

**STATE OF NEW MEXICO  
FUND #20030 SENATE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2011**



**KARDAS • ABEYTA • WEINER P.C.**  
Certified Public Accountants

**June 30, 2011**

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June 30, 2011

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**FIFTIETH LEGISLATURE, FIRST SESSION**

Timothy Z. Jennings	President Pro-Tempore
Michael S. Sanchez	Majority Floor Leader
Stuart Ingle	Minority Floor Leader
Mary Jane M. Garcia	Majority Whip
William H. Payne	Minority Whip
Lenore Naranjo	Senate Chief Clerk

**COMMITTEES' COMMITTEE**

Timothy Z. Jennings	Chair
Michael S. Sanchez	Vice-Chair
Carlos R. Cisneros	Member
Mary Jane M. Garcia	Member
Stuart Ingle	Member
Timothy M. Keller	Member
George K. Munoz	Member
Cynthia Nava	Member
William H. Payne	Member
William E. Sharer	Member
John Arthur Smith	Member

**LEGISLATIVE COUNCIL SERVICE**

Raul Burciaga	Director
Kathy Pacheco-Dofflemeyer	Assistant Director For Administration

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## **INDEPENDENT AUDITORS' REPORT**

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State of New Mexico,  
Fund #20030 Senate  
Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying financial statements of the State of New Mexico, Fund #20030 Senate, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Fund #20030 Senate's management. Our responsibility is to express an opinion 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 statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note A, the financial statements of the State of New Mexico, Fund #20030 Senate, are intended to present the financial position, and the changes in financial position of the State of New Mexico, Fund #20030 Senate. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2011, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the State of New Mexico, Fund #20030 Senate, as of June 30, 2011, and the changes in financial position thereof and the budgetary comparisons 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 December 8, 2011, on our consideration of the State of New Mexico, Fund #20030 Senate'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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Kardas, Abeyta & Wesner, P.C.

Santa Fe, New Mexico  
December 8, 2011

STATE OF NEW MEXICO  
FUND #20030 SENATE  
Statement of Net Assets

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June 30, 2011

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**Assets:**

Investment in the State General Fund Investment Pool, Note B	\$	1,132,657
Capital assets, net of accumulated depreciation, Note C		-
		<u>1,132,657</u>

**Liabilities:**

Accounts payable		-
Due to other state agencies, Note D		1,132,657
		<u>1,132,657</u>

**Net Assets:**

Unrestricted	\$	<u><u>-</u></u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

STATE OF NEW MEXICO  
FUND #20030 SENATE  
Statement of Activities

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For The Year Ended June 30, 2011

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**Expenses:**

Personal services/employee benefits	\$	1,814,695
Contractual services		48,829
Other		696,669
		<u>2,560,193</u>

**General Revenues:**

State general fund appropriations, Note E		3,692,800
Transfers:		
Transfers in, Note F		50
Transfers out, Note F		(1,132,657)
		<u>2,560,193</u>

**Change in Net Assets**

-

**Net Assets:**

Beginning of year		-
End of year	\$	<u><u>-</u></u>

STATE OF NEW MEXICO  
FUND #20030 SENATE  
Balance Sheet - Governmental Funds

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June 30, 2011

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**Assets:**

Investment in State General Fund Investment Pool, Note B	\$	1,132,657
Other receivables		<u>-</u>

**Total Assets**

\$	<u><u>1,132,657</u></u>
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**Liabilities:**

Accounts payable	\$	-
Due to other state agencies, Note D		<u>1,132,657</u>
		<u><u>1,132,657</u></u>

**Fund Balance:**

Unassigned		<u>-</u>
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**Total Liabilities and Fund Balance**

\$	<u><u>1,132,657</u></u>
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**Amounts reported for governmental activities in Statement of Net Assets are different because:**

<b>Fund Balance - Governmental Funds</b>	\$	-
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There are no reconciling items between the governmental funds balance sheet and the statement of net assets.

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<b>Net Assets of Governmental Activities</b>	\$	<u><u>-</u></u>
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**For The Year Ended June 30, 2011**


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**Current Expenditures:**

Personal services/employee benefits	\$	1,814,695
Contractual services		48,829
Other		696,669
		<u>2,560,193</u>

**Other Financing Sources (Uses):**

State general fund appropriations, Note E		3,692,800
Transfers:		
Transfers in, Note F		50
Transfers out, Note F		<u>(1,132,657)</u>
		<u>2,560,193</u>

**Net Change in Fund Balance**

-

**Fund Balance:**

Beginning of year		<u>-</u>
End of year	\$	<u><u>-</u></u>

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities

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For The Year Ended June 30, 2011

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

Net Change in Fund Balance - Total Governmental Funds \$ -

There are no reconciling items between the net change in fund balance and change in net assets. \_\_\_\_\_ -

Change in Net Assets - Governmental Activities \$ -

## Statement of Revenues and Expenditures - Budgeted and Actual (GAAP Basis)

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 For The Year Ended June 30, 2011
 

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	Budgeted Amounts		Actual (Budget Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>State General Fund Appropriations:</b>				
50th Legislature, 1st Session				
Laws 2011				
Chapter 1, Section 1.B (1)	\$ 385,560	\$ 385,560	\$ 385,560	\$ -
Chapter 1, Section 1.B (3)	6,313	6,313	6,313	-
Chapter 1, Section 1.B (5)	2,675,472	2,675,472	2,675,472	-
Chapter 1, Section 1.B (7)	625,455	625,455	625,455	-
	<u>\$ 3,692,800</u>	<u>\$ 3,692,800</u>	<u>\$ 3,692,800</u>	<u>\$ -</u>
<b>50th Legislature, 1st Session</b>				
<b>Expenditures:</b>				
Personal services, employee benefits	\$ 2,675,472	\$ 2,675,472	\$ 1,814,695	\$ 860,777
Contractual services and other	1,017,328	1,017,328	745,498	271,830
	<u>\$ 3,692,800</u>	<u>\$ 3,692,800</u>	<u>\$ 2,560,193</u>	<u>\$ 1,132,607</u>

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**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

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The financial statements of the State of New Mexico, Fiftieth Legislature, First Session has 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 period ended June 30, 2011 represent activity in Fund #20030 from July 1, 2010 to June 30, 2011. The more

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

Fund #20030's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental. Fund #20030 is classified as a governmental activity.

The government-wide Statement of Net Assets 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 Fund's net assets are reported as unrestricted net assets.

The government-wide Statement of Activities reports the cost of the Fund #20030's function. The function is supported by general government revenues (intergovernmental revenues). This government-wide focus is on the change in net assets resulting from activities for the period July 1, 2010 through June 30, 2011.

**2. Basic Financial Statements - Fund Financial Statements**

The financial transactions of Fund #20030 are reported in an individual fund in the financial statements. The operations of Fund # 20030 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 this individual fund based on the appropriate state statutes and the purposes for which they are spent and the means by which pending activities are controlled. The following fund type is utilized by Fund

*Governmental Funds*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund.

General Fund - Fund #20030 is used to administer and account for the activity of the Senate during the regular and special sessions. Money in the Fund may be expended for Senate per diem and mileage, employee salaries and other expenses.

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**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**3. Basis of Accounting**

Basis of accounting refers to the point at which revenues and 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. This governmental Fund #20030 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 on 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 on 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.

**4. Investment in the State General Fund Investment Pool**

The State of New Mexico, Office of 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.

**5. 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 when 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 equipment, 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.

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**NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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**6. Nature and Purposes of Reservations and Designations of Fund Balance**

Government-wide net assets are divided into two components:

- Restricted net assets - consists of net assets that are restricted by state enabling legislation.
- Unrestricted net assets - all other assets are reported in this category.

When an expense is incurred that can be paid using either restricted resources or unrestricted resources, the Fund's policy is to first apply the expense toward restricted, and then toward unrestricted resources.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, was implemented by the Council Service for the year ending June 30, 2011. Statement No. 54 replaces an old fund balance terminology ("Reserved", "Unreserved", "Designated", and "Undesignated") with new financial reporting categories for fund balances of governmental funds.

Governmental fund balances are divided into five classifications based on the extent to which government is bound to honor constraints and 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.

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**NOTE B - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund does not have an investment policy that limits investment interest rate risk. Management estimates that the State General Fund Investment Pool is represented at a value which approximates fair value. For additional disclosure information regarding the investment in State Treasurer's SGFIP, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2011, review the State Treasurer's Investment Policy at <http://www.stonm.org/Investments/InvestmentPolicy>, and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements, and Custodial Bank Requirements.

SHARE BU 13101, Fund #20030, Senate \$ 1,132,657

**NOTE C - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2011:

	Balance <u>June 30, 2010</u>	Additions	Deletions	Balance <u>June 30, 2011</u>
Furniture and equipment	\$ 30,645	\$ -	\$ -	\$ 30,645
Accumulated depreciation	(30,645)	-	-	(30,645)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental activities as follows:

General government \$ -

**NOTE D - DUE TO OTHER STATE AGENCIES (LEGISLATIVE CASH BALANCE)**

At the end of either the Regular or Special Legislative Session any remaining cash balance in Fund #20030 reverts to the Legislature's cash balance in Fund #13300 and stale dated warrants returned during the fiscal year. The following balance is due at June 30, 2011:

Due from BU 13102, Fund #20030 to BU 13100, Fund #13300 \$ \$1,132,657

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**NOTE E - STATE GENERAL FUND APPROPRIATIONS**

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State General Fund Appropriations consist of the following:

50th Legislature, 1st Session, Laws 2011, Chapter 1, Section 1,B (1)	\$	385,560
50th Legislature, 1st Session, Laws 2011, Chapter 1, Section 1,B (3)		6,313
50th Legislature, 1st Session, Laws 2011, Chapter 1, Section 1,B (5)		2,675,472
50th Legislature, 1st Session, Laws 2011, Chapter 1, Section 1,B (7)		625,455
	\$	<u>3,692,800</u>

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**NOTE F - TRANSFERS**

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Transfers in: (2006-2008 Stale Dated warrants) \$ 50

Transfers out:

At the end of the Regular or Special Legislative Session, any remaining cash balance in Fund #20030 reverts to the Legislature's cash balance in Fund #13300 and the stale dated warrants. The following amount is recorded as a transfer out in the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance.

Transfer from BU 13102, Fund #20030 to BU 13100, Fund #13300 \$ 1,132,657

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**NOTE G - RISK MANAGEMENT**

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The Legislature is exposed to various risk of loss related to torts, theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Fund carried insurance (Workers Compensation, Unemployment Compensation, Employee Liability, and Transportations Property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

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**NOTE H - MANAGEMENT'S DISCUSSION AND ANALYSIS EXPLANATION**

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Management's discussion and analysis, while required to be presented to supplement the basic financial statements, are generally outside the purview of the legislature's management staff. The legislative body is the sole entity responsible for preparing a budget based on revenue estimates, state needs and statutory and constitutional requirements. Once appropriated, management staff is responsible for ensuring that expenditures are in compliance with state law.

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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***

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State of New Mexico,  
Fund #20030 Senate  
Hector H. Balderas, New Mexico State Auditor

We have audited the financial statements of the State of New Mexico, Fund #20030 Senate, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 8, 2011. 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 Fund'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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's 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 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 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 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 Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Kardas, Abeyta & Weiner, P.C.

Santa Fe, New Mexico  
December 8, 2011

**Section I - Summary of Auditors' Results**

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**Financial Statements**

Type of auditors' report issued: Unqualified

**Internal Control Over Financial Reporting:**

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weakness(es)? No

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**Status of Prior Year Audit Findings**

**Current Status**

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**10-1** Employee Signature Upon Receipt of a Payroll Check

Resolved

**10-2** Overpayment of Contractor Invoice

Resolved

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**Section II - Financial Statement Findings (Current Year)**

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None

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**Section III - Other Matters as Required by New Mexico State Statute 12-6-5, NMSA 1978**

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None

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#### **Section IV - Exit Conference**

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An exit conference was held on December 8, 2011, to discuss the audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein. In attendance were the following individuals:

*Representing the State of New Mexico, Fund #20030 Senate*

Senator Timothy Z. Jennings, President Pro-Tempore, Legislative Council Co-Chairman  
Lenore Naranjo, Senate Chief Clerk  
Angie Garcia, Senate Financial Officer  
Raul Burciaga, Director, Legislative Council Service  
Kathy Pacheco-Dofflemeyer, Assistant Director for Administration, Legislative Council Service

*Representing Kardas, Abeyta & Weiner, P.C.*

Sean S. Weiner, Principal  
Jeremy Hamlin, Manager

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