

STATE OF NEW MEXICO

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

Financial Statements

Year Ended June 30, 2013

(With Independent Auditors' Report Thereon)



Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

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

TABLE OF CONTENTS

June 30, 2013

	Page
Board of Directors	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-6
Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet – Governmental Fund	9
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	12
Statement of Revenues and Expenditures – GAAP Basis and Actual	13
Notes to Financial Statements	14-27
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Schedule of Findings and Responses	30
Exit Conference	31

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

BOARD OF DIRECTORS

June 30, 2013

Officers

<u>Name</u>	<u>Title</u>	<u>Committee</u>
Rola Idriss, Ph.D., PE	Chairman	PE
Augusta Meyers	Vice-Chairman	Public Member
Fred Sanchez, PS	Secretary	PS
Gilbert Chavez, PS	PSC Chair	PS
Paul Brasher, PE	PEC Chair	PE

Members

Salvador Vigil, PS	Member	PS
John T. Romero, Sr., PE	Member	PE
Joshua Skarsgard	Member	Public Member
Julie Samora, PE	Member	PS
Glen Thurow, PS	Member	PS

Administrative Officials

Eva Baca	Acting Executive Director, CFO
----------	--------------------------------



Barracough & Associates, P.C.
Certified Public Accountants & Consultants

807 Camino De Monte Rey
Post Office Box 1847
Santa Fe, New Mexico 87504
(505) 983-3387
(505) 988-2505 FAX
(800) 983-1040 Toll Free
ba@barracough.com

Principals
John E. Barracough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers
Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and
Board of Licensure for Professional Engineers
and Professional Surveyors

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison statement for the general fund of the Board of Licensure for Professional Engineers and Professional Surveyors (Board), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibilities

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 *Governmental 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Board as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof 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 Matter

As discussed in Note 2, the financial statements of the Board of Licensure for Professional Engineers and Profession 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, 2013, 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.

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 4 through 6 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 November 22, 2013 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Barracough & Associates, P.C.
Santa Fe, New Mexico
November 22, 2013

STATE OF NEW MEXICO

BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS

Management's Discussion and Analysis
(Unaudited)

June 30, 2013

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 Position 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 position 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 position and how they have changed.

Fund Financial Statements (Balance Sheet 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 Position

	FY 2013	FY 2012	Change
Assets			
Current assets	\$ 2,569,859	\$ 1,916,644	\$ 653,215
Capital assets, net	2,575	5,182	(2,607)
Total assets	<u>2,572,434</u>	<u>1,921,826</u>	<u>650,608</u>
Liabilities			
Current liabilities	20,241	30,370	(10,129)
Long-term liabilities	-	-	-
Total liabilities	<u>20,241</u>	<u>30,370</u>	<u>(10,129)</u>
Net position			
Invested in capital assets	2,573	5,182	(2,609)
Restricted	<u>2,549,618</u>	<u>1,886,274</u>	<u>663,344</u>
Total net position	<u>\$ 2,552,191</u>	<u>\$ 1,891,456</u>	<u>\$ 660,735</u>

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

Management's Discussion and Analysis
(Unaudited)

June 30, 2013

Results of Operations – Statement of Activities

	<u>FY 2013</u>	<u>FY 2012</u>	<u>Change</u>
Revenues			
Interest on investments	\$ 4,882	\$ 2,750	\$ 2,132
Penalties	100,420	35,895	64,525
Charge for services	943,417	908,076	35,341
Total revenues	<u>1,048,719</u>	<u>946,721</u>	<u>101,998</u>
Expense			
Personal services/employee benefits	213,148	318,437	(105,289)
Contractual services	67,026	67,597	(571)
Other	104,201	96,259	7,942
Depreciation	2,609	2,609	-
Total expenses	<u>386,984</u>	<u>484,902</u>	<u>(97,918)</u>
Change in net position	660,735	461,819	198,916
Net position, beginning	<u>1,891,456</u>	<u>1,429,637</u>	<u>461,819</u>
Net position, ending	<u>\$ 2,552,191</u>	<u>\$ 1,891,456</u>	<u>\$ 660,735</u>

In compliance with state law, the Board adopts an annual appropriated budget and the Board's original and final budget and actual expenditures are shown in the budgetary statement, Exhibit G, page 13.

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

The changes in the Board's Financial Position (Statement of Net Position) and Operations (Statement of Activities) from the prior year is mainly due to licensing fees exceeding amounts budgeted and expenditures being \$381,785 below budgeted amounts. Total assets increased by approximately 33.8% from \$1,921,846 to \$2,572,434. Total net position increased by \$660,735 from \$1,891,480 to \$2,552,191. The increase in net position in 2013, \$660,735, compared to \$461,819 in 2012 shown in the Statement of Activities indicates that the Board is better-off than it was a year ago.

STATE OF NEW MEXICO

BOARD OF LICENSURE FOR PROFESSIONAL ENGINEERS
AND PROFESSIONAL SURVEYORS

Management's Discussion and Analysis
(Unaudited)

June 30, 2013

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). The Board did not have any budget adjustments.

Actual expenditures were \$381,785 below final budget amounts. The most significant positive variance resulted from unspent personal costs. Revenues were \$279,919 above the final budgeted amount, principally from increases in trade and license fees.

Capital Assets

The Board's investment in capital assets is \$2,573 (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 \$2,609 for the year.

Long-term Debt

The Board had long-term debt (compensated absences totaling \$6,727) at June 30, 2013 and was determined to be a current liability based on the amount of the June 30, 2012 balance used during FY2013.

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

The Board uses Regulation and Licensing staff to perform certain job functions for the Board that will continue through the 2014 fiscal year.

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
Toney Anaya Bldg
2550 Cerrillos Road, 2nd Floor
P O Box 25111
Santa Fe, NM 87507
(505) 476-4574
www.state.nm.us/pepsboard

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

Exhibit A

Statement of Net Position

June 30, 2013

	Governmental Activities
ASSETS	
Current Assets	
Interest in State Treasurer General Fund Investment Pool	\$ 2,569,112
Interest receivable	217
Prepaid postage	530
Total current assets	2,569,859
Noncurrent Assets	
Capital assets	57,873
Less: accumulated depreciation	(55,300)
Total assets	2,573
Total Assets	2,572,432
 LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	7,586
Accrued payroll payable	2,208
Payroll taxes and benefits payable	3,032
Due to other State agency	526
Compensated absences payable	6,727
Due to State General Fund	162
Total current liabilities	20,241
Long-term liabilities:	
Compensated absences payable	-
Total liabilities	20,241
 NET POSITION	
Net investment in capital assets	2,573
Restricted	2,549,618
Total net position	\$ 2,552,191

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

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

Exhibit B

Statement of Activities

Year Ended June 30, 2013

	<u>Governmental Activities</u>
Expenses	
General government:	
Current:	
Personal services and employee benefits	\$ (214,148)
Contractual services	(67,026)
Other	(104,201)
Depreciation expense	<u>(2,609)</u>
Total expenses	(387,984)
Program revenues	
Charges for services	<u>943,417</u>
Net program income	<u>555,433</u>
General revenues	
Interest on investments	4,882
Penalties	<u>100,420</u>
Total general revenues	<u>105,302</u>
Change in net position	660,735
Net position, beginning	<u>1,891,456</u>
Net position, ending	<u><u>\$ 2,552,191</u></u>

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

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

Exhibit C

**Balance Sheet
Governmental Fund**

June 30, 2013

	General Fund
ASSETS	
Interest in State Treasurer General Fund Investment Pool	\$ 2,569,112
Interest receivable	217
Prepaid expenses	<u>530</u>
Total assets	<u><u>\$ 2,569,859</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 7,586
Accrued payroll	2,208
Payroll taxes and benefits payable	3,032
Due to other State agency	526
Due to State General Fund	<u>162</u>
Total liabilities	<u>13,514</u>
Fund balance	
Non-spendable - prepaid expense	530
Spendable -restricted	<u>2,555,815</u>
Total fund balance	<u>2,556,345</u>
Total liabilities and fund balance	<u><u>\$ 2,569,859</u></u>

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

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

Exhibit D

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position
June 30, 2013

Total fund balance - Governmental fund \$ 2,556,345

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

These assets consist of:

Machinery and equipment	\$	34,401	
Furniture and fixtures		7,889	
Automobiles		15,583	
Accumulated depreciation		<u>(55,300)</u>	2,573

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>(6,727)</u>	
----------------------	--	----------------	--

Net Position of governmental activities		<u>\$ 2,552,191</u>	
---	--	---------------------	--

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

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

Exhibit E

**Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Fund**

Year Ended June 30, 2013

	General Fund
Revenues	
Trades and licenses	\$ 940,690
Examination fees	1,000
Other penalties	100,420
Other fees	1,727
Interest on investments	4,882
	1,048,719
Total revenues	1,048,719
Expenditures	
General government:	
Current:	
Personal services and employee benefits	215,788
Contractual services	67,026
Other	104,201
Capital outlay	-
	387,015
Total expenditures	387,015
Excess of revenues over expenditures	661,704
Fund balances - beginning of year	1,894,641
Fund balances - end of year	\$ 2,556,345

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

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

Exhibit F

**Reconciliation Of The Statement Of Revenues, Expenditures
 And Changes In Fund Balances Of Governmental Fund To The
 Statement Of Activities
 Year Ended June 30, 2013**

Net change in fund balance-Governmental Funds	\$	661,704									
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>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.</p> <p>In the current period, these amounts are:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Depreciation expense</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">(2,609)</td> </tr> <tr> <td>Capital outlay</td> <td></td> <td style="text-align: right;">-</td> </tr> </table> <p>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</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Decrease in compensated absences</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right; border-top: 1px solid black;">1,640</td> </tr> </table>			Depreciation expense		(2,609)	Capital outlay		-	Decrease in compensated absences		1,640
Depreciation expense		(2,609)									
Capital outlay		-									
Decrease in compensated absences		1,640									
Change in net position of governmental activities	\$	660,735									

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

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

Exhibit G

**Statement of Revenues and Expenditures
GAAP Basis and Actual**

Year Ended June 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Original Approved Budget	Final Approved Budget	Actual	
Revenues				
Trades and licenses	\$ 720,000	\$ 720,000	\$ 940,690	\$ 220,690
Examination fees	1,000	1,000	1,000	-
Other penalties	44,000	44,000	100,420	56,420
Other fees	1,300	1,300	1,727	427
Interest on investments	2,500	2,500	4,882	2,382
Total revenues	<u>\$ 768,800</u>	<u>\$ 768,800</u>	<u>\$ 1,048,719</u>	<u>\$ 279,919</u>
Expenditures				
General government:				
Personal services and employee benefits	\$ 535,800	\$ 535,800	\$ 215,788	\$ 320,012
Contractual services	122,400	102,400	67,026	35,374
Other	110,600	130,600	104,201	26,399
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 768,800</u>	<u>\$ 768,800</u>	<u>\$ 387,015</u>	<u>\$ 381,785</u>

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

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

Notes to Financial Statements

June 30, 2013

(1) History and Organization

The Board of Licensure for Professional Engineers and Professional Surveyors (Board) was created under 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 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 Board implemented GASB 62 for the 2013 fiscal year which 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.

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

Notes to Financial Statements (Continued)

June 30, 2013

(2) Summary of Significant Accounting Policies (Continued)

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 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 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 positions 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 position. 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.

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

Notes to Financial Statements (Continued)

June 30, 2013

(2) Summary of Significant Accounting Policies (Continued)

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 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 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.

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.

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

Notes to Financial Statements (Continued)

June 30, 2013

(2) Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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 State of New Mexico Department of Finance and Administration (DFA) within the limitations as specified in the General Appropriation Act.

The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year. The Board 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.

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

Notes to Financial Statements (Continued)

June 30, 2013

(2) Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

7. The Board's budget for the fiscal year ended June 30, 2013 was not amended 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 2012, 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. There are no differences between the budget basis and fund financial statements as 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.

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 General Fund Investment Pool. Interest due from other state agencies 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 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 Position 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.

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

Notes to Financial Statements (Continued)

June 30, 2013

(2) Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

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. 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 & 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.

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 2014 and is an estimate management determined by fiscal year 2013 usage. Based on the estimate for the year ended June 30, 2013, compensated absences 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 investment in capital assets – is intended to reflect the portion of net position which are associated with capital assets less outstanding capital asset related debt. The Board has no debt related to capital assets.

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

Notes to Financial Statements (Continued)

June 30, 2013

(2) Summary of Significant Accounting Policies (Continued)

J. Net Position (Continued)

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 are all restricted as it is not a reverting agency and the enabling legislature restates its use for its operations.

Unrestricted net position represents resources 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, 2013:

<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	73	\$ 2,569,112

The Board is required by State law to have 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 fifty (50) percent. Collateral pledged to secure these deposits is monitored by the STO and STO issues separate financial statements which 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 generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent 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.

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

Notes to Financial Statements (Continued)

June 30, 2013

(3) Interest in State General Fund Investment Pool (Continued)

The Board follows GASB 40, *Deposit and Investment Risk Disclosures*. GASB 40 requires certain disclosures when balances with financial institutions exceed depository insurance. The Board does not have credit quality, Deposit Custodial Credit, Security Custodial Credit, Concentration of Credit, or Foreign Currency Risks.

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2013.

State General Fund Investment Pool

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

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

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller/Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting from the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation to bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

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

Notes to Financial Statements (Continued)

June 30, 2013

(3) Interest in State General Fund Investment Pool (Continued)

State General Fund Investment Pool (Continued)

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

DFA management recorded a loss contingency of \$101.7 million in the General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

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 and has properly recorded its expenditures. The effect of adjustments to the Board's financial statements, if any, from the reconciliation of the General Fund Investment Pool cannot be determined.

(4) Changes in Capital Assets

A summary of changes in capital assets is as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
Machinery and equipment	\$ 34,401	\$ -	-	\$ 34,401
Accumulated depreciation	(29,219)	(2,609)	-	(31,828)
Automobiles	15,583	-	-	15,583
Accumulated depreciation	(15,583)	-	-	(15,583)
Furniture and fixtures	7,889	-	-	7,889
Accumulated depreciation	(7,889)	-	-	(7,889)
	<u>\$ 5,182</u>	<u>\$ (2,609)</u>	<u>\$ -</u>	<u>\$ 2,573</u>

There is no debt related to capital assets. Depreciation expense for the year was \$2,609.

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

Notes to Financial Statements (Continued)

June 30, 2013

(5) Changes in Long-Term Debt

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

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Compensated absences payable	\$ 8,367	\$ 9,393	\$ 11,033	\$ 6,727	\$ 6,727

The Board's general fund is used to pay compensated absences. All of the compensated absences payable of \$6,727 is considered to be a short term liability.

(6) Fund Equity

The Board follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the Board's fund balance. The effect on GASB 54 on the Board 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.

Restricted. Amounts can be spent only for the specific purposes stipulated by constitution, external resource providers, or through 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 fund balance is restricted.

Committed. Amounts that can be used only for the specific purposes determined by a formal action of the Board's highest level of decision-making authority which is the Board of Directors.

Assigned. Amounts intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed.

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

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

Notes to Financial Statements (Continued)

June 30, 2013

(7) Operating Lease

The Board leases a postage meter at \$84 per month for one year ending June 30, 2014.

Future proposed lease payments are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2014	<u>\$ 1,008</u>

(8) Pension Plan – Public Employees Retirement Association

Plan Description. Substantially 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, New Mexico 87504-2123. The report is also available on PERA’s website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 15.09% 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 contribution to PERA for fiscal years ended June 30, 2013, 2012, and 2011 were \$21,485, \$31,889, and \$47,670, respectively, equal to the amount of the required contributions for each fiscal year.

(9) Post-Employment Benefits – State Retiree Health Care Plan

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

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

Notes to Financial Statements (Continued)

June 30, 2013

(9) Post-Employment Benefits – State Retiree Health Care Plan (Continued)

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and 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, and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, 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, 2013, 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.

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

Notes to Financial Statements (Continued)

June 30, 2013

(9) Post-Employment Benefits – State Retiree Health Care Plan (Continued)

The Board's contributions to the RHCA for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,849, \$4,359, and \$5,213, respectively, which equal the required contributions for each year.

(10) Due to other State Agency and Due to State General Fund

The balance of \$526 at June 30, 2013 is due the New Mexico Regulation and Licensing Department (SHARE Fund 42000). The balances due to the State General Fund of \$162 is from a stale dated warrant.

(11) 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. 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.

(12) Memorandum of Understanding

The Board and the National Council of Examiners for Engineering and Surveying (NCEES) have a Memorandum of Understanding (MOU).

NCEES will administer in New Mexico certain examinations developed and owned by NCEES. NCEES will provide the Board with reports on examinations results (individual scores); including performance analyses and statistics for all candidates. No fees or other payments shall be due or payable by the Board under this MOU. Instead, NCEES shall be entitled to retain all test administration fees paid by or on behalf of individual candidates who register to take NCEES examinations in New Mexico. The test administration fee paid by the candidate(s) shall be in addition to any book or scoring fees or any other examination-related fees payable by the candidate(s).

The Board entered into a Memorandum of Understanding with the Regulation and Licensing Department (RLD) during the 2013 fiscal year. RLD is to provide administrative support and fiscal oversight to the Board. RLD had not billed the Board for services provided to the Board for the 2013 fiscal year.

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

Notes to Financial Statements (Continued)

June 30, 2013

(13) New Accounting Standards

The Board adopted GASB 60, *Service Concession Arrangements*; GASB 61, *Component Units-Modification of GASB 14 and 39*; GASB 62, *Codification of Accounting and Financial Reporting Guidance*; and GASB 63, *Statement of Net Position, Deferred Inflows and Outflows* for the year ended June 30, 2013. GASB 63 introduces the term net position instead of net assets. There were no deferral inflows or outflows to separately report at June 30, 2013. The adoption of these new accounting pronouncements had no impact on the financial condition of the Board.

Governmental Accounting Standards Board Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65) changes the classification of various financial statement balances including several more common type transactions to deferred outflows and inflows of resources. GASB 65 is applicable for the 2014 fiscal year. Management is reviewing the provisions of this statement for possible effects on its financial reporting but should not have a material impact on the financial statements.

The Governmental Accounting Standards Board (GASB) has published Statements No. 67, *Financial Reporting for Pension Plans* and No. 68, *Accounting and Financial Reporting for Pensions*. These standards revise existing guidance for governments that provide their employees with pension benefits. Significant change is the requirement to record each governmental entity's pro rate share of unfunded actuarial accrued liability (UAAL) on its financial statements including multi-employer cost sharing plans. The Public Employees Retirement Association (PERA), is a multi-employer cost sharing plan. The changes arising from these statements are significant and the Board will comply with these changes as implementation information is provided by the State of New Mexico and PERA. The implementation date for Statement No. 68, most relevant to the Board, is for FY2015.

The status of the PERA Plan at June 30, 2012, the most recent audited financial statement available, has an unfunded accrued actuarial liability of approximately \$6.2 billion.

(14) Subsequent Events

The Board has evaluated subsequent events through November 22, 2013, which is the date the financial statements are issued and determined no subsequent events requires disclosure or adjustment to the financial statements.



Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

807 Camino De Monte Rey
Post Office Box 1847
Santa Fe, New Mexico 87504
(505) 983-3387
(505) 988-2505 FAX
(800) 983-1040 Toll Free
ba@barraclough.com

Principals
John E. Barraclough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers
Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

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

Mr. Hector H. Balderas, New Mexico State Auditor
and
Board of Licensure for Professional Engineers
and Professional Surveyors

We have audited, 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, the financial statements of the governmental activities, the major fund, and the budget comparison for the general fund for the Board of Licensure for Professional Engineers and Professional Surveyors (Board), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 22, 2013.

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 Board'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. 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, appearing to read "Barraclough & Associates P.C.", is written over the printed name of the firm.

Barraclough & Associates, P.C.
Santa Fe, New Mexico
November 22, 2013

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

Schedule of Findings and Responses

June 30, 2013

Current Year Findings:
None

Prior Year Findings:
None

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

June 30, 2013

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. 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 December 13, 2013 with the following in attendance:

Board of Licensure for Professional Engineers and Professional Surveyors

Paul Brasher	Board Member
Perry Valdez	Acting Director/Team Leader
Alexis Lotero	RLD/ASD Director
Fernando Fernandez	RLD/CFO

Barraclough & Associates, P.C.

Douglas W. Fraser	Audit Manager
-------------------	---------------

