



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

## **STATE OF NEW MEXICO BOARD OF NURSING**

**FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2016**



**STATE OF NEW MEXICO  
BOARD OF NURSING  
For The Year Ended June 30, 2016**

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**STATE OF NEW MEXICO  
BOARD OF NURSING**

**OFFICIAL ROSTER**

**As Of June 30, 2016**

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



**INDEPENDENT AUDITOR’S REPORT**

Mr. Tim Keller  
New Mexico State Auditor and  
State of New Mexico Board of Nursing  
Albuquerque, New Mexico

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico Board of Nursing (BON), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the BON’s basic financial statements as listed in the table of contents.

**Management’s Responsibility for the Financial Statements**

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

**Auditor’s Responsibility**

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

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the BON, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for

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

### **Other Matters**

#### **Required Supplementary Information**

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

### **Other Information**

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the BON's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BON's internal control over financial reporting and compliance.



Hinkle + Landers, PC  
Albuquerque, NM  
November 29, 2016

**STATE OF NEW MEXICO  
BOARD OF NURSING  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For The Year Ended June 30, 2016**

**Overview of the Financial Statements**

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

Government-Wide Financial Statements (Statement of Net Assets and Statement of Activities)

Government-wide financial statements report information about the Board of Nursing (Board) as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The basic financial statements report the Board's net assets and how they have changed.

Fund Financial Statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance)

The fund financial statements provide more detailed information about the Board's significant funds. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes.

The Board of Nursing operates principally on its own self-generated revenues (license and registration fees, examination fees, and interest earnings) and a budget, which is approved by the State Legislature each year.

Condensed Comparative Financial Information

Statements of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Assets</b>		
Current assets	\$ 682,162	923,154
Capital assets, net of depreciation	<u>25,441</u>	<u>42,347</u>
Total assets	<u>\$ 707,603</u>	<u>965,501</u>

**STATE OF NEW MEXICO  
BOARD OF NURSING  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For The Year Ended June 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Current liabilities	\$ 164,834	119,821
Compensated absences - non-current	<u>10,088</u>	<u>9,301</u>
 Total liabilities	 174,922	 129,122
Net position:		
Invested in capital assets	25,441	42,347
Restricted	151,521	333,257
Unrestricted	<u>355,719</u>	<u>460,775</u>
 Total net position	 <u>532,681</u>	 <u>836,379</u>
 Total liabilities and net position	 <u>\$ 707,603</u>	 <u>965,501</u>

**Statements of Activities**

Total - Program expenses	\$ (2,189,694)	(2,045,576)
Transfers	-	-
Program revenues and and interest	<u>1,885,997</u>	<u>1,845,131</u>
 Increase (Decrease) in net position	 <u>\$ (303,697)</u>	 <u>(200,445)</u>

**Analysis of Financial Position (Statement of Net Position)**

Total Assets: Consist of investments of \$679,532 with the State Treasurer, receivables and other assets of 2,630, and capital assets of \$25,441, net of accumulated depreciation. Total assets are \$707,603, which decreased over the prior year due to the excess of expenditure over revenues. This decrease is due the increase in funds awarded through the Nursing Excellence Fund.

Total Liabilities: Consist of current liabilities of \$164,834 and long-term liabilities of \$10,088. Total liabilities are \$174,922. Liabilities decreased from the prior year due to the decrease in the amount of voucher payables. The Board was more proactive in ensuring that our vendors were paid timely.

Net Position: Consist of \$25,441 invested in capital assets, unrestricted net position of \$355,719 that would be used for unexpected litigation and one year's budget in the event revenues cannot be collected and \$151,521 in restricted net position that are reserved for the Nursing Excellence Funds.

**STATE OF NEW MEXICO  
BOARD OF NURSING  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For The Year Ended June 30, 2016**

**Budgetary**

**Adjustments:** There were two budgetary adjustments in FY16 of \$260,000 and 55,000 to re-allocate expenses.

**Results of Operations (Statement of Activities)**

Total expenses consist of \$2,189,694 mainly for operation, employee salaries, and benefit purposes. In FY16, the Nurse Excellence Fund disbursed \$249,609 to nursing schools and organizations for nursing research and scholarships.

***Changes in Net position:*** The Board's total revenue increased slightly from \$1,845,131 to \$1,885,997. The Board's total fund level expenses decreased by approximately 2.49% from \$2,245,576 to \$2,189,694, mainly from a decrease in personnel costs due to vacancies.

**Capital Assets and Long-Term Liabilities**

The Board experienced a change in capital assets as investment in capital assets went from \$42,347 to \$25,441. The decrease is due to the depreciation expense.

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

The Board processed two adjustments in FY16 between the original budget submitted to the Department of Finance and Administration and the final budget approved by the Department of Finance and Administration. The first adjustment was for \$260,000, which was a decrease in the 200 category (Personnel), an increase for \$80,000 to the 300 category (Contractual) and an increase of \$180,000 to the 400 category (Other). The second was for \$55,000 which was a decrease in the 400 category and an increase in the 200 category (Personnel).

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

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

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

Total net position decreased by approximately 39.67% from \$882,883 to \$532,681. The Board's total expenditures increased by approximately 7.05% from \$2,045,576 to \$2,189,694. The revenues increased by approximately 2.21% from \$1,845,131 to \$1,885,997.

**Currently Known Facts, Decisions, or Conditions**

The agency went through considerable changes in FY 16. All four members of the senior leadership – Executive Director, Director of Compliance, Director of Operations, and

**STATE OF NEW MEXICO  
BOARD OF NURSING  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For The Year Ended June 30, 2016**

Director of Education and Unlicensed Assistive Personnel were appointed or hired, and the agency was reorganized into three divisions, resulting in changes in staff responsible, supervision, processes and procedures. The Board continues to update and improve the on-line licensing processes for nurses, moving towards all licensing fees being paid on-line with minimal paper applications. The Board has also embarked on several ambitious Information Technology Projects such as full implementation of electronic archiving of licensing documents. There were four Nurse Excellence Award grants this past year totaling \$249,609.

Further information may be obtained from the Board of Nursing at 6301 Indian School NE, Suite 710, Albuquerque, New Mexico 87110.

**STATE OF NEW MEXICO  
BOARD OF NURSING  
STATEMENT OF NET POSITION  
GOVERNMENT-WIDE  
As of June 30, 2016**

	<u>Governmental Activities</u>
<b>CURRENT ASSETS</b>	
Cash on hand	\$ 54
Investments - State Treasurer investment pool	679,532
Other receivables	<u>2,576</u>
Total current assets	682,162
 <b>NON-CURRENT ASSETS</b>	
Capital assets, net of accumulated depreciation	<u>25,441</u>
Total assets	<u><u>\$ 707,603</u></u>
 <b>LIABILITIES &amp; NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 67,143
Due to other funds	-
Due to other state agencies	-
Due to state general fund	1,346
Accrued payroll, taxes and benefits	55,993
Compensated absences payable, current portion	<u>40,352</u>
Total current liabilities	164,834
 <b>NON-CURRENT LIABILITIES</b>	
Compensated absences payable, less current portion	<u>10,088</u>
Total liabilities	174,922
 <b>NET POSITION</b>	
Net investment in capital assets	25,441
Restricted	151,521
Unrestricted	<u>355,719</u>
Total net position	<u>532,681</u>
Total liabilities and net position	<u><u>\$ 707,603</u></u>

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

**STATE OF NEW MEXICO  
BOARD OF NURSING  
STATEMENT OF ACTIVITIES  
GOVERNMENT-WIDE  
For The Year Ended June 30, 2016**

	<u><b>Governmental Activities</b></u>
<b>EXPENSES</b>	
Personnel services	\$ 882,991
Employee benefits	390,812
Operating costs	582,066
Contractual services	222,300
Supplies	60,974
In-state travel	29,799
Out of state travel	3,846
Depreciation expense	<u>16,906</u>
Total expenses	2,189,694
 <b>PROGRAM REVENUES</b>	
Charges for services	<u>1,884,676</u>
Change in net position: net program (expenses)/revenues	(305,018)
 <b>GENERAL REVENUES</b>	
Interest	1,321
Changes in net position	(303,697)
 Net position, beginning of year	 <u>836,378</u>
Net position, end of year	<u><u>\$ 532,681</u></u>

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

**STATE OF NEW MEXICO  
BOARD OF NURSING  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2016**

	<b>General Fund (07200)</b>	<b>Nursing Excellence Fund (84200)</b>	<b>Total</b>
<b>ASSETS</b>			
Cash on hand	\$ 54	-	54
Investments with State Treasurer	528,011	151,521	679,532
Due from other State agency - accrued interest	-	-	-
Due from other funds	-	-	-
Other receivables	<u>2,576</u>	<u>-</u>	<u>2,576</u>
 Total assets	 <u>\$ 530,641</u>	 <u>151,521</u>	 <u>682,162</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 67,143	-	67,143
Due to state general fund	1,346	-	1,346
Accrued payroll, taxes and benefits	<u>55,993</u>	<u>-</u>	<u>55,993</u>
 Total liabilities	 124,482	 -	 124,482
<b>FUND BALANCE</b>			
Restricted - recruitment/educational programs	-	151,521	151,521
Unassigned- petty cash	54	-	54
Unassigned	<u>406,105</u>	<u>-</u>	<u>406,105</u>
 Total fund balance	 <u>406,159</u>	 <u>151,521</u>	 <u>557,680</u>
 Total liabilities and fund balance	 <u>\$ 530,641</u>	 <u>151,521</u>	 <u>682,162</u>

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

**STATE OF NEW MEXICO  
BOARD OF NURSING  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
As of June 30, 2016**

Total fund balance - governmental funds \$ 557,680

Amounts reported for governmental activities in the statement of net position are different because:

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

These assets consist of:

Furniture and equipment	\$ 95,124	
Accumulated depreciation	\$ <u>(69,683)</u>	25,441

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

Compensated absences	<u>(50,440)</u>
Net position of governmental activities	<u><u>\$ 532,681</u></u>

**STATE OF NEW MEXICO  
BOARD OF NURSING  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For The Year Ended June 30, 2016**

	<b>General Fund (07200)</b>	<b>Nursing Excellence Fund (84200)</b>	<b>Total</b>
<b>REVENUES</b>			
Charges for services	\$ 1,792,027	59,465	1,851,492
Other miscellaneous	24,775	8,408	33,183
Interest	<u>1,321</u>	<u>-</u>	<u>1,321</u>
 Total revenues	 1,818,123	 67,873	 1,885,996
<b>EXPENDITURES</b>			
Current:			
Personal services/employee benefits	1,269,868	-	1,269,868
Contractual services	222,300	-	222,300
Other costs	427,076	249,609	676,685
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>1,919,244</u>	 <u>249,609</u>	 <u>2,168,853</u>
 Excess (deficiency) of revenues over expenditures	 (101,121)	 (181,736)	 (282,857)
<b>Other financing sources (uses)</b>			
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balance	 (101,121)	 (181,736)	 (282,857)
 Fund balance, beginning of year	 <u>507,280</u>	 <u>333,257</u>	 <u>840,537</u>
 Fund balance, end of year	 <u>\$ 406,159</u>	 <u>151,521</u>	 <u>557,680</u>

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

**STATE OF NEW MEXICO  
BOARD OF NURSING  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2016**

Net change in fund balance - governmental funds	\$	(282,857)
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Amount reported for governmental activities in the statement of activities are different because:

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

Capital expenditures recorded in capital outlay		-
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(16,906)
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The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Decrease (increase) in compensated absences		(3,934)
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Rounding

Change in net position of governmental activities	\$	<u><u>(303,697)</u></u>
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See independent auditor's report.  
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
BOARD OF NURSING  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND NET POSITION BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For The Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Charges for services	\$ 2,054,100	2,054,100	1,792,027	(262,073)
Other miscellaneous	25,300	25,300	24,775	(525)
Interest	800	800	1,321	521
Total revenues	<u>2,080,200</u>	<u>2,080,200</u>	<u>1,818,123</u>	<u>(262,077)</u>
<b>Expenditures</b>				
Current:				
Personal services/employee benefits	1,497,500	1,292,500	1,269,868	22,632
Contractual services	171,800	251,800	222,300	29,500
Other	410,900	535,900	427,076	108,824
Capital outlay	-	-	-	-
Total expenditures	<u>2,080,200</u>	<u>2,080,200</u>	<u>1,919,244</u>	<u>160,956</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(101,121)</u>	<u>(101,121)</u>
<b>Other Financing Sources (Uses)</b>				
State general fund appropriations	-	-	-	-
Compensation appropriation	-	-	-	-
Interfund transfers	-	-	-	-
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(101,121)</u>	<u>(101,121)</u>
Fund Balance, beginning of year	<u>191,000</u>	<u>191,000</u>	<u>507,280</u>	<u>316,280</u>
Fund Balance, end of year			\$ <u><u>406,159</u></u>	
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year ended June 30, 2016			\$ 1,919,244	
Adjustments:				
Accounts payable that required a request to pay prior-year				
No adjustment necessary			<u>-</u>	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2016			\$ <u><u>1,919,244</u></u>	

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

**STATE OF NEW MEXICO  
BOARD OF NURSING  
NURSING EXCELLENCE FUND (84200) - MAJOR SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND NET POSITION BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
For The Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>				
Charges for services	\$ 62,400	62,400	59,465	(2,935)
Other miscellaneous	-	-	8,408	8,408
Fund balance budgeted	-	-	-	-
Total revenues	<u>62,400</u>	<u>62,400</u>	<u>67,873</u>	<u>5,473</u>
<b>Expenditures</b>				
Current:				
Other	<u>250,000</u>	<u>250,000</u>	<u>249,609</u>	<u>391</u>
Total expenditures	<u>250,000</u>	<u>250,000</u>	<u>249,609</u>	<u>391</u>
Excess (deficiency) of revenues over expenditures	<u>(187,600)</u>	<u>(187,600)</u>	<u>(181,736)</u>	<u>5,864</u>
<b>Other Financing Sources (Uses)</b>				
State general fund appropriations	-	-	-	-
Compensation appropriation	-	-	-	-
Interfund transfers	-	-	-	-
Net change in fund balance	<u>(187,600)</u>	<u>(187,600)</u>	<u>(181,736)</u>	<u>(181,736)</u>
Fund Balance, beginning of year	<u>187,600</u>	<u>187,600</u>	<u>333,257</u>	<u>-</u>
Fund Balance, end of year			<u>\$ 151,521</u>	
<b>Reconciliation of Budgetary Basis to Fund Financial Statement</b>				
Total budget basis expenditures for fiscal year ended June 30, 2016			\$ 249,609	
Adjustments:				
Accounts payable that required a request to pay prior-year			-	
No adjustment necessary			<u>-</u>	
Rounding			<u>-</u>	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2016			<u>\$ 249,609</u>	

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

**STATE OF NEW MEXICO  
BOARD OF NURSING  
NOTES TO THE FINANCIAL STATEMENTS  
For The Year Ended June 30, 2016**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ENTITY**

1. Financial Reporting Entity

The Board of Nursing (the Board) was created under the Nursing Practice Act, Chapter 61. The Board operated on its own until the Regulation and Licensing Department was created July 1, 1983, by the Regulation and Licensing Department Act (Section 19 through 29, Chapter 297, Laws 1983). The Act provided that the administration of professional and occupational licensing functions of the executive branch of state government is consolidated under the supervision of this department upon executive order issued by the Governor. The New Mexico Board of Nursing was placed under the supervision of the Regulation and Licensing Department by Executive Order 86-09. On July 22, 1988, the Governor issued Executive Order 88-34, effective August 1, 1988, removing the Board from the supervision of the Regulation and Licensing Department.

The Board has the power to adopt and amend all bylaws and rules of procedure not inconsistent with the constitution, the laws of this State or the Nursing Practice Act, which may be reasonable for the proper performance of its duties and the regulation of its procedures, meeting records, examinations and the conduct thereof. The Board also shall adopt and promulgate rules of professional responsibility for professional nurses.

2. Basic Financial Statements – GASB Statement No. 34

The financial statements of the Board of Nursing have been prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis—For State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years.

The Board of Nursing implemented the provisions of GASB No. 34 effective July 1, 2001.

The basic financial statements include both government-wide (based on the Board of Nursing as a whole) and fund financial statements. The Board of Nursing has 2 funds – The General Fund and The Nursing Excellence Fund. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type activities. The Board of Nursing has governmental-type activities and special revenue activities. In the government-wide Statement of Net Position, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets, as well as long-term debt and obligations.

Program revenues include charges for services, which consist principally of registration, exam and licensing fees to nurses. There is no allocation of expenses to functions because

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the sole function of the Board is its special purpose function of regulation of the nursing profession. General revenues include interest on cash deposit amounts.

This government-wide focus relates to the sustainability of the Board of Nursing as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous accounting model.

The governmental (general) fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Board of Nursing's actual experience conforms to the budget of the fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements to the governmental column on the government-wide presentation.

3. Basis of Presentation – Fund Accounting

The financial transactions of the Board of Nursing are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type and reported by generic classification in the accompanying financial statements.

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

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

*General Fund (SHARE Fund 07200 - nonreverting):* Pursuant to the Laws of 1983, Chapters 297, the general fund is the general operating fund of the Board of Nursing. It is used to account for all financial resources; there are no resources required to be accounted for in another fund. The General fund is funded primarily through license and registration fees.

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

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retention of professional nurses, increase career and educational opportunities and improve interaction with health facilities administrations, the medical profession and institutions of higher education. Revenue is generated through a surcharge of \$5 per license renewal issued. The Board is authorized to collect surcharges by 61-3-10.5 NMSA 1978. The General Fund has the authority to transfer funds up to \$400,000 annually. The fund receives no appropriations and is nonreverting.

4. Basis of Accounting and Measurement Focus

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

The government-wide financial statements are presented on an accrual basis of accounting using an economic resources measurement focus. The governmental funds in the fund financial statements are presented on a modified accrual basis using a current financial resources measurement focus. Internal activity and balances between funds is eliminated in the government-wide presentation.

Modified Accrual – All governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. “Available” means collectible within 60 days to be used to pay liabilities of the current period. The Board will apply expenditures first to restricted resources and then to unrestricted. The Board operates under a biennial license renewal policy.

5. Budgets and Budgetary Accounting

Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, “for the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the Department of Finance and Administration.” The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year’s budget. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

The New Mexico State Legislature may make appropriations to the Board of Nursing. Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the program unit level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the

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financial statements are both the original appropriation and the final authorized amounts as legally revised during the year.

The Board of Nursing follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. By September 1<sup>st</sup>, the Board of Nursing prepares a budget request by appropriation unit to be presented to the next legislature.
- b. The appropriation request is submitted to the Department of Finance and Administration's Budget Division (DFA) and to the Legislature.
- c. DFA makes recommendations and adjustments to the appropriation request, which become the Governor's proposal to the Legislature.
- d. The Legislative Finance Committee (LFC) holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
- e. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
- f. Budgetary control is exercised at the appropriation program level of the Board of Nursing as a whole and changes are approved by the DFA.
- g. Appropriations, if reverting, lapse at the end of the year except for amounts in accounts payable.
- h. Beginning with fiscal year 2005, the General Appropriation Act establishes the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico.
- i. Appropriations are non-reverting and credited to the Nursing Fund per 61-3-27 NMSA 1978.
- j. There were no appropriations made during fiscal year 2016.

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

6. Cash and Cash Equivalents

The Board's cash is on deposit with the New Mexico Office of the State Treasurer. The Board does not invest any of its funds. The State Treasurer's Office is responsible to ensure that the deposits are adequately insured or collateralized. The Board has defined cash and cash equivalents to include cash on deposit with the State Treasurer.

7. Receivables

Pursuant to Chapter 259, Laws of 1999, effective July 1, the Board earns interest on the State Treasurer's overnight investment. Interest due from other state agencies is accrued as of the end of the fiscal year. No allowance for doubtful accounts is established, since all amounts are collected in the subsequent fiscal year.

8. Capital Assets

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

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that extend beyond a single reporting period. Capital assets are reported in the Statement of Net Position at historical cost or estimated fair value, if donated. Capital assets are depreciated using the straight-line method over their estimated useful lives. Items with a cost of \$5,000 or more are capitalized per section 12-6-10 NMSA 1978.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

The major classifications of capital assets and their related depreciable lives are as follows:

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

9. Accrued Annual Leave

Employees are entitled to accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate.

10. Accrued Sick Leave

Chapter 150, Laws of 1983 provided for the payments to employees for accumulated sick leave under certain conditions. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semi-annual period. There is no limit to the amount of sick leave, which an employee may accumulate. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate.

11. Net Position/Fund Balance

In the government-wide financial statements, Net Position consists of three components: investment in capital assets net of related debt; restricted; and unrestricted. The Board has no debt related to capital assets; therefore Net Position invested in capital assets equal the capital assets, net of accumulated depreciation. Capital assets are defined as those tangible or intangible assets used in operations and having a useful life greater than a single reporting period.

Net Position is reported as restricted when constraints placed on net asset use are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be used only for the specific purposes stipulated in the legislation.

Legal enforceability means that a government can be lowered by an external party – such as

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

The amount of Net Position restricted by enabling legislation is \$151,521 at June 30, 2016.

All remaining Net Position items that are not related to capital assets are shown as unrestricted. Unrestricted Net Position is available for any lawful purpose. It is the Board's policy to first apply restricted assets when an expense is incurred and both restricted Net Position are available.

12. Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The BON has no deferred outflows of resources during fiscal year 2016 on the government wide or fund financial statements.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that is applied to a future period and so will not be recognized until then. The BON has no deferred inflows of resources during fiscal year 2016 on the government wide or fund financial statements.

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**NOTE B – INVESTMENTS WITH STATE TREASURER INVESTMENT POOL**

Investments of the Board of Nursing at June 30, 2016:

Agency	SHARE Fund No.	Amount per Treasurer	Reconciling Items		Per Financial Statements
			Outstanding Deposits	Outstanding Checks	
449	07200	\$ 528,011	-	-	528,011
449	84200	151,521	-	-	151,521
		\$ <u>679,532</u>	<u>-</u>	<u>-</u>	<u>679,532</u>

There were no reconciling items provided to the Board by the State Treasurer’s Office. Investments consist of interest in the State General Fund Investment Pool, which is managed by the New Mexico State Treasurer. In addition, the Nursing Board has a \$54 petty cash fund. The Board has no other investments. The Nursing Board does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rate.

**Custodial Credit Risk—Investment Accounts**

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Board. Therefore, collateralization of the Board’s accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Board is not permitted to have any investments other than what is held at the State Treasurer’s Office and the Board did not have any other investments during the year ended June 30, 2016. There is no custodial risk at the Board’s level since the Board’s investments are under the contract of the Office of the State Treasurer.

**General Fund Investment Pool Reconciliation**

On August 8, 2016, the New Mexico Department of Finance and Administration, Financial Control Division issued a memorandum regarding the reconciliation of the State General Fund Investment Pool. It stated that the Financial Control Division in collaboration with the State Treasurer’s Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For fiscal year 2016 the following assertions are provided;

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months;
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP, and
3. All claims will be honored at face value.

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

The Board developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Board. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities and a review of outstanding warrants. The Board conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Board share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period.

**Credit Risk for Investments**

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

**Interest Rate Risk for Investments**

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

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

**NOTE C – RECEIVABLES**

Accounts receivable including amounts due from other agencies totaled \$2,576 as of June 30, 2016. These amounts are all considered to be collectible, and as a result, no allowance had been created for potential uncollectible amounts.

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**NOTE D – CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

<u>Asset Description</u>	<u>Balance at 06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/16</u>
Furniture and equipment	\$ 19,034	-	-	19,034
Data processing equipment	95,124	-	-	95,124
Total capital assets	114,158	-	-	114,158
<b>Accumulated Depreciation</b>				
Furniture and equipment	(19,034)	-	-	(19,034)
Data processing equipment	(52,777)	(16,906)	-	(69,683)
Total accumulated depreciation	(71,811)	(16,906)	-	(88,717)
<b>Net Capital Assets</b>	<b>\$ 42,347</b>	<b>(16,906)</b>	<b>-</b>	<b>25,441</b>

Depreciation expense of \$16,906 was charged entirely to the regulation function in the general fund. All capital assets are being depreciated.

**NOTE E – CHANGES IN ACCRUED COMPENSATED ABSENCES**

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

<u>Governmental Activities</u>	<u>Balance 06/30/15</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/16</u>	<u>Current due within one year</u>
Annual Leave	\$ 35,225	43,279	(34,887)	43,617	34,894
Compensatory	10,869	4,662	(9,305)	6,226	4,980
Sick Leave	411	1,412	(1,226)	597	478
Total	\$ 46,505	49,353	(45,418)	50,440	40,352

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

**NOTE F – FUND BALANCE**

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

- **Nonspendable:** Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Board has no amounts in the category of nonspendable fund balance for the year ended June 30, 2016.
- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional

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provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government). The Board's balance shown as restricted funds in the financial statements of the Nursing Excellence Fund is for the purpose of assisting the Board in funding its recruitment and educational programs.

- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The Board does not have any committed fund balance for the year ended June 30, 2016.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The Board does not have any assigned fund balance for the year ended June 30, 2016.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The Board does not currently have a minimum fund balance policy. The fund balance of the General Fund is unassigned.

**NOTE G – LEASE COMMITMENTS**

The Board of Nursing has leased its office space for a period extending through June 30, 2015. The lease has a term of 10 years with an option to renew for two additional five year periods. The lease has an escalation provision of 5% every other year over the full term of the lease (including renewal option). The lease is subject to early termination by the lessee if certain conditions are present. Additionally, the Board leases various office equipment and vehicles under lease agreements ranging from terms of one to five years. During the year ended June 30, 2016, the Board paid approximately \$134,369 under its various lease agreements. Future payments under leases exceeding one year are as follows:

<b>For the Year Ended June 30</b>	<b>Total</b>
2017	\$ <b>124,529</b>
2018	<b>130,536</b>
2019	<b>130,536</b>
2020	<b>132,584</b>
2021	<b>129,290</b>
Thereafter	<b>374,110</b>
<b>Total</b>	<b>\$ 1,021,585</b>

**NOTE H – PERA PENSION PLAN**

**Plan Description.** Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

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The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the next pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**Funding Policy.** Plan members are required to contribute 8.92% of their gross salary. The Board of Nursing is required to contribute 17%. The contribution requirements of the plan and the Board of Nursing are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Board of Nursing's contributions to PERA for the years ended June 30, 2016, 2015, and 2014 were \$147,635, \$144,378, and \$153,465, respectively, equal to the amount of the required contribution for each year.

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

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

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

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

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a

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service-based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, 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, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature reviewed and adjusted the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act

**NOTE J – RISK MANAGEMENT AND LITIGATION**

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

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**NOTE K – INTERFUND TRANSFERS**

There were no interfund transfers in 2016 between the General fund and the Nursing Excellence fund.

**NOTE L—REVERSIONS**

The Board does not receive any state appropriations, and therefore has no reversions at the end of the year.

**NOTE M – EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The State of New Mexico Board of Nursing recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The State of New Mexico Board of Nursing's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued. The organization has evaluated subsequent events through November 29, 2016, which is the date the financial statements were available to be issued.

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SCHEDULE OF VENDOR INFORMATION  
June 30, 2016**

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	Taylor Lewis	Winner	\$42,865.06	\$0.00	3609 Chelwood Blvd NE Albuquerque NM 87111	No	No	IT help desk services	
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	Technology Solutions	Loser	\$42,865.06	\$0.00	2601 N. Campbell Ave Suite 202 Tucson AZ 85719	No	No	IT help desk services	
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	Robert Half	Loser	\$42,865.06	\$0.00	6501 Americas Pkwy Suite 675 Albuquerque NM 87110	No	No	IT help desk services	
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	Juliana Lucero	Winner	\$30,328.00	\$0.00	132 Solana Drive Santa Fe NM 87501	No	No	Investigative Servicees	
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	Sofia E. Ramirez	Loser	\$30,328.00	\$0.00	10755 Maness Ln SW Albuquerque NM 87121	No	No	Investigative Servicees	
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	James J. Pendergast	Loser	\$30,328.00	\$0.00	13116 Calle Zaul SE Albuquerque NM 87123	No	No	Investigative Servicees	
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	Michael Hawkes MPA	Loser	\$30,328.00	\$0.00	PO 8 San Antonio NM 87832	No	No	Investigative Servicees	
44900	New Mexico Board of Nursing	State Agencies	NA	Small Purchase	Daniel "Dan" Lyon	Loser	\$30,328.00	\$0.00	11100 Larima de Oro Rd NE Albuquerque NM 87111	No	No	Investigative Servicees	



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Board of Nursing (BON) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the BON's basic financial statements, and have issued our report thereon dated November 29, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**STATE OF NEW MEXICO  
BOARD OF NURSING  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2016**

<u>Findings</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding*</u>
<b>Prior Year Findings</b>		
2015-001 Bid Procurement Process Not Followed	<b>RESOLVED</b>	C, D
2015-002 Unauthorized Salary Increases	<b>RESOLVED</b>	B, D
2015-003 Personnel Files	<b>RESOLVED</b>	C, D
<b>Current Year Findings</b>		
2016-001 Travel Reimbursements	CURRENT	C, D

\* Legend for Type of Findings

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

**2016-001- TRAVEL REIMBURSEMENTS**

**Type of Finding: C, D**

**Statement of Condition**

During our test work over travel and per diem expenditures, we noted the Board did not maintain in writing the approval of reimbursements over \$1,500 singly or in the aggregate.

**Criteria**

Per section 10-8-5(1) NMSA 1978, a state employee may not be reimbursed more than \$1,500, singly or in the aggregate, in any one year “until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor, or in the case of a member of the legislature, to the New Mexico legislative council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel.”

Per 2.42.2.7 (L), “Travel” means: for per diem purposes, being on official business away from home and at least 35 miles from the designated post of duty of the public officer or employee.

The Board’s internal policies and procedures require a supervisory approval of all travel and per diem vouchers prior to submission to the Department of Finance and Administration (DFA).

**Effect**

The Board is not in compliance with the State Statute.

**Cause**

Management was not aware of the requirement, and therefore did not incorporate internal controls to comply with the statute.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the BON's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The following finding represents an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards 2016-001.

**New Mexico Board of Nursing Response to Finding**

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

**Purpose of This Report**

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

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 29, 2016

**STATE OF NEW MEXICO  
BOARD OF NURSING  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2016**

**Recommendation**

We recommend the Board design and implement controls to ensure that the Board is in compliance with the State Statute.

**Management Response**

The Board concurs with the finding. The Board will develop a review of the positions that require travel identifying those that would exceed \$1,500 singly or in the aggregate in the fiscal year. The Board will develop a form that will be signed by the employee and approved by the Executive Director.

**Finding Resolution Timeline:**

The resolution will be immediate as we have already identified the employees who would be affected.

**Designated Employee Position**

CFO

**STATE OF NEW MEXICO  
BOARD OF NURSING  
EXIT CONFERENCE  
For The Year Ended June 30, 2016**

The financial statements of the **New Mexico Board of Nursing** as of June 30, 2016, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.

\* \* \* \* \*

An Exit Conference was held in a closed session on November 29, 2016 and attended by the following:

**For the State of New Mexico Board of Nursing:**

Donna Arbogast

Robin Jones

Demetrius Chapman, MPH, MSN(R), RN

Robert Chavez

CFO/HR Director

Chair

ED

Director of Operations

**For Hinkle + Landers, PC.:**

Farley Vener

President