

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE**

**Financial Statements  
For the Year Ended June 30, 2012**

**(With Independent Auditor's Report Thereon)**

**ROBERT J. RIVERA, CPA, PC**  
CERTIFIED PUBLIC ACCOUNTANTS  
SANTA FE, NEW MEXICO 87505-4761

## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Table of Contents  
June 30, 2012**

<b>Introductory Section</b>	<b><u>Page</u></b>
Title Page .....	i
Table of Contents .....	ii
Official Roster .....	iii

**Financial Section**

Independent Auditor's Report .....	iv-v
Management's Discussion and Analysis .....	vi-x

**Basic Financial Statements:**

<b><u>Government-wide Financial Statements</u></b>	<b><u>Exhibit</u></b>	
Statement of Net Assets .....	A	1
Statement of Activities .....	B	2
 <b><u>Fund Financial Statements</u></b>		
Balance Sheet – Governmental Funds .....	C	3
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds .....	D	4
Statement of Revenues and Expenditures Budget and Actual (Budget Basis) .....	E	5
Notes to the Financial Statements .....		6-16

**Other Reports**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <b><i>Government Auditing Standards</i></b> .....	17-18
Schedule of Findings and Responses .....	19
Exit Conference .....	20

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Official Roster**

**June 30, 2012**

**SENATE CHIEF CLERK'S OFFICE**

Lenore Naranjo ..... Chief Clerk

Senator Timothy Z. Jennings ..... President Pro-Tempore

**LEGISLATIVE COUNCIL SERVICE**

Raul E. Burciaga ..... Director

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Senator Timothy Z. Jennings, President Pro-Tem  
and  
Lenore Naranjo, Senate Chief Clerk  
State of New Mexico  
Senate Chief Clerk's Office  
Santa Fe, New Mexico  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund (general fund), the aggregate remaining fund information, and the budgetary comparison statement of the General Fund of the State of New Mexico, Senate Chief Clerk's Office, a component unit of the State of New Mexico, as of and for the year ended June 30, 2012, which collectively comprise the State of New Mexico, Senate Chief Clerk's Office basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Senate Chief Clerk's Office's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1.A., the financial statements of the State of New Mexico, Senate Chief Clerk's Office are intended to present the financial position and changes in financial position of only that portion of the governmental activities and major fund of the State of New Mexico that is attributable to the transactions of the State of New Mexico, Senate Chief Clerk's Office. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2012, and changes



in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (general fund), and the aggregate remaining fund information of the State of New Mexico, Senate Chief Clerk's Office, as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated October 19, 2012, on our consideration of the State of New Mexico, Senate Chief Clerk's Office'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** and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages vi through x be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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 to provide any assurance.



Robert J. Rivera, CPA, PC  
Santa Fe, New Mexico  
October 19, 2012

**STATE OF NEW MEXICO**  
**SENATE CHIEF CLERK'S OFFICE**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information)**  
**June 30, 2012**

**OVERVIEW**

Our discussion and analysis of the State of New Mexico, Senate Chief Clerk's Office's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the financial statements, which follow this discussion and analysis. This document will assist the reader in the following:

- Highlight significant financial issues;
- Provide an overview of the Agency's financial activity;
- Identify changes in the Agency's financial position;
- Identify any material deviation from the approved budget; and
- Identify issues and concerns.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the State of New Mexico, Senate Chief Clerk's Office as a whole and present a longer-term view of its finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the State of New Mexico, Senate Chief Clerk's Office's operations in more detail than the government-wide statements by providing information about the most significant funds. Financial data presented in these financial statements is for the activities of the State of New Mexico, Senate Chief Clerk's Office as a single agency.

**Government-Wide Financial Statements**

The government-wide financial statements report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year revenues and expenses are reported regardless of when cash is received or paid.

The government-wide financial statements include all activities of the State of New Mexico, Senate Chief Clerk's Office. State general fund appropriations finance most of these activities. The general fund is included in the government-wide financial statements.

**Fund Financial Statements**

The General Fund is considered to be a major fund because only individual governmental or individual enterprise funds can be considered for major fund status. The Senate Chief Clerk's governmental funds are required to be established by state law.



**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Management's Discussion and Analysis  
(Required Supplementary Information)  
June 30, 2012**

**USING THIS ANNUAL REPORT (Cont'd)**

*Governmental funds* - All of the Senate Chief Clerk's basic services are reported in governmental funds, which focus on the establishment of an appropriation by the state legislature and the expenditures of this money in accordance with a budget. Funds not expended at the year-end revert to the State General Fund. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The difference between governmental activities and governmental fund are reconciled.

**SENATE CHIEF CLERK'S OFFICE AS A WHOLE**

The purpose of the Senate Chief Clerk's Office service program is to provide statutorily authorized services, including constituent services, general correspondence, public outreach and pre-session planning through its permanent interim staff. (See Section 2-14-3 NMSA 1978.) The senate leadership staff are senate employees who work under the direction of their respective leaders and are budgeted through the office of the Senate Chief Clerk's Office.

**Condensed Statement of Net Assets - Governmental Activities**

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 320,766	\$ 252,067	\$ 68,699
<b>Liabilities:</b>			
Current	366,955	301,378	65,577
Long-term	<u>105,205</u>	<u>101,750</u>	<u>3,455</u>
Total liabilities	<u>472,160</u>	<u>403,128</u>	<u>69,032</u>
<b>Net Assets:</b>			
Unrestricted	<u>(151,394)</u>	<u>(151,061)</u>	<u>(333)</u>
Total net assets	<u>\$ (151,394)</u>	<u>\$ (151,061)</u>	<u>\$ (333)</u>

As summarized in the above table, Net Assets represent the difference between assets and liabilities of the Senate Chief Clerk. The deficit presented in net assets does not mean the agency overspent its funding authority. It represents the estimated future cost of compensated absences that will be funded and paid from future appropriations. Compensated absences represent the amount accrued but unused leave time at current rates to be paid from future appropriations.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Management's Discussion and Analysis  
(Required Supplementary Information)  
June 30, 2012**

**SENATE CHIEF CLERK'S OFFICE AS A WHOLE (Cont'd)**

The decrease in government-wide net assets of \$333 is attributable to changes in compensated absences.

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Change</u>
<b>General revenues and transfers:</b>			
State General Fund appropriations, net of reversions	\$ 813,893	\$ 872,139	\$ (58,246)
Total general revenues and transfers	813,893	872,139	(58,246)
<b>Expenses:</b>			
Legislative - Administrative services	<u>814,226</u>	<u>873,722</u>	<u>(59,496)</u>
Change in net assets	(333)	(1,583)	1,250
<b>Net Assets:</b>			
Net assets, beginning	<u>(151,061)</u>	<u>(149,478)</u>	<u>(1,583)</u>
Net assets, ending	<u>\$ (151,394)</u>	<u>\$ (151,061)</u>	<u>\$ (333)</u>

The Senate Chief Clerk's total expenses for governmental-type activities during the fiscal year include an accrual for compensated absences. The negative change in net assets does not reflect an over-expenditure of appropriated funds, but reflects the reporting difference from a budgetary basis of accounting to a full accrual method of accounting that more closely resembles for-profit businesses.

Revenues decreased by \$58,246 and expenses decreased by \$59,496. The changes in revenues and expenses were due to budget reductions and a minimal increase in compensated absences.

**ANALYSIS OF FINANCIAL POSITION**

The Senate Chief Clerk receives 100% of its governmental funds from state general fund appropriations from the state legislature. These funds are expended by the Senate Chief Clerk based on a budget submitted and approved by the state legislature and the Governor. The financial position of the State of New Mexico, Senate Chief Clerk's Office has remained stable as a result of this year's operations.

**STATE OF NEW MEXICO**  
**SENATE CHIEF CLERK'S OFFICE**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information)**  
**June 30, 2012**

**ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

The Senate Chief Clerk maintains one governmental fund. The governmental fund receives an appropriation from the state legislature and the expenditures of this money are in accordance with a budget. Unused appropriations at year end revert to the State General Fund.

The State of New Mexico, Senate Chief Clerk's Office operates one governmental fund in which all activity related to Chief Clerk's Office is recorded. The following summary presents the difference between results of operations for the governmental activities in the Statement of Net Assets, compared to the Statement of Revenues and Expenditures in the fund statements.

Governmental fund expenditures differs from the government-wide expenses as follows:

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Change</u>
Governmental funds expenditures	\$ 813,893	\$ 872,139	\$ (58,246)
Net increase (decrease) in compensated absences expense	<u>333</u>	<u>1,583</u>	<u>(1,250)</u>
Government-wide expenses	<u>\$ 814,226</u>	<u>\$ 873,722</u>	<u>\$ (59,496)</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The annual operating budget is monitored by the Department of Finance and Administration. Comparison of actual expenditures on a budgetary basis to approved budget amounts is presented below:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>
Personal services/employee benefits	\$ 908,700	\$ 908,700	\$ 763,482
Contractual services	168,700	168,700	31,744
Other	<u>23,700</u>	<u>23,700</u>	<u>18,667</u>
Total	<u>\$ 1,101,100</u>	<u>\$ 1,101,100</u>	<u>\$ 813,893</u>

The budget is projected for the appropriation process during the Legislative Session. Actual amounts will vary from the projection. Any unexpended appropriations revert to the General Fund.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Management's Discussion and Analysis  
(Required Supplementary Information)  
June 30, 2012**

**CAPITAL ASSET ADMINISTRATION**

The Senate Chief Clerk's Office has no capital assets valued at \$5,000 and over which would require to be capitalized and depreciated.

**LONG-TERM DEBT**

The Senate Chief Clerk's Office had long-term debt at June 30, 2012, for compensated absences payable (employee annual and sick leave payable) amounting to \$105,205. The balance at June 30, 2011, was \$101,750. This was not a significant decrease from the prior year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The appropriations made for FY 2013 from the State General Fund in Laws 2012, Chapter 1, Sections 3 (A), 4, 5, 6, 7 and 8 operating budgets increased the employer contribution rates under the public employee retirement act. This adjustment was made in the personal services and employee benefits category.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of the Senate Chief Clerk's finances and to demonstrate the Senate Chief Clerk's accountability for the funds it receives. If you have any questions about this report or need additional financial information contact:

**Senate Chief Clerk's Office  
100 State Capitol  
Santa Fe, NM 87501 (505) 986-4751  
[lenore.naranjo@nmlegis.gov](mailto:lenore.naranjo@nmlegis.gov)**

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Statement of Net Assets  
June 30, 2012**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$ <u>320,766</u>
Total assets	<u>320,766</u>
<b>Liabilities:</b>	
Accounts payable	4,319
Accrued salaries payable	6,353
Payroll taxes payable	9,096
Payroll benefits payable	13,791
Due to State General Fund (note 4)	287,207
Compensated absences payable:	
Due within one year	46,189
Due after one year	<u>105,205</u>
Total liabilities	<u>472,160</u>
<b>Net Assets:</b>	
Unrestricted (deficit) (note 9)	<u>(151,394)</u>
Total net assets	\$ <u><u>(151,394)</u></u>

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

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Statement of Activities  
For the Year Ended June 30, 2012**

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Legislative:	
Administrative services	\$ <u>814,226</u>
Total expenses	<u>814,226</u>
<b>General revenues and transfers:</b>	
Transfers:	
State General Fund appropriations	1,101,100
Operating transfers (out) - reversions - fiscal year 2012	<u>(287,207)</u>
Total general revenues and transfers	<u>813,893</u>
Change in net assets	(333)
<b>Net Assets:</b>	
Net assets, beginning	<u>(151,061)</u>
Net assets, ending	\$ <u><u>(151,394)</u></u>

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

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	<u>Fund 74300 General Fund</u>
<b>Assets:</b>	
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$ <u>320,766</u>
	\$ <u><u>320,766</u></u>
<b>Liabilities:</b>	
Accounts payable	\$ 4,319
Accrued salaries payable	6,353
Payroll taxes payable	9,096
Payroll benefits payable	13,791
Due to State General Fund (note 4)	<u>287,207</u>
Total liabilities	<u>320,766</u>
<b>Fund Balances:</b>	
Unassigned	<u>-</u>
Total fund balances	<u>-</u>
Total liabilities and fund balances	\$ <u><u>320,766</u></u>
<b>Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) differ because:</b>	
<b>Fund Balances - Governmental Funds (Exhibit C)</b>	\$ -
Compensated absences are not reported in the fund financial statements	<u>(151,394)</u>
<b>Net assets of Governmental Activities (Exhibit A)</b>	\$ <u><u>(151,394)</u></u>

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



**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Statement of Revenues, Expenditures and Changes in Fund Balances-  
Governmental Funds  
For the Year Ended June 30, 2012**

	<u>Fund 74300 General Fund</u>
<b>Expenditures:</b>	
Legislative:	
Current:	
Personal services and employee benefits	\$ 763,482
Contractual services	31,744
Other	<u>18,667</u>
Total expenditures	<u>813,893</u>
<b>Other Financing Sources (uses):</b>	
Transfers:	
State General Fund appropriations	1,101,100
Reversions - Fiscal Year 2012 (note 4)	<u>(287,207)</u>
Total other financing sources (uses)	<u>813,893</u>
Net change in fund balance	-
<b>Fund Balances:</b>	
Fund balance, beginning	<u>-</u>
Fund balance, ending	<u>\$ -</u>
<b>Amounts reported for governmental activities (Exhibit B) in the statement of activities differ because:</b>	
<b>Net Change in Fund Balances - Total Governmental Funds (Exhibit D)</b>	<b>\$ -</b>
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(333)</u>
<b>Change in Net Assets - Governmental Activities (Exhibit B)</b>	<b>\$ <u>(333)</u></b>

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

**STATE OF NEW MEXICO**  
**SENATE CHIEF CLERK'S OFFICE**  
**Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)**  
**General Fund (Fund 74300)**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State General Fund	\$ 1,101,100	\$ 1,101,100	\$ 1,101,100	\$ -
Total revenues	<u>\$ 1,101,100</u>	<u>\$ 1,101,100</u>	<u>\$ 1,101,100</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Personal services and employee benefits	\$ 903,700	\$ 908,700	\$ 763,482	\$ 145,218
Contractual services	173,700	168,700	31,744	136,956
Other	<u>23,700</u>	<u>23,700</u>	<u>18,667</u>	<u>5,033</u>
Total expenditures	<u>\$ 1,101,100</u>	<u>\$ 1,101,100</u>	<u>\$ 813,893</u>	<u>\$ 287,207</u>
<b>Reconciliation of GAAP basis to budget basis:</b>				
GAAP basis			<u>\$ 1,101,100</u>	<u>\$ 813,893</u>
Adjustments: None			<u>-</u>	<u>-</u>
Budget basis			<u>\$ 1,101,100</u>	<u>\$ 813,893</u>

**Note:**

The actual expenditures on the budget basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2013 budget.

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

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**1. Summary of Organization and Significant Accounting Policies**

The financial statements of the State of New Mexico, Senate Chief Clerk's Office (Senate Chief Clerk) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements for the year ended June 30, 2012, represent fiscal year 2012 of the Senate Chief Clerk. The more significant accounting policies of the Senate Chief Clerk are described below:

**A. Financial Reporting Entity**

The Senate Chief Clerks' Offices Interim Funds of the Senate was created by the Laws of 1993, Chapter 3, Sections 1-4, (Section 2-14-1 to 2-14-4, New Mexico Statutes Annotated, 1978 Compilation).

During the interim, the chief clerk elected by the Senate shall perform the following duties:

1. Assistance with general correspondence, within guidelines of the Legislative Council;
2. Conduct pre-session training for the staff of the respective houses;
3. Perform pre-session duties necessary to assist the legislature in preparing for session in accordance with directions of the Legislative Council and in coordination with the Legislative Senate Chief Clerk;
4. Perform routine legislative requests for constituents regarding the availability of and access to existing programs and services of state government within guidelines established by the Legislative Council;
5. Maintain accurate inventories of the property of the respective houses in cooperation with the Legislative Council Service;
6. Perform public outreach functions necessary to educate the public about the legislature and the respective houses, including coordinating with the state department of public education and post-secondary educational institutions on educational program development regarding the legislative branch of government;
7. Serve on the coordinating group of the integrated legislative information system; and
8. Receive requests from members of the Senate for changes affecting the members' office spaces in the State Capitol prior to the request being presented to the building subcommittee of the Legislative Council.

The Senate Chief Clerk is a component unit of the primary government, State of New Mexico. These financial statements present the financial position and results of operations of only those Statewide Human Resources, Accounting and Management Reporting System (SHARE) funds over which the Senate Chief Clerk has oversight responsibility. The Senate Chief Clerk does not have any component units.

**STATE OF NEW MEXICO**  
**SENATE CHIEF CLERK'S OFFICE**  
**Notes to the Financial Statements**  
**June 30, 2012**

**1. Summary of Organization and Significant Accounting Policies (Cont'd)**

**B. Basic Financial Statements - Government-Wide Statements**

The Senate Chief Clerk's basic financial statements include both government-wide (reporting the Senate Chief Clerk as a whole, excluding fiduciary activities) and fund financial statements (reporting the Senate Chief Clerk's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental. The Senate Chief Clerk's general fund is classified as a governmental activity.

In the government-wide Statement of Net Assets, the governmental column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Senate Chief Clerk's net assets are reported as unrestricted net assets.

The government-wide Statement of Activities reports the gross cost of the Senate Chief Clerk's function. The function is supported by general government revenues (intergovernmental revenues). This government-wide focus is more on the sustainability of the Senate Chief Clerk as an entity and the change in the Senate Chief Clerk's net assets resulting from the current year's activities. When an expense is incurred for purposes for which both unrestricted and restricted net assets are available, restricted net assets are used first, then unrestricted.

**C. Basic Financial Statements - Fund Financial Statements**

The financial transactions of the Senate Chief Clerk are reported in the individual fund financial statements. The accounts of the Senate Chief Clerk are maintained on the basis of funds as established by state statutes or account groups, 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, and expenditures. Government resources are allocated to and accounted for in individual funds based on the appropriate state statutes and the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are utilized by the Senate Chief Clerk:

***Governmental Funds***

The focus of the governmental funds measurement (in the fund statements) is 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 Senate Chief Clerk:

**General Fund** - The General Fund (Fund 74300) is the general operating fund and only major fund of the Senate Chief Clerk. The fund is used to account for all financial resources except those required to be accounted for in another fund. Unexpended and uncommitted appropriations remaining in this fund at year end revert to the State General Fund.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**1. Summary of Organization and Significant Accounting Policies (Cont'd)**

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/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 governmental fund of the Senate Chief Clerk's Office follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

***Accrual***

Governmental activities in the government-wide financial statements are presented using the economic resources focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Modified Accrual***

The governmental funds financial statements are presented using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**E. Investment in the State Treasurer General Fund Investment Pool**

Pooled cash and investments are on deposit with the State of New Mexico, Office of the State Treasurer General Fund investment pool. The State Treasurer's scope of authority for the types of investments which may be made with state funds is statutorily defined and governed by the State Treasurer's Investment Policy approved by the State Board of Finance.

**F. Net Assets/Fund Equity/Fund Balances**

In the government-wide financial statements, net assets consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Senate Chief Clerk's Office has no capital assets, and no restricted assets. Therefore, all remaining net assets are reported as unrestricted.

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition, was implemented by the Senate Chief Clerk's Office for the year ending June 30, 2011. Statement No. 54 replaces the old fund balance terminology ("reserved", "unreserved", "designated", and "undesignated") with new financial reporting categories for fund balances of governmental funds.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

1. **Summary of Organization and Significant Accounting Policies (Cont'd)**

**F. Net Assets/Fund Equity (Cont'd)**

Governmental fund balances are now divided into five classifications based on the extent to which government is bound to honor constraints on the specific purposes for which amounts in that fund can be spent.

**Non-spendable** is the most limited amounts and are legally or contractually required to stay intact.

The spendable fund categories can be depicted as follows:

**Restricted** are amounts that are so due to enabling legislation, constitutional provisions, externally imposed by grantors, contributors, laws or regulations of other governments, or by creditors, such as through debt covenants.

**Committed** are amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and removal of the constraint would require a formal action by the same authority.

**Assigned** consists of amounts that are intended to be used for a specific purpose established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the general fund, assigned fund balance represents the residual amount in the fund balance.

**Unassigned** represents the residual amount after all classifications have been considered for the government's general fund, and could report a surplus or a deficit.

The Senate Chief Clerk would typically use *restricted* fund balances first, followed by *committed* resources, and then *assigned* resources, as appropriate opportunities arise, but reserves the right to selectively spend *unassigned* resources first to defer the use of these other classified funds.

**G. Capital Assets**

Capital assets are recorded as expenditures in the governmental funds and capitalized at cost in the Statement of Activities. The valuation basis for capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: furniture and fixtures, 10-12 years. During the 2005 Regular Legislative Session, HB 1074 amended Section 12-6-10, NMSA 1978, changing the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000 effective June 17, 2005.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**1. Summary of Organization and Significant Accounting Policies (Cont'd)**

**H. Compensated Absences**

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities. The expense is reported for these amounts in the Statement of Activities. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that employees may convert to cash.

**I. Budgetary Procedures and Accounting**

The Senate Chief Clerk follows these procedures in establishing the budgetary data reflected in the financial statements:

The State Legislature makes annual appropriations for the Senate Chief Clerk's Office. Legal compliance is monitored through the establishment of a budget and a financial control system which permits budget-to-actual comparison. Expenditures by "appropriation unit" may not legally exceed appropriations. Budgeted line-item classifications may be amended upon approval from the State Budget Division.

The basis of accounting for the budget, as appropriated by the State Legislature and approved by the State Budget Division, differs from the basis of accounting required by GAAP. The budget for the General Fund is adopted on a modified accrual basis of accounting. However, there is statutory exception. 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 require approval to pay prior year bills out of the FY 2013 budget. At June 30, 2012, there were none. Reconciling items between the budget basis to GAAP basis of accounting are reflected in the Statement of Revenue and Expenditures - Budget and Actual.

All of the unexpended and unreserved appropriations made to the Senate Chief Clerk revert to the State General Fund.

**2. Investment in the State Treasurer General Fund Investment Pool**

State law (Section 8-6-3 NMSA 1978) requires the Senate Chief Clerk's Office cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Senate Chief Clerk's Office consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**2. Investment in the State Treasurer General Fund Investment Pool (Cont'd)**

Pooled cash and investments of \$320,766 are on deposit with the State of New Mexico, Office of the State Treasurer General Fund investment pool. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent. Pooled cash and investments is comprised of the reconciled account balance at the State of New Mexico, Office of the State Treasurer, Senate Interim account #74300.

The June 30, 2012 State Treasurer's General Fund Investment Pool audited financial statements were not available as of October 19, 2012. Based on the State Treasurer's unaudited information, the management of the Senate Chief Clerk has presented pooled cash and investments at a value which approximates fair value as required by GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

<u>Name of Depository</u>	<u>Account Name</u>	<u>Agency Number</u>	<u>SHARE Fund #</u>	<u>Balance per Depository Investment Pool</u>	<u>Balance per Books</u>
State Treasurer	State of NM Senate Chief Clerk	11400	74300	\$320,766	\$320,766

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

**Credit Risk** - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

**General Fund Investment Pool Not Reconciled**

In June 2012, an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management REporting system (SHARE) system in July 2006. The diagnostic report is available in the resources section of the cash control page of the New Mexico Department of Finance & Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx). The document title is Current State Diagnostic of Cash Control.



**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**2. Investment in the State Treasurer General Fund Investment Pool (Cont'd)**

**General Fund Investment Pool Not Reconciled (Cont'd)**

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Senate Chief Clerk's balances at the business unit/fund level is not possible. It is the DFA/FCD's responsibility to perform the monthly reconciliation at the business unit/fund level to the General Fund Investment Pool.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance and Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

The Senate Chief Clerk's Office has reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in SHARE are correct and to mitigate the risk that the agency's cash balances would not be misstated as of June 30, 2012.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**3. Long-Term Liabilities**

Qualified employees are entitled to accumulate annual leave as follows: Unlimited accumulated annual leave may be carried forward into the beginning of the calendar year. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. Employees who have accumulated 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July.

Immediately prior to retirement from the service, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their hourly rate for up to 400 hours of sick leave.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 6/30/2012</u>
Compensated absences	\$ 151,061	\$ 49,689	\$ (49,356)	\$ 151,394
Current	\$ 49,311			\$ 46,189
Long-term	101,750			105,205
	<u>\$ 151,061</u>			<u>\$ 151,394</u>

The General Fund is used to liquidate long-term liabilities.

**4. Reversions and Due to State General Fund**

Reversions and the amount Due to the State General Fund from unused appropriations are comprised of the following at June 30, 2012:

Due to State General Fund, June 30, 2011	\$221,261
Additions:	
Reversion - FY 2012 - Unexpended budget balance	287,207
Payments - FY 2011 - Transfer to State General Fund for FY 2011	<u>(221,261)</u>
Due to State General Fund, June 30, 2012	<u>\$287,207</u>

The State General Fund appropriation was \$1,101,100 and the unexpended portion was \$287,207, for a net State General Fund appropriation of \$813,893.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**5. Transfers**

Actual inter-agency transfers for the year ended June 30, 2012, consist of the following:

<u>To</u>		<u>From</u>		<u>Purpose</u>
<u>Agency/Fund</u>	<u>Amount</u>	<u>Agency/Fund</u>	<u>Amount</u>	
11400/74300	\$ 1,101,100	34100/85300	\$ 1,101,100	General Fund appropriation (Laws 2011, Ch. 1, Sec. 8)
11400/74300	18	35000/19704	18	EAP Refunds
11100/12900	989	11400/74300	989	Correct posting error
34100/85300	221,261	11400/74300	221,261	FY11 General Fund Reversion
11400/74300	590	11200/13000	590	FY07 payroll correction
11400/74300	1,527	34100/85300	1,527	FY07 payroll correction
11400/74300	46	34100/85300	46	Stale-dated warrants
34100/85300	46	11400/74300	46	Reversion of stale-dated warrants
34100/85300	18	11400/74300	18	Reversion of EAP refunds
	<u>\$ 1,325,595</u>		<u>\$ 1,325,595</u>	

**6. Pension Plan - Public Employees Retirement Association**

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

**Funding Policy.** Plan members are required to contribute 8.92% (ranges from 3.83% to 16.65% depending upon the plan, i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Senate Chief Clerk is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Senate Chief Clerk's are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Senate Chief Clerk's contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$77,479, \$92,351, and \$92,671, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**7. Post Employment Benefits - State Retiree Health Care Plan**

**Plan Description.** The Senate Chief Clerk's Office 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 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 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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013 the contribution rate for employees and employers will rise as follows:

**STATE OF NEW MEXICO  
SENATE CHIEF CLERK'S OFFICE  
Notes to the Financial Statements  
June 30, 2012**

**7. Post Employment Benefits - State Retiree Health Care Plan (Cont'd)**

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Senate Chief Clerk's Office contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$10,596, \$10,131, and \$7,634, respectively, which equal the required contributions for each year.

**8. Risk Management**

The Senate Chief Clerk is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, and Transportation Property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

There are no pending or known threatened legal proceedings involving material matters to which the Senate Chief Clerk's Office is a party.

**9. Net Assets Deficit Balance**

GASB #34 requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt in the Government-wide financial statements, resulting in an unrestricted net asset deficit of (\$151,394). This deficit is created by the compensated absence payable liability of \$151,394 at June 30, 2012, which will be paid from subsequent years State General Fund Appropriations.

## **OTHER REPORTS**

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## 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*

Senator Timothy Z. Jennings, President Pro-Tem  
and  
Lenore Naranjo, Senate Chief Clerk  
State of New Mexico  
Senate Chief Clerk's Office  
and  
Mr. Hector Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund (general fund), the aggregate remaining fund information, and the budgetary comparison of the general fund of the State of New Mexico, Senate Chief Clerk's Office, a component unit of the State of New Mexico, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of the State of New Mexico, Senate Chief Clerk's Office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of New Mexico, Senate Chief Clerk's Office internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of New Mexico, Senate Chief Clerk's Office internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of New Mexico, Senate Chief Clerk's Office internal control over financial reporting.

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 entity's 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.




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

### **Compliance and Other Matters**

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

This report is intended solely for the information and use of the State of New Mexico, Senate Chief Clerk's Office management, others within the Office, the Office of the State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

  
Robert J. Rivera, CPA, PC  
Santa Fe, New Mexico  
October 19, 2019



**STATE OF NEW MEXICO**  
**Senate Chief Clerk's Office**  
**Schedule of Findings and Responses**  
**June 30, 2012**

**I. PRIOR-YEAR AUDIT FINDINGS**

a. Repeated in current-year

None

b. Resolved and not included in current-year

None

**II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED**

None

**STATE OF NEW MEXICO**  
**Senate Chief Clerk's Office**  
**June 30, 2012**

**Financial Statement Preparation**

The financial statements were prepared by the Legislative Council Service staff. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

The Legislative Council Service staff has prepared the Management's Discussion and Analysis.

**Exit Conference**

An exit conference was held on December 12, 2012, to discuss the audit. The following individuals were in attendance:

**State of New Mexico - Senate Chief Clerk**

Senator Timothy Z. Jennings, President Pro-Tempore of the Senate  
Lenore Naranjo, Senate Chief Clerk  
Raul Burciaga, Director, Legislative Council Service  
Kathy Pacheco-Dofflemeyer, Assistant Director for Administration-Legislative Council Service

**Audit Firm (Robert J. Rivera, CPA, PC)**

Robert J. Rivera, CPA  
William J. Valdes