. In the June 2008 Board meeting, the board recommended in-pay band increases for 2009 due to the staff being grossly underpaid compared to other similar state agencies.

Request for Information

This financial report is designed to provide a general overview of the Board's finances. If you have any questions about this report or need additional information please contact:

Board of Licensure for Professional Engineers and Professional Surveyors
4001 Office Court Drive, Suite 903
Santa Fe, New Mexico 87507
(505) 827-7561
www.state.nm.us/pepsboard

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

**Statement of Net Assets
June 30, 2008**

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Interest in State Treasurer General Fund Investment Pool (note 3)	\$ 576,887
Interest receivable	3,590
Prepaid postage	<u>6,765</u>
Total current assets	587,242
Noncurrent assets:	
Capital assets, net of depreciation (note 4)	<u>5,714</u>
Total assets	<u>592,956</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	17,204
Accrued payroll payable	7,886
Payroll taxes payable	3,281
Payroll benefits payable	4,598
Compensated absences payable (note 5)	<u>13,290</u>
Total current liabilities	46,259
Long-term liabilities:	
Compensated absences payable (note 5)	<u>139</u>
Total liabilities	<u>46,398</u>
<u>Net Assets</u>	
Invested in capital assets	5,714
Unrestricted	<u>540,844</u>
Total net assets	<u>\$ 546,558</u>

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

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

**Statement of Activities
 Year Ended June 30, 2008**

	<u>Governmental Activities</u>
Expenses:	
General government:	
Current:	
Personal services and employee benefits	\$ 318,926
Contractual services	56,926
Other	198,296
Depreciation expense	<u>3,328</u>
Total expenses	577,476
Program revenues:	
Charges for services	<u>626,013</u>
Net program expense	<u>48,537</u>
General revenues:	
Interest on investments	24,620
Miscellaneous revenue	125
Penalties	<u>25,883</u>
Total general revenues	<u>50,628</u>
Change in net assets	99,165
Net assets, beginning	<u>447,393</u>
Net assets, ending	<u><u>\$ 546,558</u></u>

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

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

**Balance Sheet - Governmental Funds
 June 30, 2008**

	<u>General Fund</u>
<u>Assets</u>	
Interest in State Treasurer General Fund Investment Pool (note 3)	\$ 576,887
Interest receivable	3,590
Prepaid postage	<u>6,765</u>
Total assets	<u>\$ 587,242</u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 17,204
Accrued payroll payable	7,886
Payroll taxes payable	3,281
Payroll benefits payable	<u>4,598</u>
Total liabilities	<u>32,969</u>
Fund Balance:	
Fund balance (note 6):	
Reserved for postage	6,765
Reserved for subsequent year expenditures	6,900
Unreserved/undesignated	<u>540,608</u>
Total fund balance	<u>554,273</u>
Total liabilities and fund balance	<u>\$ 587,242</u>

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

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

**Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Assets
 June 30, 2008**

Total fund balance-Governmental funds	\$	554,273
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.

These assets consist of:

Machinery and equipment	\$	50,439	
Furniture and fixtures		7,889	
Automobiles		15,583	
Accumulated depreciation		<u>(68,197)</u>	5,714

Some liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet.

These liabilities consist of:

Compensated absences			<u>(13,429)</u>
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Net assets of governmental activities	\$	<u><u>546,558</u></u>
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The accompanying notes are an integral part of the financial statements.

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

**Statement of Revenues, Expenditures and Changes in
 Fund Balances - Governmental Funds
 Year Ended June 30, 2008**

	<u>General Fund</u>
Revenues:	
Trades and licenses	\$ 623,850
Examination fees	1,300
Other penalties	25,883
Other fees	863
Miscellaneous revenue	125
Interest on investments	24,620
	<u>676,641</u>
Total revenues	<u>676,641</u>
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	321,907
Contractual services	56,926
Other	198,296
Capital outlay	<u>-</u>
Total expenditures	<u>577,129</u>
Excess (deficiency) of revenues over expenditures	99,512
Fund balance, beginning	<u>454,761</u>
Fund balance, ending	<u><u>\$ 554,273</u></u>

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

**STATE OF NEW MEXICO
 BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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**Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Government-Wide Statement of Activities
 Year Ended June 30, 2008**

Net change in fund balance-Governmental Funds	\$	99,512
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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:

Depreciation expense	(3,328)
Capital outlay	-

Some items reported in the Statement of Activities are not sources or uses of current financial resources and, therefore, are not reported as revenue or expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	2,981
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Change in net assets of governmental activities	\$	99,165
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The accompanying notes are an integral part of the financial statements.

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

**Statement of Revenues and Expenditures
GAAP Basis and Actual
Year Ended June 30, 2008**

	General Fund			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual	
Revenues:				
Trades and licenses	\$ 546,500	\$ 546,500	\$ 623,850	\$ 77,350
Examination fees	100	100	1,300	1,200
Other penalties	32,500	32,500	25,883	(6,617)
Other fees	500	500	863	363
Miscellaneous revenue	-	-	125	125
Interest on investments	12,300	12,300	24,620	12,320
Total revenues	591,900	591,900	\$ 676,641	\$ 84,741
Prior-year funds re-budgeted	13,100	43,100		
	<u>\$ 605,000</u>	<u>\$ 635,000</u>		
Expenditures:				
General government:				
Current:				
Personal services and employee benefits	\$ 298,300	\$ 328,300	\$ 321,907	\$ 6,393
Contractual services	63,000	63,000	56,926	6,074
Other	243,700	243,700	198,296	45,404
Other financing uses	-	-	-	-
Total expenditures	\$ 605,000	\$ 635,000	\$ 577,129	\$ 57,871

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

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

**Notes to Financial Statements
June 30, 2008**

1. History and Organization

The Board of Licensure for Professional Engineers and Professional Surveyors (Board) was created under Laws of 1957, 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 that act.

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 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 Board of Licensure for Professional Engineers and Professional Surveyors have been prepared in conformity with accounting principles generally accepted (US GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes US GAAP for governmental units. The more significant of the Board's accounting policies are described below.

A. Financial Reporting Entity

The Board, a 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 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 attributable to the transactions of the Board. There are no component units. Other Executive Branch entities of government are excluded because they are established separately by statutes.

B. Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The GASB No. 34 reporting model focus is on either the Board, as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements. The Board has only governmental type activities. The government-wide financial statements reflect an accrual basis of accounting, economic

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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**Notes to Financial Statements
June 30, 2008**

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

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

resources measurement focus basis, which incorporates long-term assets as well as long-term debt and obligations. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Board has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

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

Net assets are 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 assets. When both restricted and unrestricted resources are available for use, generally it is the Board's policy to use restricted resources first, then unrestricted resources, as they are needed.

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 or uses. The Board does not have any debt service requirements. The compensated absences liability is not included in the fund financial statements. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type and reported by generic classification in the accompanying financial statements. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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**Notes to Financial Statements
June 30, 2008**

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

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

percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Board uses the following fund types:

GOVERNMENTAL FUND TYPES

The focus of Governmental Fund measurement (in the fund financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Board.

General Fund (Fund #073 – Nonreverting – Section 61-23-11 A) – The General Fund is the general operating fund of the Board and is used to account for all financial resources; there are no resources required to be accounted for in another fund. The General Fund is funded primarily through license and registration fees, penalties and interest on state funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide financial statements are presented on an accrual basis of accounting. The governmental fund financial statements are presented on a modified accrual basis.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within the current period or within sixty days thereafter in order to pay current liabilities. The Board operates under a 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 (even numbered last digit) renew during even numbered years. The amounts of accrued and deferred license renewals offset each other during any one fiscal year and therefore are not recognized. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

E. Budgets and Budgetary Accounting

The New Mexico State Legislature makes annual appropriations to the Board. Legal compliance is monitored through the establishment of a budget (modified-accrual basis) and 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 as specified in the General Appropriation Act.

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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**Notes to Financial Statements
June 30, 2008**

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

E. Budgets and Budgetary Accounting (cont'd)

The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year. The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. By September 1st, the Board prepares a budget request by appropriation unit to be presented to the next legislature.
2. The appropriation request is submitted to the DFA's Budget Division and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request which become the Governor's proposal to the Legislature.
4. LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budgetary control is exercised at the appropriation unit level of the Board as a whole and changes are approved by the DFA.
7. The Board's budget for the fiscal year ended June 30, 2008 was amended in a legally permissible manner by appropriating prior-year cash balances and increasing/amending appropriation units as the need arose during the fiscal year.
8. Appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30th which are reflected as accounts payable in the financial statements.
9. The budget for the General Fund is adopted on a modified accrual basis per the General Appropriation Act, Laws of 2007, Chapter 28, except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year's budget. For the fiscal year ended June 30, 2008, the Board has no such payables. Therefore, there are no differences between the budget basis and fund financial statements because both are reported on the modified accrual basis.

In accordance with the requirements of Section 2.2.2.10, A(2)(b) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the allowance made by GASB 34, footnote 53, the budgetary comparison statement has been included as a part of the basic financial statements.

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

**Notes to Financial Statements
June 30, 2008**

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

F. Interest in State General Fund Investment Pool

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

G. Receivables

The Board earns interest on the State Treasurer's overnight investment of the professional engineers' and surveyors' fund. 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 actually collected in the subsequent fiscal year.

H. Capital Assets

Capital assets are tangible assets used in operations and have initial useful lives that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Assets at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Before the 2005 legislative session, only items costing more than \$1,000 were capitalized. Effective June 19, 2005, House Bill 1074 amended Section 12-6-10, NMSA 1978, to increase the capitalization threshold to items costing more than \$5,000. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. Computer software which is purchased with data processing computer equipment is included as part of the capitalized data processing computer equipment in accordance with 2.20.1.9 C (5). Other software purchased is capitalized and depreciated separately. The major classifications of capital assets and their related depreciable lives are as follows:

Automobiles	5 years
Machinery and data processing equipment (including software)	3 to 5 years
Furniture and fixtures	5 years

I. Accrued Compensated Absences

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Employees are entitled to accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave which an employee may accumulate. State agencies are allowed to pay fifty (50) percent of each employee's hourly rate for accumulated sick leave over 600 hours up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

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

**Notes to Financial Statements
 June 30, 2008**

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

I. Accrued Compensated Absences (cont'd)

The compensated absences liability is presented in two parts, a current portion and long-term portion, in the government-wide financial statements. The current portion is the amount expected to be expended during fiscal year 2009 and is an estimate management determined by fiscal year 2008 usage. Based on this estimate, for the year ended June 30, 2008, there is a current portion of the compensated absences liability and a long-term portion.

J. Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt, if applicable), restricted and unrestricted.

Investment in capital assets (net of related debt) – is intended to reflect the portion of net assets which are associated with capital assets less outstanding capital asset related debt. The Board has no debt related to capital assets.

Restricted assets – are assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted assets – are assets that do not have third-party (statutory, bond covenant or granting agency) limitations on their use.

K. Use of Estimates

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

3. Interest in State General Fund Investment Pool

Interest in State General Fund Investment Pool (non-reverting) of the Board at June 30, 2008:

<u>Name of Depository</u>	<u>Account Name</u>	<u>Agency Number</u>	<u>Fund #</u>	<u>Balance per Financial Statements</u>
State Treasurer	Engineers/ Surveyors	464	073	\$ 576,887

All funds are on deposit with the State Treasurer in the State General Fund Investment Pool (SGFIP). In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Collateral pledged to secure these deposits is monitored by the STO and the STO issues separate financial statements which disclose the collateral pledged to secure these deposits.

STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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Notes to Financial Statements
June 30, 2008

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

The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978, as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee **contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits**, but in all cases, settlement shall be on the a same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars.
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests:
 - (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.;
 - (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or
 - (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service.

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

**Notes to Financial Statements
June 30, 2008**

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

- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value unless there is a **contemporaneous transfer of the securities** at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser. For additional disclosure information regarding the interest in the State Treasurer's GFIP, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2008, review the State Treasurer's Investment Policy at <http://www.stonm.org/ReportsandPolicies/Policies>, and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

4. Changes in Capital Assets

A summary of changes in capital assets is as follows:

	Balance 7/1/07	Additions	Retirements	Adjustments	Balance 6/30/08
Machinery and equipment	\$ 50,439	\$ -	\$ -	\$ -	\$ 50,439
Accumulated depreciation	(50,228)	(211)	-	-	(50,439)
Automobiles	15,583	-	-	-	15,583
Accumulated depreciation	(6,752)	(3,117)	-	-	(9,869)
Furniture and fixtures	7,889	-	-	-	7,889
Accumulated depreciation	(7,889)	-	-	-	(7,889)
Totals	\$ 9,042	\$ (3,328)	\$ -	\$ -	\$ 5,714

There is no debt related to capital assets. Depreciation expense for the year was \$3,328.

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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**Notes to Financial Statements
June 30, 2008**

5. Changes in Long-Term Debt

A summary of changes in long-term debt is as follows:

	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/08</u>	<u>Amount Due Within One Year</u>
Compensated Absences Payable	<u>\$ 16,410</u>	<u>\$ 13,259</u>	<u>\$ (16,240)</u>	<u>\$ 13,429</u>	<u>\$ 13,290</u>

The Board's general fund is used to pay compensated absences. The long-term portion of compensated absences payable is \$139.

6. Fund Balance

Reservations of fund balance of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures. Specific reservations of the fund balance account are reserved for prepaid postage. This reserve indicates that prepaid postage does not represent available expendable resources. Fund Balance-Reserved for Subsequent Year Expenditures \$6,900 is the amount of cash balance re-budgeted in FY 2009 to balance the general fund budget.

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

7. Operating Leases

During FY 2004, the Board exercised a five-year renewal option for lease of office and parking space, with a monthly payment of \$5,781. The new term of the lease is from August 1, 2004 to July 30, 2009. The escalation rate is 3%. The Board also leases a postage meter at \$84 per month for four years ending June 30, 2012. Future minimum lease payments are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2009	84,740
2010	7,997
2011	1,002
2012	1,002
2013	-
Thereafter	-
	<u>\$ 94,741</u>

Lease expenditures for the year ended June 30, 2008 amounted to \$83,191.

**STATE OF NEW MEXICO
BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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**Notes to Financial Statements
June 30, 2008**

8. PERA Pension Plan

Plan Description. Substantially all of the State of New Mexico, Board of Licensure for Professional Engineers and Professional Surveyors full time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees' Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan.

The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The State of New Mexico, Board of Licensure for Professional Engineers and Professional Surveyors is required to contribute 16.59% of the gross covered salary.

The contribution requirements of plan members and the Board of Licensure for Professional Engineers and Professional Surveyors are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ended June 30, 2008, 2007, and 2006 were \$38,139, \$32,410 and \$34,006 respectively, equal to the amount of the required contributions for each fiscal year.

9. Post-Employment Benefits

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

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

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BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
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**Notes to Financial Statements
June 30, 2008**

9. Post-Employment Benefits (cont'd)

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RCHA based on one of two formulas at agreed-upon intervals.

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

The Board's contributions to the RCHA for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,712, \$2,540 and \$2,665, respectively, which equal the required contributions for each fiscal year.

10. Risk Management and Litigation

The Board is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Board are accounted for in the general fund. Any claims are processed through RMD.

There are no pending or known threatened legal proceedings involving material matters to which the Board is a party.



**Macias, Gutierrez
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Subhas Shah, PE, Chair
Board of Licensure for Professional Engineers
and Professional Surveyors
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities and major fund, including the budgetary comparison statement of the Board of Licensure for Professional Engineers and Professional Surveyors (Board), as of and for the year ended June 30, 2008, which collectively comprise the Board's basic financial statements as listed in the table of contents and have issued our report thereon dated November 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under **Government Auditing Standards**.

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

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Española, New Mexico
November 10, 2008

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

**Schedule of Findings and Responses
 June 30, 2008**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
None	N/A	N/A	N/A
Follow-up on Prior Year Findings:			
Audit Report Submitted Late	E	2007-1	Resolved

*** Legend for Type of Current Year 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. Material Instance of Noncompliance
- E. Immaterial Instance of Noncompliance

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

**Schedule of Findings and Responses
June 30, 2008**

Financial Statement Preparation

The financial statements and notes to the financial statements were prepared by the independent certified public accountants performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. Management has reviewed and approved the financial statements and notes to the financial statements.

* * * * *

EXIT CONFERENCE

The financial statements and the auditors' reports were discussed at an exit conference held on November 20, 2008 with the following in attendance:

Board of Licensure for Professional Engineers and Professional Surveyors

Salvador I. Vigil, PS
Edward Ytuarte, PE/PS
Patricia Bordenave

Board Member
Executive Director
Line Manager/CFO

Audit Firm

James R. Macias, CPA