

**STATE OF NEW MEXICO  
LEGISLATIVE FINANCE COMMITTEE**

**ANNUAL FINANCIAL REPORT  
WITH INDEPENDENT AUDITOR'S REPORT  
June 30, 2009**

**Gordon and Hale**  
PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

112

STATE OF NEW MEXICO  
LEGISLATIVE FINANCE COMMITTEE

Official Roster

June 30, 2009

**COMMITTEE:**

Representative Luciano "Lucky" Varela  
Senator John Arthur Smith  
Senator Sue Wilson Beffort  
Representative Donald E. Bratton  
Senator Pete Campos  
Senator Carlos R. Cisneros  
Senator Stuart Ingle  
Representative Ronda S. King  
Senator Carloll H. Leavell  
Senator Mary Key Papen  
Senator Hohn M. Sapien  
Representative Henry "Kiki" Saavedra  
Representative Nick L. Salazar  
Representative Edward C. Sandoval  
Representative Don Tripp  
Representative Jeannette O. Wallace

Chair  
Vice Chair  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member

**DESIGNEES:**

Senator Rod Adair  
Representative Andrew J. Barreras  
Representative Richard J. Berry  
Representative Ray Begaye  
Representative Brian F. Egolf, Jr.  
Senator Mary Jane M. Garcia  
Representative Roberto "Bobby" J. Gonzales  
Senator Phil A. Griego  
Senator Clinton D. Harden, Jr.  
Representative John A. Heaton  
Senator Timothy M. Keller  
Representative Larry A. Larranaga  
Senator Linda M. Lopez  
Representative Antonio Lujan  
Representative Patricia A. Lundstorm  
Senator Cisco McSorley  
Senator Howie Morales  
Senator Steven P. Noville  
Representative Al Park  
Representative Danice Picraux  
Senator Bernadette M. Sanchez  
Representative Thomas C. Taylor  
Senator H. Diane Snyder  
Senator David Ulibarri  
Representative Richad D. Vigil  
Senator Peter Wirth

**ADMINISTRATIVE:**

David Abbey  
Cathy T. Fernandez  
Manu Patel  
Sylvia J. Barela

Director  
Deputy Director  
Deputy Director  
Administrator

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STATE AUDITOR

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STATE AUDITOR

**STATE OF NEW MEXICO  
LEGISLATIVE FINANCE COMMITTEE**

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# Gordon and Hale

PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS



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## Independent Auditor's Report

Representative Luciano "Lucky" Varela - Chair,  
Members of the Legislative Finance Committee  
and  
Mr. Hector Balderas  
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund (general fund), and the respective budgetary comparison of the State of New Mexico, Legislative Finance Committee (Committee), a component unit of the State of New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Committee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Committee'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 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 presentation. We believe that our audit provides a reasonable basis for our opinions.


As discussed in note 2 E, the financial statements of the State of New Mexico Legislative Finance Committee are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, and the aggregate remaining fund information of the State that is attributable to the transactions of the Legislative Finance Committee. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2009, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements of the State Of New Mexico Legislative Finance Committee referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund (general fund), as of June 30, 2009, and the respective changes in financial position 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 29, 2009, on our consideration of the State of New Mexico, Legislative Finance Committee's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grants agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information on pages 3, 4, and 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Legislative Finance Committee's basic financial statements. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
October 29, 2009

Representative Luciano "Lucky" Varela  
Chairman

Representative Donald E. Bratton  
Representative Rhonda S. King  
Representative Henry "Kiki" Saavedra  
Representative Nick L. Salazar  
Representative Edward C. Sandoval  
Representative Don L. Tripp  
Representative Jeannette O. Wallace

*State of New Mexico*  
**LEGISLATIVE FINANCE COMMITTEE**

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501  
Phone: (505) 986-4550 • Fax: (505) 986-4545

David Abbey  
Director

Senator John Arthur Smith  
Vice-Chairman

Senator Sue Wilson Beffort  
Senator Pete Campos  
Senator Carlos R. Cisneros  
Senator Stuart Ingle  
Senator Carroll H. Leavell  
Senator Mary Kay Papen  
Senator John M. Sapien



## MANAGEMENT DISCUSSION & ANALYSIS

The Legislative Finance Committee is a single purpose government with only one fund (General Fund), the accompanying Government Wide financial statements differ from the Fund financial statements by reporting capital assets, related depreciation, and long term debt which indicates that the fund financial statements have a narrower focus than that of the government-wide financial statements. The reader will better understand the long term impact of the committee's near term financing decisions.

### Government Wide Financial Statements

The government wide financial statements are designed to focus on the primary government as a whole. They are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange transactions and exchange like transactions are recognized when the exchange takes place. The Statement of Net Assets is prepared on an asset less liabilities resulting in net assets format. The Statement of Activities is presented in an expense compared to revenues resulting in the change in net assets for the period format.

### Fund Financial Statements

The fund financial statements are designed to focus on major functions of the primary government. They are prepared on the modified accrual basis of accounting (see notes to the financial statements) and use the current financial resources measurement focus. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred if measurable. They reflect capital asset acquisitions as expenditures rather than assets of the acquiring fund, no depreciation is recognized. Similarly, long term debt is not recognized in the fund financial statements.

## Financial Highlights

	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>Difference</u>
Government Wide-Condensed Statement of Net Assets:			
Current Assets	\$ 363,166	274,310	(88,856)
Capital Assets (net)	<u>61,974</u>	<u>69,700</u>	<u>7,726</u>
Total assets	<u>425,140</u>	<u>344,010</u>	<u>(81,130)</u>
Current Liabilities	377,792	291,341	(86,451)
Long term Liabilities	<u>214,269</u>	<u>244,278</u>	<u>30,009</u>
Total liabilities	<u>592,061</u>	<u>535,619</u>	<u>(56,442)</u>
Net Assets:			
Invested in capital assets	61,974	69,700	7,726
Unrestricted net assets	<u>(228,895)</u>	<u>(261,309)</u>	<u>(32,414)</u>
Net Assets	\$ <u>(166,921)</u>	<u>(191,609)</u>	<u>(24,688)</u>
Government Wide-Condensed Statement of Activity:			
General Government- Legislative Expenses	\$(4,011,607)	(4,298,720)	(287,113)
General Revenues- Intergovernmental	3,976,400	4,235,700	259,300
Other income (expense)	12,860	20,978	8,118
Transfers	5,613	17,354	11,741
Change in net assets	(16,734)	(24,688)	(7,954)
Beginning net assets	<u>(150,187)</u>	<u>(166,921)</u>	<u>(16,734)</u>
Ending net assets	\$ <u>(166,921)</u>	<u>(191,609)</u>	<u>(24,688)</u>

The above decrease in assets, decrease in liabilities, and decrease in net assets reflect the use of resources to liquidate prior liabilities and an increase in expenses. The accompanying statements of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance also reflect these results.

As explained in the accompanying notes to the financial statements, the Committee made one budget adjustment moving \$32,000 from its personnel services and \$6,000 from contractual services to other costs.

As explained in note 7 to the financial statements, \$12,643, was expended for capital assets and an additional \$21,070 was received from the Legislative Council Services. The Committee recognized \$26,036 of depreciation. The Committee disposed of \$20,528 of capital assets and recognized a \$92 loss on disposition. This loss reflects the un-depreciated value of the assets deleted.

Compensated absence liability is the long term debt (see note 9 to the financial statements). Compensated absences liability increased due to low turnover rate for the year.

The Committee is in sound financial condition and is returning \$65,846 to the state general fund. Its budgeted expenditures of \$4,318,000 were under spent by \$65,701 and an additional \$145 included in expenses but previously reserved as prepaid postage in the prior year increased the budget saving resulting in the current year reversion.

As noted above, compensated absence liability is a key factor influencing the Committee's net assets. The balances are extraordinary because prior to 1995, employees could receive compensation for the entire amount of accrued leave upon termination. Leave accrued prior to 1995, is grand-fathered but thereafter employees can only receive compensation for a maximum of 240, hours upon termination.

During the 2009 fiscal year, LFC experienced a 2.5% reduction to the general fund appropriation plus an additional 2.5% reduction to the personal services and employee benefits appropriation totaling \$110,800. Management is aware of a subsequent mandated 2010 fiscal year reduction of 5.3%. Spending will be closely evaluated and only expenditures critical to agency operations will be allowed.



STATE OF NEW MEXICO  
 LEGISLATIVE FINANCE COMMITTEE  
 STATEMENT OF NET ASSETS  
 June 30, 2009

Exhibit A

**ASSETS**

CURRENT ASSETS:

Interest in the New Mexico General Fund Investment Pool	\$ 266,348
Prepaid postage	1,356
Account receivable	6,606
Total current assets	274,310

OTHER ASSETS:

Equipment & furniture	189,455
Accumulated depreciation	(119,755)
Net capital assets	69,700
Total assets	344,010

**LIABILITIES**

CURRENT LIABILITIES:

Accounts payable	51,872
Accrued salaries & benefits	74,728
Accrued benefits, & payroll taxes	80,508
Due to state general fund	65,846
Current compensated absences payable	18,387
Total current liabilities	291,341

OTHER LIABILITIES:

Long term compensated absences payable	244,278
Total liabilities	535,619

**NET ASSETS**

Invested in net capital assets	69,700
Unrestricted	(261,309)
Total net assets	\$ (191,609)

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
 LEGISLATIVE FINANCE COMMITTEE  
 STATEMENT OF ACTIVITIES  
 For the year ended June 30, 2009

Exhibit B

**EXPENSES**

General government-Legislature \$ 4,298,720

**GENERAL REVENUES**

Intergovernmental:

State general fund appropriation 4,235,700

Total general revenue 4,235,700

Revenue over (under) expenses (63,020)

**OTHER INCOME, (EXPENDITURE):**

Loss on asset dispositions (92)

LCS asset contribution 21,070

Total other 20,978

**TRANSFERS**

Transfer from DFA - compensation package 83,200

Transfer to state general fund - 2009 reversions (65,846)

Total transfers 17,354

**CHANGE IN NET ASSETS** (24,688)

**NET ASSETS BEGINNING OF PERIOD** (166,921)

**NET ASSETS END OF PERIOD** \$ (191,609)

See accompanying notes to the financial statements.

STATE OF NEW MEXICO  
 LEGISLATIVE FINANCE COMMITTEE  
 BALANCE SHEET  
 June 30, 2009

Exhibit C

**GOVERNMENTAL FUND-GENERAL FUND**

**ASSETS:**

Interest in the New Mexico General Fund Investment Pool	\$	266,348
Prepaid postage		1,356
Account recievable		<u>6,606</u>
Total assets		<u>274,310</u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES:**

Accounts payable		51,872
Accrued salaries & benefits		126,458
Payroll taxes payable		28,778
Due to state general fund		<u>65,846</u>
Total liabilities		<u>272,954</u>

**FUND BALANCE:**

**Nonspendable:**

Reserve for prepaid expense		<u>1,356</u>
Total fund balance	\$	<u><u>1,356</u></u>

**Reconciliation of Fund Balance to Net Assets**

Total fund balance	\$	1,356
Capital assets and related depreciation in governmental activities are not financial resources or uses and therefore are not reported in the funds.		
Capital assets		189,455
Accumulated depreciation		(119,755)
Compensated absences payable are long term liabilities which are not due and payable in the current period and therefore not reported as fund liabilities.		
Compensated absences payable		<u>(262,665)</u>
Net assets government wide	\$	<u><u>(191,609)</u></u>

See accompanying notes to the financial statements.

STATE OF NEW MEXICO  
 LEGISLATIVE FINANCE COMMITTEE  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 FUND BALANCE-GOVERNMENTAL FUND (GENERAL FUND)  
 For the year ended June 30, 2009

Exhibit D

**EXPENDITURES**

**CURRENT:**

General government - Legislative		\$ 3,689,672
Personal services & benefits		198,348
Contract services		365,179
Operating		<u>365,179</u>
 Total expenditures		 4,253,199

**REVENUE**

Intergovernmental:		
State general fund appropriation		<u>4,235,700</u>
 Excess of revenue over expenditures		 <u>(17,499)</u>
 Other financing sources (uses)		
Transfer from DFA - compensation package		83,200
2008 Reversion to state general fund		<u>(65,846)</u>
 Net other financing sources & (uses)		 <u>17,354</u>
 Net change in Fund Balance		 (145)
 Fund balance beginning of year		 1,501
 Fund balance end of year		 <u>\$ 1,356</u>

**RECONCILIATION OF CHANGE IN FUND BALANCE TO  
 CHANGE IN NET ASSETS**

For the year ended June 30, 2009

Change in fund balance		\$ (145)
 Governmental funds report capital outlays as expenditures. Government Wide financial statements capitalize the cost of capital outlays in the balance sheet and recognize the cost of those capital outlays over the useful lives of those capital assets through depreciation		
Depreciation expense		(26,036)
Capital expenditures reclassified as capital assets		12,643
Contribution of capital assets from other agency		21,070
Loss on disposition of capital assets		(92)
Roundings		(2)
Compensated absences are non current liabilities and are not reported in the fund financial statements.		
Increase in personal service expense for increase in compensated absence payable		<u>(32,126)</u>
 Change in net assets		 <u>\$ (24,688)</u>

See accompanying notes to the financial statements.

STATE OF NEW MEXICO  
 LEGISLATIVE FINANCE COMMITTEE  
 STATEMENT OF BUDGETARY COMPARISON-GENERAL FUND  
 For the year ended June 30, 2009

Exhibit E

	Budget			Actual	Variance Favorable (Unfavorable)
	Original	Changes *	Final		
<b>EXPENDITURES</b>					
Current:					
General government - legislative					
Personal services	\$ 3,770,700	(45,200)	3,725,500	3,689,672	35,828
Contract services	216,600	(11,400)	205,200	198,348	6,852
Other costs	359,200	29,000	388,200	365,179	23,021
<b>Total expenditures</b>	<b><u>4,346,500</u></b>	<b><u>(27,600)</u></b>	<b><u>4,318,900</u></b>	<b><u>4,253,199</u></b>	<b><u>65,701</u></b>
Transfers in:					
General fund appropriation	4,346,500	(110,800)	4,235,700	4,235,700	-
Other financing source:					
Compensation package		83,200	83,200	83,200	-
<b>Net other financing sources (uses)</b>	<b><u>\$ 4,346,500</u></b>	<b><u>(27,600)</u></b>	<b><u>4,318,900</u></b>	<b><u>4,318,900</u></b>	<b><u>-</u></b>

**Reconciliation of Budgetary Basis to GAAP Basis:**

	<u>Revenue</u>	<u>Expenditures</u>
Budgetary Basis	\$ 4,235,700	4,253,199
Depreciation expense		26,036
Accrued compensated absences & payroll taxes		32,126
Capital asset reclassified from expense		(12,643)
Roundings		2
Compensation package transfer	83,200	
<b>GAAP Basis</b>	<b><u>\$ 4,318,900</u></b>	<b><u>4,298,720</u></b>

**Reconciliation to reversion due to state general fund:**

Unexpended budget	\$ 65,701
(Increase) decrease in prepaid postage	145
<b>Reversion due to state general fund</b>	<b><u>\$ 65,846</u></b>

\* Changes to the original appropriation include a \$110,800 appropriation decrease and internal budget transfers.

See accompanying notes to the financial statements.

**STATE OF NEW MEXICO  
LEGISLATIVE FINANCE COMMITTEE**

Notes to the Financial Statements  
For the year ended June 30, 2009

1. **Function of the entity**

The Legislative Finance Committee (Committee) is a bipartisan, permanent interim committee of the legislature is comprised of sixteen members, eight from the House of Representatives and eight from the Senate. The Committee is governed by Sections 2-5-1, through 2-5-7 NMSA, 1978. Those sections create the Committee as a permanent interim committee of the legislature and provide for the appointment of a director and staff to assist the Committee in its work.

The duties of the Committee are delineated in Section 2-5-3, 2-5-4, and 2-5-4.1 NMSA, 1978. Those sections provide that the committee shall:

- A. Direct the director of the Committee in his work.
- B. Examine the laws governing the finances and operations of departments, agencies and institutions of the state and all of its political subdivisions and the effect of laws on the proper functioning of these governmental units as related to the laws.
- C. Recommend changes in the law if any are deemed desirable and draft and present to the legislature any legislation necessary.
- D. Make a full report of its findings and recommendations for each legislature.
- E. Annually review budgets and appropriation requests and the operations and management of selected state agencies, departments and institutions and make recommendations to the legislature.
- F. Furnish a document of its budget recommendations to each member of the standing finance committees, the governor, department of finance and administration and other members of the legislature who request it.
- G. Cooperate with the office of the governor, department of finance and administration, and taxation and revenue department in providing fiscal impact reports and other pertinent information concerning pending legislation.

To carry out its duties, the Committee may hold hearings and require testimony from representatives of each state agency, department, or institution. Section 2-5-7, NMSA, 1978, provides that the Committee has the power to administer oaths and the power to subpoena. Section 2-5-7, NMSA, 1978 states that each agency or institution of the state and its political subdivisions shall, upon request, furnish such non-confidential documents, material or information as may be requested by the members, director or staff.

Notes to the Financial Statements (Continued)

2. **Summary of Significant Accounting Policies**

The Committee is a component unit of the primary government, the State of New Mexico. These financial statements present the financial position and results of operations of only those Central Accounting System funds over which the Committee has oversight responsibility. The Committee does not have component units.

A. **Governmental Resources**

Government resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The following fund type is used by the Committee:

**Governmental Fund**

General Fund - The General Fund is the general operating fund for the Committee. It is used to account for all financing resources because there are no resources required to be accounted for in another fund.

The General Fund is funded primarily through appropriations from the State of New Mexico General Fund. Unexpended resources are reverted to the State General Fund.

B. **Government Wide Financial Statements**

The Government Wide Financial Statements include the Statement of Net Assets, and the Statement of Activities. These statements report financial information for the Committee as a whole.

C. **Measurement Focus and Basis of Accounting**

The government wide financial statements measure and report all assets (both financial and capital), liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and liabilities generally are included on the balance sheet. Operating statements of these fund present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

## Notes to the Financial Statements (Continued)

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A sixty day availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The revenues susceptible to accrual are appropriations and refunds.

### D. **Budget and Budgetary Accounting**

The Committee prepares and submits an annual budget for the General Fund to the Department of Finance and Administration (DFA) for approval based upon the appropriations made by the State Legislature. This budget must be submitted by September 1 for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is approved by the Legislature of the State of New Mexico. Subsequent amendments affecting a category must be approved by the Director of the State Budget Division of DFA. The 2009 fiscal year budget was adjusted, \$38,000, dollars were reclassified to other costs, of which \$32,000 came from personal services and \$6,000 from contractual services. Under Laws of 2009, House Bill 10, and Senate Bill 79, Section 1, the fiscal year 2009 appropriation to the Legislative Finance Committee was reduced by \$110,800.

Budgets are controlled at the "category" level (personal services/contractual services, etc.). Budget appropriations lapse at the end of the fiscal year if not encumbered or made non-reverting by the Legislature. Funds for the fiscal year ended June 30, 2009, were appropriated in the Laws of 2008, HB 1, Section, 4. Unexpended, unencumbered budget balances are reverted to the state general fund.

The budget for the General Fund 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 (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget. Additionally, a budget is not prepared for the excess of revenues over expenditures, other financing uses, or fund balance.

### **Encumbrances represent commitments related to unperformed contracts for goods and services.**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. As of June 30, 2006, there will generally be no encumbrances at year-end. Any valid encumbrances are rolled over and made encumbrances of the ensuing fiscal year. Only for multi-year appropriations will there be outstanding encumbrances at year end.



Notes to the Financial Statements (Continued)

E. **Interest in the New Mexico General Fund Investment Pool:**

The Legislative Finance Committee's interest in the New Mexico General Fund Investment Pool is on deposit with the New Mexico State Treasurer. The general fund investment pool is not rated. There is a risk (interest rate risk) that changes in interest rates will adversely affect the fair value of an investment. The New Mexico Department of Finance and Administration transfers equal monthly amounts of the Committee's annual appropriation from the General Fund account with the New Mexico State Treasurer to the Committee's account with the New Mexico State Treasurer. The monthly transfers represent available funds for disbursement and are considered measured at fair value. The Committee does not have an investment policy that limits investment interest rate risk.

The New Mexico State Treasurer issues a separate publicly available audited financial report that includes related investment risks that could affect the government's ability to meet its obligations as they become due. The report may be obtained by writing to the New Mexico State Treasurer's Office, 2019 Galisteo St., Santa Fe, NM. 87505.

F. **Compensated Absences**

Within the Statement of Net Assets, all vested or accumulated vacation and sick leave is recognized and separated into current and long term portions. The current portion is estimated based on historical trends approximating 7% of the total liability.

Within the Statement of Net Assets, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. No expenditure is reported for these amounts in the fund financial statements since appropriations of the committee revert at the end of each year.

G. **Capital assets**

The Statement of Net Assets reflects capital assets at cost or estimated cost net of depreciation. Depreciation is computed on capital assets based on the assets estimated useful life (4 to 8 years based on management's experience) on the straight line basis. The committee has adopted the half year convention.

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The Committee capitalizes fixed assets with a value of \$5,000.00 or greater having a useful life in excess of one year.

## Notes to the Financial Statements (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized. Periodically, the Legislative Finance Committee receives computer equipment acquired by the Legislative Council Service, a separate state agency. The Committee holds title to these assets and recognizes a "Capital Contribution" equal to the cost of the contributed assets as other income in the statement of activity. Within the Balance Sheet of the fund statements fixed assets are not capitalized. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

### H. Long-Term Obligations

Within the government wide financial statements, long term liabilities are recognized when incurred.

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is not reported in the fund financial statements.

### I. Net Assets and Fund Equity

Restricted net assets represent monies earmarked for specific anticipated future charges.

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

### J. Accounting Standards

#### **Early implementation**

The Committee has elected to implement GASB 54 which is effective for fiscal years beginning after June 15, 2010. The initial distinction that is made in reporting fund balance in the fund financial statement is identifying amounts that are considered non-spendable, such as fund balances associated with prepaid expenses, or inventories. This Statement also provides for additional classifications as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

### 3. Pension Plan – Public Employees Retirement Association

#### PERA Pension Plan

**Plan Description.** Substantially all of the the Committee'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

## Notes to the Financial Statements (Continued)

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

**Funding Policy:** Plan members are required to contribute 7.42% of their gross salary. The Committee is required to contribute 16.59% of the gross covered salary. The contribution requirements of the plan members and the Committee are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Committee's contributions to PERA for the years ending June 30, 2009, 2008, and 2007, were \$451,863, \$415,111, and \$381,960, respectively, which equal the amount of the required contributions for each year.

#### 4. Deferred Compensation Plan

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

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

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) to be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors.

There are employees that are making contributions to the Deferred Compensation Plan. Neither the Committee nor the State of New Mexico contribute to the Deferred Compensation Plan. All contributions withheld from the participants' salaries by the Committee have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan or recognized as liabilities.

#### 5. Post Employment Benefits-State Retiree Health Care Plan

**Plan description** The Committee 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

## Notes to the Financial Statements (Continued)

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 Retiree Health Care Authority 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, 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

**Funding Policy** - The Retiree Health Care Act (Chapter 10, Article 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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the 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 Committee's contributions to the RHCA for the years ended June 30, 2009, 2008, and 2007 were \$33,393, \$30,569, and \$ 28,633 respectively, which equal the required contributions for each year.

### 6. Account Receivable

During the fiscal year, the Committee ordered and received lap-tops prior to June 30, 2009. Payment was made and the lap-tops were sent to the information technology unit of the Legislative Council Services for set up and configuration. Information Technology staff determined that the models received would not fit the needs of the Committee's staff. The lap-tops were returned and the refund was received subsequent to June 30, 2009.

Notes to Financial Statements (Continued)

7. **Capital Assets**

The source of all purchased capital assets and general fixed assets is the Committee's General Fund. Additionally, the Legislative Council Services contributed \$21,070 of equipment during the year.

	Balance <u>6/30/08</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/09</u>
Furniture and equipment	<u>\$176,271</u>	<u>33,712</u>	<u>20,528</u>	<u>189,455</u>
Accumulated depreciation	<u>\$114,297</u>	<u>26,036</u>	<u>20,578</u>	<u>119,755</u>

Within the government wide financial statements, \$ 26,036 of depreciation has been recognized. Within the government wide financial statements expenses include \$92 of loss on disposition of fixed assets. The accumulated depreciation deletions contain a \$50 adjustment for prior errors.

8. **Accrued Compensated Leave**

Within the government wide financial statements, the committee recognizes the total liability for compensated absences (including payroll tax) and the related expenditure. The total of \$ 243,998 accrued leave liability plus \$18,667 payroll tax or \$262,665 is allocated \$18,387 to current liabilities and \$244,278 to long term liabilities. The committee increased personnel services expense by \$29,598, and payroll tax expense by \$2,528, in accruing the compensated absence liability. The Committee paid \$10,117 in compensated leave at terminations.

Employees accumulate annual leave at a rate based on length of continuous service. The Committee changed its policy during the year ended June 30, 1996, by not compensating compensatory time earned after January 1, 1996, and by limiting compensation for unused vacation earned after January 1, 1996, to 240 hours. Leave earned prior to the change but unused at year end is included in the liability for unpaid leave. There is no maximum on the amount of annual leave that may be carried over from year to year, but compensation at termination is limited as stated above except for the leave earned prior to the change. Included in the above accrual is \$18,667 of payroll tax, \$235,297 annual leave, and \$8,701 of accrued sick leave for the sick leave in excess of 600 hours, up to a limit of 120 hours per eligible employee. Employees who have over 600 hours of sick leave may be paid at one half their pay rates for up to 120 hours on either July 1, or January 1, of each year. At retirement the employee may receive payment for up to 400 hours of sick leave.

Notes to the Financial Statements (Continued)

9. **Long Term Debt**

The following is a summary of changes in general long-term debt during the fiscal year ended June 30, 2009:

	<u>Balance</u> <u>6/30/08</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>6/30/09</u>	<u>Current</u> <u>Portion</u>	<u>Long</u> <u>Term</u>
Compensated absences payable including employer's share of FICA:						
Annual leave	\$222,075	66,740	35,517	253,298	17,778	236,950
Sick leave	<u>8,321</u>	<u>11,399</u>	<u>10,353</u>	<u>9,367</u>	<u>609</u>	<u>7,328</u>
Totals	<u>\$230,396</u>	<u>78,139</u>	<u>45,870</u>	<u>262,665</u>	<u>18,387</u>	<u>244,278</u>

10. **Operating leases**

The committee maintained two operating leases. They include a copier and a mailing machine lease. The copier lease calls for regular monthly payments of \$ 2,017.00 base lease plus usage in excess of contract amounts. The mailing machine lease calls for twelve monthly payments of \$74.23 then thirty six monthly payments of \$149.23. The committee paid \$26,951 in base lease payments during the year. Following are the cash requirements for existing leases.

<u>Due June 30,</u>	<u>Mailing</u> <u>Machine</u>	<u>Copier</u>	<u>Total</u>
2010	\$ 1,791	24,215	26,006
2011	1,791	24,215	26,006
2012		24,215	24,215
2013		24,215	24,215
2014			
There after	_____	_____	_____
Totals	\$ <u>3,582</u>	<u>96,860</u>	<u>100,442</u>

11. **Interest in the New Mexico General Fund Investment Pool:**

The Legislative Finance Committee's interest in the New Mexico State General Fund Investment Pool is on deposit with the New Mexico State Treasurer.

**General Fund - Share Fund Account No. 11200 Fund 13000**

	<u>Type of</u> <u>Account</u>	<u>Balance</u> <u>6/30/09</u>
N.M. State Treasurer	Operating	\$ 266,348

Notes to the Financial Statements (Continued)

The necessary collateral for this account is monitored by the State of New Mexico Office of the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits.

12. **Operating transfers**

Following is a schedule of non-exchange operating transfers occurring during the year:

<u>Fund</u>	<u>Agency Number</u>	<u>SHARE Number</u>	<u>Transfer</u>	
			<u>To</u>	<u>From</u>
<b>General fund:</b>				
State general fund				
Appropriation	11200	13000	\$4,235,700	
	34100	85300		\$4,235,700
DFA comp. package				
Transfer	11200	13000	83,200	
	34100	85300		83,200
Reversion (08)				
	34100	85300	128,087	
	11200	13000	\$	128,087

13. **Insurance (Risk)**

The Committee is exposed to certain risks including general liability, civil rights, loss or damage to equipment and employee dishonesty. The Committee purchases insurance through the State of New Mexico, General Services Department-Risk Management Division. The Committee must make claims to the Risk Management Division for insurable losses incurred. The Committee transfers risk of loss to the risk pool.

14. **Reversions**

Reversions to the State general fund were as follows:

For the prior fiscal year ended June 30, 2008	\$ 128,087
Accrued as due to state general fund at June 30, 2009	\$ 65,846

15. **Estimates:**

Preparation of financial statements in conformity with Generally Accepted Accounting Principles, requires the use of management's estimates.

**SUPPLEMENTRY SCHEDULE**

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**Schedule of Memorandum of Understanding**

**Participants:**

The Legislative Finance Committee, Department of Finance and Administration, Taxation and Revenue Department, and the Department of Transportation, (Agencies) enter into a reoccurring annual professional service contract with the University of New Mexico-Bureau of Business and Economic Research (BBER) to provide revenue forecasts, economic analysis and forecasts.

**Party responsible for operations:**

Each of the participants mentioned above is responsible for identifying their needs and accepting or declining the related goods and services. Additionally, they are responsible for their portion of the payment for these services.

**Description:**

This agreement provides for the purchase of four long-term, quarterly forecasts. Additional forecasts will be provided for an additional fee. The participating agencies will have web-access to national forecasting service subject to the Global Insight contract with UNM. BBER will prepare and present analysis of its forecasts, related changes and methodologies.

**Beginning and ending dates:**

The Memorandum of Understanding is a fiscal year.

**Total estimated amount of the project and Legislative Finance Committee's portion:**

The entire agreement is for \$99,608. The Committee's portion is \$29,052.33.

**Amount the Committee paid during the year ended June 30, 2009.**

\$29,052.33

**Audit responsibility:**

Within the Committee, LFC's Chief Economist is responsible for accepting or declining the product received and approving payment. There is no Fiscal Agent. The Committee reflects payment for these services in its contractual services category.

# Gordon and Hale

PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS



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

Representative Luciano "Lucky" Varela - Chair,  
Members of the Legislative Finance Committee  
and  
Mr. Hector H. Balderas-  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund (general fund) and respective budgetary comparison of the State of New Mexico, Legislative Finance Committee (Committee), a component unit of the State of New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Committee's basic financial statements and have issued our report thereon dated October 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

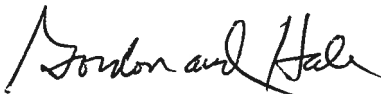
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Committee's internal control.

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

### **Compliance and Other Matters**

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

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



Gordon and Hale, P.C.  
October 29, 2009

**STATE OF NEW MEXICO**  
**Legislative Finance Committee**  
Summary of Prior Year Audit Findings

**Prior Year Audit Findings:**

There were no prior year audit findings.

## **DISCLOSURE REQUIRED BY THE OFFICE OF THE NEW MEXICO STATE AUDITOR**

The financial statements were prepared by the auditor from trial balances prepared by the Committee's management. Adjusting entries were developed as a result of the audit. These adjustments were reviewed and approved by LFC's Management who assumes responsibility for these financial statements and the disclosures.

### **EXIT CONFERENCE**

An exit conference was held on November 5, 2009 to discuss this report. Representing the Legislative Finance Committee was Representative Luciano "Lucky" Varela- Chair, David Abbey-Director, Cathy Fernandez-Deputy Director, and Sylvia Barela-Administrative Services Manager. Representing Gordon and Hale, P.C. was Gilbert Malone, CPA.

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We wish to take this opportunity to thank Mrs. Sylvia Barela, and other staff for their assistance in the conduct of the audit.