

**STATE OF NEW MEXICO  
FUND #13300 LEGISLATURE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2007**

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June 30, 2007

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**LEGISLATIVE COUNCIL MEMBERS**

Sen. Ben D. Altamirano	Co-Chairman
Rep. Ben Lujan	Co-Chairman
Sen. Pete Campos	Member
Sen. Kent L. Cravens	Member
Sen. Joseph A. Fidel	Member
Rep. Ted Hobbs	Member
Sen. Stuart Ingle	Member
Sen. Timothy Z. Jennings	Member
Rep. Terry T. Marquardt	Member
Rep. W. Ken Martinez	Member
Rep. Rick Miera	Member
Sen. Leonard Lee Rawson	Member
Sen. Michael S. Sanchez	Member
Rep. Sheryl Williams Stapleton	Member
Rep. Jeannette O. Wallace	Member
Rep. Donald L. Whitaker	Member

**ADMINISTRATIVE OFFICIALS**

Paula Tackett	Director
Kathy Pacheco-Dofflemeyer	Assistant Director for Administration
John Yeager	Assistant Director for Legislative Affairs
Raul Burciaga	Assistant Director for Drafting Services

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## INDEPENDENT AUDITORS' REPORT

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State of New Mexico,  
Fund #13300 Legislature  
Hector H. Balderas, New Mexico State Auditor

We have audited the accompanying financial statements of the State of New Mexico, Fund #13300 Legislature as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Fund #13300 Legislature'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 the 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. 1., the financial statements of State of New Mexico, Fund #13300 Legislature, are intended to present the financial position, and the changes in financial position of the State of New Mexico, Fund #13300 Legislature. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2007, 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 #13300 Legislature, as of June 30, 2007, 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 November 14, 2008, on our consideration of the State of New Mexico, Fund #13300 Legislature'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.

The State of New Mexico, Fund #13300 Legislature have not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Kardco, Abeyta & Weiner, P.C.*

Santa Fe, New Mexico

November 14, 2008

STATE OF NEW MEXICO  
FUND #13300 LEGISLATURE  
Statement of Net Assets

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June 30, 2007

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Statement of  
Net Assets

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**Assets:**

Investment in the State General Fund Investment Pool, Note B	\$ 3,330,535
Due from other state agencies, Note C	1,269,271
	<hr/>
	4,599,806

**Liabilities:**

Accounts payable	190,052
Accrued liabilities	23,892
	<hr/>
	213,944

**Net Assets:**

Unrestricted	\$ 4,385,862
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STATE OF NEW MEXICO  
FUND #13300 LEGISLATURE  
Statement of Activities

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For The Year Ended June 30, 2007

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	Statement of Activities
<b>Expenses:</b>	
Personal services/employee benefits	\$ 639,709
Contractual services	1,480,312
Other	1,442,323
	<u>3,562,344</u>
<b>General Revenues/ Transfers:</b>	
Appropriations - Note D	3,389,300
Transfers:	
Transfer of cash balances - Note E	635,301
	<u>4,024,601</u>
<b>Change in Net Assets</b>	462,257
<b>Net Assets:</b>	
Beginning of year	3,923,605
End of year	<u>\$ 4,385,862</u>

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The Accompanying Notes Are An Integral Part of These Financial Statements

STATE OF NEW MEXICO  
FUND #13300 LEGISLATURE  
Balance Sheet - Governmental Funds

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June 30, 2007

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**Assets:**

Investment in the State General Fund Investment Pool, Note B	\$ 3,330,535
Due from other state agencies, Note C	<u>1,269,271</u>

**Total Assets**

\$ 4,599,806

**Liabilities:**

Accounts payable	\$ 190,052
Accrued liabilities	<u>23,892</u>
	213,944

**Fund Balance:**

Unreserved	<u>4,385,862</u>
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**Total Liabilities and Fund Balance**

\$ 4,599,806

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

Fund Balance - Governmental Funds	\$ 4,385,862
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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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**Net Assets of Governmental Activities**

\$ 4,385,862



Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

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**For The Year Ended June 30, 2007**

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**Expenditures:**

Personal services/employee benefits	\$ 639,709
Contractual services	1,480,312
Other	1,442,323
	<u>3,562,344</u>

**Other Financing Sources (Uses):**

Appropriations - Note D	3,389,300
Transfers:	
Transfer of cash balances - Note E	635,301
	<u>4,024,601</u>

**Net Change in Fund Balance**

462,257

**Fund Balance:**

Beginning of year	3,923,605
End of year	<u>\$ 4,385,862</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, 2007

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

<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 462,257
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There are no reconciling items between the net change in fund balance and  
change in net assets.

<b>Change in Net Assets - Governmental Activities</b>	<u>\$ 462,257</u>
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Statement of Revenue and Expenditures - Budgeted and Actual (GAAP Basis)

For Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual (Budget Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Appropriation - 2007	\$ 1,234,400	\$ 1,234,400	\$ 1,234,400	\$ -
Appropriation - 2006	1,654,900	1,654,900	1,654,900	-
Laws of 2006 Chapter 109	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
	3,389,300	3,389,300	3,389,300	-
Prior Year Cash Balance Reauthorized	<u>3,923,605</u>	<u>3,923,605</u>	<u>3,923,605</u>	<u>-</u>
	<u>\$ 7,312,905</u>	<u>\$ 7,312,905</u>	<u>\$ 7,312,905</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Salaries and Employee Benefits, Professional Services, and Other	<u>\$ 7,312,905</u>	<u>\$ 7,312,905</u>	<u>\$ 3,562,344</u>	<u>\$ 3,750,561</u>
	<u>\$ 7,312,905</u>	<u>\$ 7,312,905</u>	<u>\$ 3,562,344</u>	<u>\$ 3,750,561</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, Fund #13300 Legislature have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements for the period ended June 30, 2007 represent activities of Fund #13300 from July 1, 2006 to June 30, 2007. The more significant accounting policies of the Fund are described below:

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

Fund #13300'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 #13300 is classified as a governmental activity.

In the government-wide Statement of Net Assets, the governmental column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Fund #13300's net assets are reported as unrestricted net assets.

The government-wide Statement of Activities reports the gross costs of Fund #13300's functions. The functions are 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, 2006 to June 30, 2007.

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

The financial transactions of Fund #13300 are reported in the individual fund financial statement. The operations of the Fund #13300 are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based on the appropriate state statutes and the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund type is utilized by Fund #13300:

#### *Governmental Funds*

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

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

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General Fund - Fund #13300 are used to administer and account for the Legislature interim activities. Money in the Fund may be expended for salaries of employees and other expenses.

**3. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The governmental funds of the Legislature follow 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. Nature and Purpose of Reservations and Designations of Fund Balances**

The governmental fund financial statements report unreserved funds. These funds are part of the Legislature's cash balances. The cash balances are unreserved as of June 30, 2007.

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

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

**6. Budgetary Procedures and Accounting**

Fund #13300 are activities appropriated by law and are budgeted based on generally accepted accounting principles using the modified accrual method.

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

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Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Information on the State Treasurer General Fund Investment Pool may be obtained by reading a copy of the State of New Mexico, Office of the State Treasurer audited financial statements for the year ended June 30, 2007.

SHARE Fund # 13300, Legislature	<u>\$ 3,330,535</u>
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**NOTE C - DUE FROM OTHER STATE AGENCIES**

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The following amounts are due from other state agencies:

Transfer from BU 13101, Fund #20030 to BU 13100 Fund #13300	\$ 87,157
Transfer from BU 11400, Fund #74300 to BU 13100 Fund #13300	185,972
Transfer from BU 11500, Fund #74400 to BU 13100 Fund #13300	266,200
Transfer from BU 34100, Fund #72400 to BU 13100 Fund #13300	4,286
Transfer from BU 63000, Fund #05200 to BU 13100 Fund #13300	90,355
Transfer from BU 13101, Fund #20030 to BU 13100 Fund #13300	461,757
Transfer from BU 13102, Fund #20040 to BU 13100 Fund #13300	173,544
	<u>\$ 1,269,271</u>

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**NOTE D - APPROPRIATIONS**

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Laws 2007, Chapter 1	\$ 1,202,400
Laws 2006, Chapter 1	1,654,900
Laws 2006, Chapter 1	32,000
Laws 2006, Chapter 1	500,000
	<u>\$ 3,389,300</u>

The above appropriations do not revert to the State of New Mexico General Fund pursuant to the Laws of 2006 and 2007.

**NOTE E - TRANSFERS**

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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	\$ 461,757
Transfer from BU 13102, Fund #20040 to BU 13100 Fund #13300	173,544
	<u>\$ 635,301</u>

**NOTE F - RISK MANAGEMENT**

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

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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 #13300 Legislature  
Hector H. Balderas, New Mexico State Auditor

We have audited the financial statements of the State of New Mexico, Fund #13300 Legislature, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 14, 2008. 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 agency'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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the agency'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 agency'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 agency'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*.

We noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-1 and 07-2.

The agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the agency's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the agency, 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, Abayta & Weiner, P.C.*

Santa Fe, New Mexico

November 14, 2008

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**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

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

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This is the first year that State of New Mexico Forty-Eight Legislature, First Session Fund #13300 Legislative Council Service has been audited.

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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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**07-1) Payroll Documentation**

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***Condition:***

During our test work of 25 employee payroll transactions we noted the following:

- Two instances of Federal Form I-9 filled out incorrectly.
- One instance of hours on timecard not matching hours on paycheck.

***Criteria:***

Federal regulations require Federal Form I-9 be completed for all employees and that federal withholding tax be at an amount as determined by allowances claimed on a W-4.

Employees should be paid for the hours posted on timecards.

***Cause:***

Even though established payroll file completeness and accuracy procedures exist, payroll staff inadvertently overlooked the missing or incorrect information.

***Effect:***

Potential penalties or other disciplinary action from the Federal Department of Homeland Security, Immigration and Customs Enforcement Agency.

One employee was paid for an amount of hours different from the supporting timecard.

***Recommendations:***

The Agency should follow established payroll file completeness and accuracy procedures.

***Response:***

The Agency will ensure that payroll file completeness and accuracy procedures are followed by providing a second review of payroll files.

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## 07-2) Late Audit Report

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**Condition:**

The audit report was not submitted to the New Mexico Office of the State Auditor by the deadline of December 15, 2007.

**Criteria:**

Section 2.2.2.9 A (1) (f) of the NMAC Audit Rule 2007 requires that all audit reports be submitted to the New Mexico Office of the State Auditor by December 15, 2007.

**Effect:**

Section 2.2.2. 10 (l) (4) of the NMAC Audit Rule 2007 states that an audit finding is required to be issued for failure to file the audit report by the due date set in 2.2.2.9 A (1) (f).

**Cause:**

The agency reconciles its internal records with the newly implemented SHARE accounting system. In doing so, the agency noted numerous unidentified transactions posted to its books. The agency notified the Department of Finance and Administration (DFA) and learned the SHARE system does not have a control to prevent other agencies from inadvertently posting transactions in its general ledger. DFA assisted with correcting the unidentified transactions posted by other state agencies, but this process extended well beyond the December 15, 2007 deadline.

In addition, the numerous automated payroll postings throughout the year were not correct. The Agency was satisfied with DFA adjustments in April 2008, and proceeded to provide its books to its external auditors for final completion.

**Recommendations:**

This agency should continue to communicate with DFA for timely corrections of SHARE entries posted by other state agencies.

**Response:**

The Agency will file timely in 2008.

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**Disclosure required by 2.2.2.8 J (4) NMAC - Financial Statement Presentation**

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In accordance with 2.2.2.8 J (4) NMAC, the State of New Mexico, Office of the State Auditor requires that the Legislative Council Service disclose that these financial statements were prepared by its auditors, Kardas, Abeyta & Weiner, PC, with the assistance of the Legislative Council Service staff.

**Section IV - Exit Conference**

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An exit conference was held on December 10, 2008 with the following in attendance:

Senator Timothy Z. Jennings, President Pro-Tempore

Ben Lujan, Speaker of the House

Paula Tackett, Director, Legislative Council Service

Kathy Pacheco-Dofflemeyer, Assistant Director for Administration, Legislative Council Service

Sean Weiner, Kardas, Abeyta & Weiner, P.C.

Scott Peck, Kardas, Abeyta & Weiner, P.C.

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