

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2012



ABEYTA • WEINER • CHERNE P.C.
Certified Public Accountants

June 30, 2012

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June 30, 2012

FIFTIETH LEGISLATURE, FIRST SPECIAL SESSION AND SECOND REGULAR 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



INDEPENDENT AUDITORS' REPORT

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, 2012, 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, 2012, 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 previously present fairly, in all material respects, the financial position of the State of New Mexico, Fund #20030 Senate, as of June 30, 2012, 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 12, 2012, 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 not presented the management's discussion and analysis that governmental 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.

Abeyta, Weiner & Chene, P. C.

Santa Fe, New Mexico
December 12, 2012

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

June 30, 2012

Assets:

Investment in the State General Fund Investment Pool, Note B	\$	658,078
Capital assets, net of accumulated depreciation, Note C		-
		<u>658,078</u>

Liabilities:

Accounts payable		-
Due to other state agencies, Note D		658,078
		<u>658,078</u>

Net Assets:

Unrestricted	\$	<u><u>-</u></u>
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STATE OF NEW MEXICO
FUND #20030 SENATE
Statement of Activities

For The Year Ended June 30, 2012

Expenses:

Personal services/employee benefits	\$	1,243,296
Contractual services		47,091
Other		517,125
		<u>1,807,512</u>

General Revenues:

State General Fund Appropriations, Note E		2,463,960
Transfers:		
Transfers in, Note F		1,630
Transfers out, Note F		<u>(658,078)</u>
		<u>1,807,512</u>

Change in Net Assets

Net Assets:

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

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

June 30, 2012

Assets:

Investment in State General Fund Investment Pool, Note B	\$	658,078
Other receivables		<u>-</u>

Total Assets

\$	<u><u>658,078</u></u>
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Liabilities:

Accounts payable	\$	-
Due to other state agencies, Note D		<u>658,078</u>
		<u><u>658,078</u></u>

Fund Balance:

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

\$	<u><u>658,078</u></u>
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Amounts reported for governmental activities in Statement of Net Assets are different because:

Fund Balance - Governmental Funds	\$	-
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There are no reconciling items between the Balance Sheet - Governmental Funds and the Statement of Net Assets.

Net Assets of Governmental Activities	\$	<u><u>-</u></u>
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For The Year Ended June 30, 2012

Current Expenditures:

Personal services/employee benefits	\$	1,243,296
Contractual services		47,091
Other		517,125
		<u>1,807,512</u>

Other Financing Sources (Uses):

State General Fund Appropriations, Note E		2,463,960
Transfers:		
Transfers in, Note F		1,630
Transfers out, Note F		<u>(658,078)</u>
		<u>1,807,512</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

For The Year Ended June 30, 2012

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)

 For The Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budget Basis)	Final Budget
				Favorable
				(Unfavorable)
State General Fund Appropriations:				
50th Legislature, 2nd Session				
Laws 2012				
Chapter 1, Section 1.B (1)	\$ 194,040	\$ 194,040	\$ 194,040	\$ -
Chapter 1, Section 1.B (3)	6,867	6,867	6,867	-
Chapter 1, Section 1.B (5)	1,427,170	1,427,170	1,427,170	-
Chapter 1, Section 1.B (7)	363,523	363,523	363,523	-
50th Legislature, 1st Special Session				
Laws 2011				
Chapter 1, Section 1.A (2)	<u>472,360</u>	<u>472,360</u>	<u>472,360</u>	<u>-</u>
	<u>\$ 2,463,960</u>	<u>\$ 2,463,960</u>	<u>\$ 2,463,960</u>	<u>\$ -</u>
50th Legislature, 2nd Session				
& 1st Special Session Expenditures:				
Personal services, employee				
benefits	\$ 1,713,653	\$ 1,713,653	\$ 1,243,296	\$ 470,357
Contractual services and other	<u>750,307</u>	<u>750,307</u>	<u>564,216</u>	<u>186,091</u>
	<u>\$ 2,463,960</u>	<u>\$ 2,463,960</u>	<u>\$ 1,807,512</u>	<u>\$ 656,448</u>

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of New Mexico, Fiftieth Legislature, First Special Session and Second Regular Session has been prepared in conformity with accounting principles generally accepted in the United State 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, 2012 represent activity in Fund #20030 from July 1, 2011 to June 30, 2012. The more significant accounting policies of the Fund are described below.

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 from the period July 1, 2011 the June 30, 2012.

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 #20030:

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.

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

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 is 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 moveable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000 effective June 17, 2005.

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.

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

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 fund balances are 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 are 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 due to enabling legislation, constitutional provisions, externally imposed by grantors, contributors, laws and 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.

NOTE B - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

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

The estimated fair value of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2012:

SHARE BU 13101, Fund #20030, Senate	\$ <u>658,078</u>
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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 a 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.

NOTE B - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL (Continued)

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.

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 of 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. The document title is Current State Diagnostic of Cash Control.

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 Fund #20030 Senate'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 & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

Fund #20030 Senate has cash 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.

NOTE C - CAPITAL ASSETS

The follow is a summary of changes in capital assets for the year ended June 30, 2012.

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
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	\$ <u>-</u>
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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 are returned during the fiscal year. The following balance is due at June 30, 2012.

Due from BU 13101, Fund #20030 to BU 13100, Fund #13300	\$ <u>658,078</u>
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NOTE E - STATE GENERAL FUND APPROPRIATIONS

State General Fund Appropriations consist of the following:

50th Legislature, 2nd Session, Laws 2012, Chapter 1, Section 1.B (1)	\$ 194,040
50th Legislature, 2nd Session, Laws 2012, Chapter 1, Section 1.B (3)	6,867
50th Legislature, 2nd Session, Laws 2012, Chapter 1, Section 1.B (5)	1,427,170
50th Legislature, 2nd Session, Laws 2012, Chapter 1, Section 1.B (7)	363,523
50th Legislature, 1st Special Session, Laws 2011, Chapter 1, Section 1. A (2)	<u>472,360</u>
	<u>\$ 2,463,960</u>

NOTE F - TRANSFERS

Transfers in: (2011 Stale Dated warrants)	\$ <u>1,630</u>
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NOTE F - TRANSFERS (Continued)

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 stale dated warrants are returned during the fiscal year. 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 13101, Fund #20030 to BU 13100, Fund #13300	\$ <u>658,078</u>
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NOTE G - RISK MANAGEMENT

The Legislature is exposed to various risks 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.

NOTE H - MANAGEMENT'S DISCUSSION AND ANALYSIS EXPLANATION

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.



**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***

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, 2012, and have issued our report thereon dated December 12, 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, Fund #20030 Senate is responsible for establishing and maintaining effective 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.

Abeyta, Weiner & Cherna, P.C.

Santa Fe, New Mexico

December 12, 2012

Section I - Summary of Auditors' Results

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

Status of Prior Year Audit Findings

Current Status

None

Section II - Financial Statement Findings (Current Year)

None

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

None

Section IV - Exit Conference

An exit conference was held 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 on December 12, 2012 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 Abeyta, Weiner & Cherne, P.C.

Sean S. Weiner, Principal
Jeremy Hamlin, Manager
