

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Financial Statements and Schedules
With Independent Auditors' Report Thereon**

For the Fiscal Year Ended June 30, 2008

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

June 30, 2008

Official Roster

Bill Richardson

Governor

James Jimenez

Chief of Staff

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Table of Contents
June 30, 2008**

Introductory Section

Official Roster..... i
Table of Contents..... ii-iii

Financial Section

Independent Auditor’s Report..... 1-2
Management’s Discussion and Analysis 3-8

Government Wide Financial Statements

Exhibit 1 – Statement of Net Assets 9
Exhibit 2 – Statement of Activities..... 10

Fund Financial Statements

Exhibit 3 – Balance Sheet..... 11
Exhibit 4 – Reconciliation of the Balance Sheet to the Statement of Net Assets –
Governmental Funds..... 12
Exhibit 5 – Statement of Revenues, Expenditures and Changes in Fund Balance –
Governmental Funds..... 13
Exhibit 6 – Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities –
Governmental Funds..... 14
Exhibit 7 – Statement of Revenues and Expenditures – Budget and Actual
(GAAP Basis) – General Fund 15
Notes to the Financial Statements..... 16-26

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Table of Contents
June 30, 2008**

Supplemental Information Section

Statement 1 - Statement of Revenues and Expenditures – Budget and Actual (GAAP Basis) – General Fund by Organization.....	27-28
Schedule 1 – Schedule of Interest in State General Fund Investment Pool.....	29
Schedule 2 – Schedule of Transfers.....	30
Schedule 3 – Schedule of Due to State General Fund	31
Schedule 4 – Schedule of Memorandums of Understanding.....	32

Government Auditing Standards Report

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	33-34
Schedule of Findings and Responses.....	35-37
Exit Conference	37



**Macias, Gutierrez
& Co., P.C.**

*Certified Public Accountants
Member AICPA, NMSCPA*

1302 Calle De La Merced, Suite A
Española, New Mexico 87532
505.747.4415
Fax 505.747.4417

INDEPENDENT AUDITORS' REPORT

Honorable Bill Richardson, Governor
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and major fund of the State of New Mexico, Office of the Governor (Office) as of and for the year ended June 30, 2008, which collectively comprise the Office's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the organizations of the general fund presented as supplementary information for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Office of the Governor's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the State of New Mexico, Office of the Governor are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities and major fund that are attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position thereof and the respective budgetary comparisons 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 in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and major fund of the State of New Mexico, Office of the Governor as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to in the first paragraph presents fairly, in all material respects, the budgetary comparisons of the organizations of the general fund of the State of New Mexico, Office of the Governor for the year ended June 30, 2008, 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 16, 2008 on our consideration of the Office's internal control over financial reporting and 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 Management's Discussion and Analysis on pages 3 through 8 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 opinions on the financial statements that collectively comprise the Office's basic financial statements and on the budgetary comparisons presented as supplementary information. The introductory section and accompanying supplementary information listed as schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The information in the schedules 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 financial statements taken as a whole.

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Española, New Mexico
October 16, 2008

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Management's Discussion and Analysis
June 30, 2008**

The *Management's Discussion and Analysis*, or MD&A, for the State of New Mexico, Office of the Governor (Office) introduces the basic financial statements and provides an analytical overview of the Office's financial conditions and results of operations as of and for the year ended June 30, 2008. The MD&A also provides a discussion of significant changes in the account categories presented in the entity-wide *Statement of Net Assets* and *Statement of Activities*. This summary is intended to be a supplement to and should be read in conjunction with the basic financial statements.

Financial Highlights:

- The Office's liabilities exceeded its assets at the close of the most recent fiscal year by \$233,286 (net assets). This is the direct result of the inclusion of compensated absences in the Statement of Net Assets.
- Capital assets decreased by \$20,498 over the prior year. The Office did not purchase any capital assets during the fiscal year ended June 30, 2008. The decrease in capital assets is due to current year depreciation.
- The Office stayed well within its budgets and did not exceed its total budget appropriation of \$4,713,200. At the end of the current fiscal year the Office did not have an unreserved, undesignated fund balance for the general fund.
- Total expenditures were \$4,289,342 or \$423,858 less than the total revenues of \$4,713,200 for fiscal year ended June 30, 2008.

Overview of the Financial Statements:

Although the Office is one of several agencies within the government of the State of New Mexico, the only focus of this financial report is on the Office, and not the State of New Mexico taken as a whole. The financial statements include the following three elements: 1) Management's Discussion and Analysis, 2) the Basic Financial Statements, and 3) Other Supplementary Information.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Office's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Office's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Office is improving or deteriorating.

The *statement of activities* presents information showing how the Office's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Management's Discussion and Analysis
June 30, 2008**

underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. For this reason revenues and expenses reported in this statement are for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Office, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Office's fund is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* available at the end of the fiscal year.

Governmental fund statements, which include the *Balance Sheet* and the *Statement of Revenue, Expenditures, and Changes in Fund Balance*, focus on individual parts of the Office to report its financial condition and results of operations in more detail than the entity-wide statements, and tell how governmental activities were financed in the short term as well as what remains for future spending. Emphasis is placed on the general fund which is the sole major governmental fund.

The Office maintains one governmental fund, the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund.

The Office adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate its compliance with its approved budget.

Reconciliation. There are two reconciliation statements: the first statement shows the differences between the *government-wide Statement of Net Assets* and the *governmental funds Balance Sheet*. The second one shows the differences between the *government-wide Statement of Activities* and the *governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance*.

Additional details about the Basic Financial Statements are found in the Notes to the Financial Statements and Required Supplementary Information.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Management's Discussion and Analysis
June 30, 2008**

Financial Analysis of the Office as a Whole:

Condensed Financial Information:

**Table A-1
Office of the Governor - Statement of Net Assets**

Governmental Activities	Current Year 2008	Prior Year 2007
	<u> </u>	<u> </u>
Interest in State General Fund investment pool	\$ 645,077	\$ 923,251
Current and other assets	14,534	4,077
Capital assets	22,030	42,528
	<u> </u>	<u> </u>
Total Assets	681,641	969,856
Current liabilities	830,776	1,111,527
Noncurrent liabilities	84,151	114,604
Total Liabilities	914,927	1,226,131
Invested in capital assets	22,030	42,528
Unrestricted	(255,316)	(298,803)
	<u> </u>	<u> </u>
Total Net Assets	\$(233,286)	\$(256,275)

As shown in Table A-1 the total assets for the Office of the Governor decreased from \$969,856 in fiscal year ended June 30, 2007 to \$681,641 or \$(288,215). Current liabilities decreased from \$1,111,527 to \$830,776. These decreases are directly attributed to 1) the transfer of the Governor's Office of Homeland Security to the newly created Department of Homeland Security and Emergency Management at the beginning of fiscal year 2008, and 2) program changes that occurred in the Office during fiscal year 2008.

Net assets increased from \$(256,275) in FY 2007 to \$(233,286). This increase in net assets is the direct result of decreases in both compensated absences and capital assets with a net result of \$20,498 at June 30, 2008.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Management's Discussion and Analysis
June 30, 2008**

**Table A-2
Office of the Governor – Statement of Activities**

Governmental Activities	Current Year 2008	Prior Year 2007
Revenues:		
<i>General revenue:</i> State General Fund	\$ 4,560,400	\$ 4,556,500
<i>Program revenue:</i>		
Jobs & Growth Tax Reconciliation Act of 2003	-	67,122
Other	152,800	132,200
Total Revenues	4,713,200	4,755,822
Expenses:		
Executive Administration	3,910,758	3,925,757
Governor's Las Cruces Office	-	4,723
Governor's Office of Victims Advocacy	164,262	163,166
Governor's Office of Homeland Security	-	235,037
Border Security – Deming	-	65,912
September 11 Anniversary	-	1,210
EEOICP Advocacy and Technical Assistance	100,000	-
Depreciation expense	20,498	29,737
Total Expenses	4,166,353	4,425,542
Excess/(Deficiency) of revenues over expenditures	546,847	330,280
Other financing uses:		
Reversions	(423,858)	(437,706)
Transfers out	(100,000)	-
Change in net assets	22,989	(107,426)
Net assets, beginning of year	(256,275)	(148,849)
Net assets, end of year	\$ (233,286)	\$ (256,275)

Table A-2 reflects the changes in the Statement of Net Assets from Fiscal Year (FY) 2007 to FY 2008. Total revenues saw a slight decrease of .009% over the prior fiscal year. State General Fund appropriations were higher than in fiscal year ended June 30, 2007; but were offset by the fact that there were no program revenues in FY08. Expenditures decreased by \$259,189 or .059% in the current year.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Management's Discussion and Analysis
June 30, 2008**

Budgetary Comparisons:

Final amounts budgeted in FY 08 decreased from FY07 from \$4,763,690 to \$4,713,200. This decrease is less than 1% and is attributable to multiple factors.

The difference between the original budget and the final budget amounts are the result of budget adjustments requests (BAR) that were processed during the fiscal year. These BARs are as follows:

1. A budget adjustment request (BAR) was processed during the fiscal year to transfer budget in the Office's operating fund from the personal services and employee benefits (200) category to the other (400) category. This transfer decreased the 200 category by \$250,000 and increased the 400 category by \$250,000. This adjustment was necessary to meet actual expenses through the end of the fiscal year.
2. The Office submitted a BAR to transfer budget for the special appropriation for Healthy Marriage and Healthy Families in Albuquerque from the other (400) category to the other financing uses (500) category. The Office signed a Memorandum of Understanding with the Human Services Department (HSD) to administer the program. The BAR was necessary to transfer the \$100,000 appropriation to HSD.

Economic Factors and Fiscal 2009's Budget:

In FY08 New Mexico employment growth has remained close to an average of one percent for the last year, with big differences between geographic regions of the state. Year-over-year job growth has been at about 8,200 new jobs since June 2007. New Mexico ranked in the upper-middle range among all states for job growth. Job growth peaked two years ago at 3.6 percent, but has since declined to a level that is closer to the state's long-term average. Areas of the state engaged in energy production activities continued to do well, while regions aligned with the national economy through manufacturing or federal government spending are suffering. Tourism-dependent areas are contending with the prospect of consumers curtailing or canceling travel plans because of high gasoline prices. The information industry continued to do well, having grown 3.7 percent and added 600 jobs since last year. The gains resulted from recent activity in the state's film industry. The transportation, warehousing and utilities industry also reported growth of 3.7 percent over the year, adding 900 jobs. Some of this strength was due to construction work by power generation facilities. The educational and health services industry increased employment more than any other industry, expanding by 3,800 jobs, growing 3.5 percent on the year. This industry is so large that even modest rates of growth translate into a considerable number of new jobs. Government employment increased at a rate of 1.3 percent overall, adding a net total of 2,500 new jobs. The state's unemployment rate remained below the

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Management's Discussion and Analysis
June 30, 2008**

national rate of 5.5 percent at 3.9 percent in June but continues to increase. New Mexico has consistently remained one of the fastest-growing states in terms of jobs and economic development throughout Governor Richardson's tenure. Personal income and wages and salaries growth projections for the FY08 are both strong at 5.8 percent and 4.4 percent respectively. General Fund revenues are experiencing unprecedented growth averaging over 12 percent for the last 3 consecutive years. Inflation is expected to remain at about 4 percent for the rest of the year.

Budgeted state appropriations for expenditures increased in FY09 from \$4,713,200 to \$4,747,000 or \$33,800. The increase is directly attributed to an increase in employee liability insurance premiums.

Due to the small staff and budget for the Office of the Governor it is anticipated that most economic factors will not directly affect our financial position.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide New Mexico residents, taxpayers, customers, legislators and vendors with a general overview of the Office's finances and to demonstrate the Office's accountability for the funding it receives. If you have any questions about this report or need additional information, contact:

Office of the Governor
State Capitol Building
Santa Fe, New Mexico 87503

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Statement of Net Assets
(Government-Wide)
June 30, 2008**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Interest in State General Fund investment pool	\$ 645,077
Due from other state agencies	14,534
Noncurrent assets:	
Capital assets, net of depreciation	22,030
Total Assets	<u>681,641</u>
LIABILITIES	
Current liabilities:	
Accounts payable	69,420
Accrued salaries	77,287
Payroll taxes payable	40,017
Other payroll liabilities	43,559
Due to other state agencies	303
Due to State General Fund	429,025
Current portion of compensated absences	171,165
Total current liabilities	<u>830,776</u>
Noncurrent liabilities:	
Noncurrent portion of compensated absences	84,151
Total Liabilities	<u>914,927</u>
NET ASSETS	
Invested in capital assets	22,030
Unrestricted	<u>(255,316)</u>
Total Net Assets	<u>\$ (233,286)</u>

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

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Statement of Activities
(Government-Wide)
For the Year Ended June 30, 2008

	<u>Governmental Activities</u>
Expenses:	
Executive Administration	\$ 3,910,758
Office of Victims Advocacy	164,262
EEOICP Advocacy and Technical Assistance	70,835
Depreciation expense - unallocated	20,498
	<u>4,166,353</u>
Transfers:	
State General Fund appropriations	4,560,400
Other State Funds	152,800
Transfers out	(100,000)
Reversions	(423,858)
	<u>4,189,342</u>
Change in net assets	22,989
Net assets, beginning of year	<u>(256,275)</u>
Net assets, end of year	<u>\$ (233,286)</u>

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

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Balance Sheet
Governmental Fund
June 30, 2008**

	<u>General Fund</u>
ASSETS	
Interest in State General Fund investment pool	\$ 645,077
Due from other state agencies	<u>14,534</u>
Total Assets	<u><u>\$ 659,611</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 69,420
Accrued salaries	77,287
Payroll taxes payable	40,017
Other payroll liabilities	43,559
Due to other state agencies	303
Due to State General Fund	<u>429,025</u>
Total Liabilities	<u>659,611</u>
Fund balances:	
Unreserved	<u>-</u>
Total Liabilities and Fund Balance	<u><u>\$ 659,611</u></u>

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

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Fund
June 30, 2008

Total fund balance for governmental fund		\$	-
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
These assets consist of:			
Property, plant and equipment	\$	145,865	
Accumulated depreciation		<u>(123,835)</u>	
Total capital assets			22,030
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:			
Compensated absences		<u>(255,316)</u>	
Total liabilities			<u>(255,316)</u>
Net assets of governmental activities		\$	<u><u>(233,286)</u></u>

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

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2008**

	<u>General Fund</u>
Expenditures:	
Current:	
Executive Administration	\$ 3,954,245
Office of Victims Advocacy	164,262
EEOICP Advocacy and Technical Assistance	70,835
Total expenditures	<u>4,189,342</u>
Excess (deficiency) of revenues over expenditures	<u>(4,189,342)</u>
Other financing sources (uses):	
State General Fund appropriation	4,560,400
Other State Funds	152,800
Transfers out	(100,000)
Reversion fiscal year 2008	(423,858)
Total other financing sources (uses)	<u>4,189,342</u>
Net change in fund balance	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of
Activities-Governmental Funds
For the Year Ended June 30, 2008

Net change in fund balance - total governmental fund (Statement of revenues, expenditures, and changes in fund balance)	\$ -
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays purchases are reported as expenditures in governmental funds. However, in the statement of activities, the costs of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, depreciation expense was recorded as	(20,498)
Revenues and expenses recognized in the statement of activities, not reported in governmental funds:	
Decrease in compensated absences	<u>43,487</u>
Changes in Net Assets in Governmental Activities	<u><u>\$ 22,989</u></u>

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

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2008**

	General Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actuals	
	Original	Final		
Combined				
Revenues:				
General Fund Appropriation	\$ 4,560,400	\$ 4,560,400	\$ 4,560,400	\$ -
Other state funds	152,800	152,800	152,800	-
Total revenues	<u>\$ 4,713,200</u>	<u>\$ 4,713,200</u>	4,713,200	\$ -
Expenditures:				
Personal services and benefits	\$ 4,038,000	\$ 3,788,000	\$ 3,684,502	\$ 103,498
Contractual services	110,100	110,100	65,519	44,581
Other costs	565,100	715,100	439,321	275,779
Other financing uses	-	100,000	100,000	-
Total expenditures	<u>\$ 4,713,200</u>	<u>\$ 4,713,200</u>	4,289,342	423,858
Excess revenues over expenditures			<u>\$ 423,858</u>	<u>\$ 423,858</u>

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

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Office of the Governor (the Office) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting standards.

The GASB has issued Statement 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, Statement 37, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*, and Statement 38, *Certain Financial Statement Note Disclosures*. These standards establish new financial reporting requirements for state and local governments throughout the United States of America. The statements require new information and restructuring on much of the information presented in past audited financial statements.

The Office is responsible for the fair presentation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America. The Office has implemented these standards beginning with the fiscal year ended June 30, 2002. With the implementation of GASB Statement 34, the Office has prepared required supplementary information titled Management’s Discussion and Analysis, which precedes the basic financial statements. The more significant of the Office’s accounting policies are described below:

A. Financial Reporting Entity

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the “cornerstone of all financial reporting in government.”

A primary government is any state government or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Office therefore is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. Additionally, the Office has no component units that are required to be reported in its financial statements.

The Office of the Governor was created by the Constitution of New Mexico, Article V, Section I as adopted January 21, 1921 and subsequently amended by the people in General and Special Elections from 1922 through 1984. The major statutory authority is contained in Sections 4 through 6. Section 4 vests in the Governor supreme executive power in the state and charges the Governor with the responsibility typically assigned to state chief executives, including those of the Commander-in-Chief of the National Guard.

Other constitutional and statutory provisions grant the Chief Executive usual gubernatorial powers with regard to appointments and removals; pardons and reprieves; the veto over bills, including line

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

item veto over money bills; and calls for special legislative sessions. The Governor is also an ex-officio member of state boards and commissions and presides over the State Board of Finance.

The Governor is elected to a four year term of office and may serve two consecutive terms.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

Basic Financial Statements – GASB Statement No. 34

The basic financial statements include both government-wide (based on the Office as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The Office is a single purpose government entity and has no business type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

This government-wide focus is more on the sustainability of the Office as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide statements.

The fund financial statements are very similar to the financial statements presented in the previous model. Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Office's only major fund is its general fund.

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of the liquid resources and to demonstrate how the Office's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The focus of the current presentation is on the Office as a whole and the fund financial statements including the major funds of the governmental category.

The financial transactions of the Office are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

The standards set forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds.

The following fund types are used by the Office:

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. The following is a description of the Governmental Funds of the Office:

General Fund

The General Fund is the general operating fund of the Office. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily from appropriations from the State of New Mexico General Fund.

The General Fund is a reverting fund.

Programs of the Office include the following:

Healthy Marriage and Healthy Family Living – The Healthy Marriage and Healthy Family Living program is funded from an appropriation from the State General Fund. The program is used to fund programs that support healthy marriage and healthy family living for parents and children in the Albuquerque area.

Energy Employees Occupational Illness Compensation Program (EEOICP) Advocacy and Technical Assistance - The EEOICP Advocacy and Technical Assistance program is funded from an appropriation from the State General Fund. The program is used to provide advocacy and technical assistance and a liaison from claimants seeking compensation pursuant to the federal EEOICP Act of 2000.

Unexpended balances in both these programs revert to the State General Fund at June 30, 2008.

C. Noncurrent Governmental Assets/Liabilities

GASB Statement 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide Statement of Net Assets.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures 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 government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The Office has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchanged transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with requirements of GASB 33.

The governmental funds in the fund financial statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within sixty (60) days or soon enough thereafter to be used to pay liabilities of the current period.

Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual. Revenues from grants that are restricted for specific uses are recognized when all eligibility requirements have been met and when the related expenditures are made.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Office first uses restricted resources then unrestricted resources.

E. Assets, Liabilities, and Equity

1. Interest in State General Fund Investment Pool

Cash consists of interest in State General Fund investment pool. A Supplemental Schedule of Interest in State General Fund Investment Pool with the State Treasurer is included in the Supplementary Information section of this report.

2. Capital Assets

Property, plant and equipment purchased or acquired at a value of \$5,000 or greater are capitalized. New Mexico Laws of 2005, Chapter 237, Section 1 changed the capitalization

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this new law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets, including software acquired is provided on the straight-line basis over the following estimated useful lives with no salvage value.

	<u>Years</u>
Furniture/Fixtures	10
Data Processing Equipment	3-5
Equipment	10

The Office utilizes buildings, furniture and equipment that are owned by the Property Control Division of the State of New Mexico General Services Department. These assets and related depreciation expense are not included in the accompanying financial statements. The Office does not own any infrastructure assets.

3. Compensated Absences

It is the policy of the Office to permit employees to accumulate earned but unused vacation and sick pay benefits. No expenditure is reported for these amounts in the fund financial statements.

Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule of 120 to 192 hours per year, depending upon the length of service and employees hire date. A maximum of thirty working days (240 hours) of such accumulated vacation leave may be carried forward into the beginning of the calendar year. Exempt employees may receive annual leave payout for accumulated leave over 240 hours at the end of the calendar year provided that the Office has budget availability. All employees of the Office are exempt.

Beginning in fiscal year ended June 30, 2007, when employees terminate the total amount of annual leave accrued at the time of termination must be paid in full.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave which an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid for 50 percent of accrued sick leave in excess of 600 hours, up to 720 hours, not to exceed 120 hours. In the case of retiring employees, they are paid for 50 percent of accrued sick leave in excess of 600, up to 1,000 hours, not to exceed 400 hours.

4. Reservations and Designations

The accounting for the actual revenue and expenditures for budgetary purposes beginning July 1, 2004 was changed to the modified accrual method of accounting from the budgetary non-accrual basis of accounting. In conjunction with this change in the basis of accounting, encumbrances are no longer reflected in the expenditures of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, beginning July 1, 2004.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

Reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures.

5. Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt, if applicable), restricted and unrestricted.

Investment in capital assets (net of related debt) – is intended to reflect the portion of net assets which are associated with capital assets less outstanding capital asset related debt. The Office has no debt related to capital assets.

Restricted assets – are assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted assets – are assets that do not have third-party (statutory, bond covenant or granting agency) limitations on their use.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Inter-fund Activity

Inter-fund receivables or payables at year end are netted as part of the reconciliation to the government-wide financial statements. There was no inter-fund activity during the fiscal year for the Office.

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The state legislature makes annual appropriations to the Office. Legal compliance is monitored through the establishment of an annual budget for the General Fund.

The following are the procedures followed in establishing the budgetary data presented in the financial statements.

1. The Office submits a proposed budget to the New Mexico state legislature for the fiscal year commencing the following July 1. The state legislature must approve the budget prior to its legal enactment.
2. The expenditures and encumbrances of each category may not legally exceed the budget for that category. Budgets are controlled at the “category” level within activities (personal services and employee benefits, contractual services and other expenditures).

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

3. Any adjustment to the budget must be submitted and approved by the State of New Mexico Department of Finance and Administration in the form of a budget adjustment request.
4. The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This change was implemented with the Laws of 2004, Chapter 114, Section 3, Paragraph N and Paragraph O. This change is effective for fiscal years beginning July 1, 2004. Budgetary comparisons presented in the financial statements are now presented on a basis which is consistent with generally accepted accounting principles.
5. The Office has been designated as a “reverting agency” by the New Mexico state legislature and, therefore, balances in state agency accounts remaining at the end of the fiscal year from appropriations made from the State General Fund shall revert to the State General Fund, unless otherwise indicated in the General Appropriation Act or otherwise provided by law.

B. Revenue Recognition

State General Fund appropriations are recognized in the year the appropriation is made. Revenues are deemed both measurable and available if collected within the current year or two months after the end of the fiscal year.

C. Program Revenue

Program revenues include program specific operating grants from federal sources or other state agencies. No allocation of indirect expenses is made by function as costs not accounted for by activity are considered immaterial.

Note 3. DETAILED NOTES ON ALL FUNDS

A. Interest in the State General Fund Investment Pool

State law requires the Office cash be managed by the New Mexico State Treasurer’s Office. Accordingly, the investments of the Office consist of an interest in the investment pools managed by the New Mexico State Treasurer’s Office.

At June 30, 2008 the Office had the following in pooled cash:

Interest in State General Fund Investment Pool	\$645,077
--	-----------

Interest Rate Risk. The State Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

For additional GASB disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2008.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

B. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

<u>Cost</u>	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2008</u>
Office equipment	\$ 57,033	\$ -	\$ (39,995)	\$ 17,038
Furniture	65,427	-	(1,176)	64,251
Data Processing	145,548	-	(80,972)	65,576
	<u>268,008</u>	<u>-</u>	<u>(122,143)</u>	<u>145,865</u>
<u>Accumulated Depreciation</u>				
Office equipment	(54,894)	(902)	39,995	(15,801)
Furniture	(47,052)	(6,324)	1,176	(52,200)
Data Processing	(123,534)	(13,272)	80,972	(55,834)
	<u>(225,480)</u>	<u>(20,498)</u>	<u>122,143</u>	<u>(123,835)</u>
Net book value	<u>\$ 42,528</u>	<u>\$(20,498)</u>	<u>\$ -</u>	<u>\$ 22,030</u>

The deletions to the capital assets owned by the Governor's Office represent assets with a value of less than \$5,000 that were fully depreciated at June 30, 2008

The Office does not have any debt related to capital assets. Depreciation expense totaled \$20,498 for the year ended June 30, 2008.

C. Accounts Payable

Accounts payable represents expenditures incurred as of June 30, 2008 but not paid until fiscal year 2009.

D. Due to State General Fund

Refer to Schedule 3 – Supplemental Schedule of Due to State General Fund

E. Due to/Due from Other State Agencies

The Due to/Due from Other State Agencies is comprised of the following:

	Business Unit	Share Fund	Amount		Purpose
			Due To	Due From	
Governmental Funds:					
Department of Finance and Administration (DFA)					Reimbursement:
Office of the Secretary	34100	01000	\$(303)	\$ -	To DFA for cell charges for employee transferred to the Governor's Office.
Rodeo Council and Equestrian Task Force	34100	01000	-	14,534	From DFA for 50% of salary and benefits for employee to act as administrator of the Rodeo Council/ Equestrian Task Force
Total Due (To)/From			<u>\$(303)</u>	<u>\$ 14,534</u>	

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

F. Compensated Absences

The following is a summary of changes in compensated absences.

	Balance 6/30/2007	Increase	(Decrease)	Balance 6/30/2008	Due within One Year	Due over One Year
Annual	\$ 296,320	\$202,417	\$(246,415)	\$ 252,322	\$ 168,171	\$ 84,151
Sick	2,483	511	-	2,994	2,994	-
Totals	<u>\$ 298,803</u>	<u>\$ 202,928</u>	<u>\$(246,415)</u>	<u>\$ 255,316</u>	<u>\$ 171,165</u>	<u>\$ 84,151</u>

Compensated absences are typically paid with general fund resources when used by employees.

G. Operating Leases

The Office leases equipment under operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreement are not reflected in the liabilities of the Office. Leases are subject to future appropriation and are cancelable by the Office at the end of each fiscal year. The Office has commitments for lease obligations in the following amounts:

Fiscal Year	Copiers	Total of Leases
2009	\$ 20,043	\$ 20,043
2010	17,264	17,264
2011	-	-
2012	-	-
Totals	<u>\$ 37,307</u>	<u>\$ 37,307</u>

Equipment and building rental expenditures for the year ended June 30, 2008 were \$49,242.

Note 4. OTHER INFORMATION

A. Retirement Plan, Deferred Compensation Plan, and Post Employment Benefits

Retirement Plan

Plan Description. Substantially all of the State of New Mexico, Office of the Governor's full time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees' Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan.

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

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The State of New Mexico, Office of the Governor is required to contribute 16.59% of the gross covered salary.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

The contribution requirements of plan members and the Office of the Governor are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Office's contributions to PERA for the fiscal years ended June 30, 2008, 2007, and 2006 were \$430,414, \$433,535, \$401,028 respectively, equal to the amount of the required contributions for each fiscal year.

Deferred Compensation

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the 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 to participate in the plan. The plan 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 the property of the participant.

Employees of the Office are making contributions to the Deferred Compensation Plan. Neither the Office nor the State of New Mexico makes any contributions to the Deferred Compensation

Plan. All contributions withheld from participants by the Office have been paid to PERA who administers the plan.

Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The State of New Mexico, Office of the Governor contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RCHA). The RCHA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf, unless that person retires before the employer's NMRHCA 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.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2008**

The RCHA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle Blvd., NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for medical plus basic life plan and 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.nmrcha.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 RCHA based on one of two formulas at agreed-upon intervals.

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

The Office of the Governor's contributions to the RCHA for the fiscal years ended June 30, 2008, 2007 and 2006 were \$31,557, \$33,026 and \$31,285, respectively, which equal the required contributions for each fiscal year.

B. Risk Management

The Office of the Governor is exposed to various risk of loss. The Office carries insurance with the Risk Management Division of the New Mexico General Services Department. Coverage is provided for the following: General liability, property, and civil rights.

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
General Fund by Organization
For the Year Ended June 30, 2008

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
P637				
Revenues:				
General Fund Appropriation	\$ 4,335,400	\$ 4,335,400	\$ 4,335,400	\$ -
Other state funds	152,800	152,800	152,800	-
Total revenues	<u>\$ 4,488,200</u>	<u>\$ 4,488,200</u>	<u>\$ 4,488,200</u>	<u>\$ -</u>
Expenditures:				
Personal services and benefits	\$ 3,913,000	\$ 3,663,000	3,613,667	49,333
Contractual services	110,100	110,100	65,519	44,581
Other costs	465,100	715,100	439,321	275,779
Total expenditures	<u>\$ 4,488,200</u>	<u>\$ 4,488,200</u>	<u>4,118,507</u>	<u>369,693</u>
Excess revenues over expenditures			<u>\$ 369,693</u>	<u>\$ 369,693</u>
	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Z3000 - Healthy Marriage and Healthy Family Living				
Revenues:				
General Fund Appropriation	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>
Expenditures:				
Other costs	\$ 100,000	\$ -	-	-
Other financing uses	-	100,000	100,000	-
	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>100,000</u>	<u>-</u>
Excess revenues over expenditures			<u>\$ -</u>	<u>\$ -</u>

See Auditor's Report.

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
General Fund by Organization
For the Year Ended June 30, 2008

	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Z4000 - EEOICP - Advocacy and Technical Assistance				
Revenues:				
General Fund Appropriation	\$ 125,000	\$ 125,000	\$ 125,000	\$ -
Expenditures:				
Personal services and benefits	\$ 125,000	\$ 125,000	70,835	\$ 54,165
Excess revenues over expenditures			\$ 54,165	\$ 54,165
	Budgeted Amounts		Actuals	Variance Favorable (Unfavorable)
	Original	Final		
Combined				
Revenues:				
General Fund Appropriation	\$ 4,560,400	\$ 4,560,400	\$ 4,560,400	\$ -
Other state funds	152,800	152,800	152,800	-
Total revenues	\$ 4,713,200	\$ 4,713,200	4,713,200	\$ -
Expenditures:				
Personal services and benefits	\$ 4,038,000	\$ 3,788,000	\$ 3,684,502	\$ 103,498
Contractual services	110,100	110,100	65,519	44,581
Other costs	565,100	715,100	439,321	275,779
Other financing uses	-	100,000	100,000	-
Total expenditures	\$ 4,713,200	\$ 4,713,200	4,289,342	423,858
Excess revenues over expenditures			\$ 423,858	\$ 423,858

See Auditor's Report.

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Schedule of Interest in State General Fund Investment Pool
June 30, 2008

	<u>Fund Number</u>	<u>Book Balance</u>	<u>Current Status</u>
Operating Account	17600	<u>\$ 645,077</u>	Active

See Auditor's Report.

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Schedule of Transfers
For the Year Ended June 30, 2008

	<u>Business Unit</u>	<u>SHARE Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
DFA - State General Fund	34101	85300	\$ 4,335,400	\$ -	State general fund appropriation
DFA - State General Fund	34101	85300	100,000	-	Funding for programs that support healthy marriage and healthy family living for parents and children in Albuquerque.
DFA - State General Fund	34101	85300	125,000	-	Appropriation to provide advocacy and technical assistance and to act as a liaison for claimants seeking compensation pursuant to federal Energy Employee Occupational Illness Compensation Program Act of 2000.
DFA - Special Appropriations	34100	62000	152,800	-	Compensation Package
			<u>4,713,200</u>	<u>-</u>	
DFA - State General Fund	34101	85300	-	423,858	State General fund reversion
Human Services Department	63000	05200	-	100,000	MOU with HSD for healthy marriage/family appropriation
			<u>\$ 4,713,200</u>	<u>\$ 523,858</u>	

See Auditor's Report.

**STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR**

**Schedule of Due to State General Fund
June 30, 2008**

	<u>Business Unit</u>	<u>SHARE Fund</u>	<u>Amount</u>	<u>Purpose</u>
Governmental Funds:				
Budget fiscal year 2008	34101	85300	\$ 423,858	Unexpended balance for BFY08
Payments made by	34101	85300		
employee during FY08			4,077	Received from employee for PERA
Prior- year refunds:				
General Services Dept.	34101	85300	810	Overpayment of EAP assessment
Employee reimbursements	34101	85300	280	Personal expenses on P-Card
			<u>\$ 429,025</u>	

See Auditor's Report.

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Schedule of Memorandums of Understanding
For the year ended June 30, 2008

<u>Participants</u>	<u>Administering Agency</u>	<u>Description</u>	<u>Term</u>	<u>Total Amount</u>	<u>Governor's Amount</u>	<u>Audit Responsibility</u>
Governor's Office/ Dept. of Finance and Administration (DFA)	Governor's Office	DFA reimburses the Governor's Office for 50% of salary and benefits for employee of the Office to serve as administrator of the Rodeo Council and the Equestrian Task Force for DFA	7/1/2007 - 6/30/2008	\$ 56,447	\$ 56,447	DFA/Governor
Governor's Office/ Human Services Department (HSD)	HSD	Transfer of special appropriation from Governor's Office to HSD to fund programs that support healthy marriage and healthy family living for parents and children	10/5/2007 - 3/15/2008	100,000	100,000	HSD/Governor

- (1) Reporting is the responsibility of all parties involved.
- (2) The expenditures are reported in the books of the responsible party.

See Auditor's Report



**Macias, Gutierrez
& Co., P.C.**

*Certified Public Accountants
Member AICPA, NMSCPA*

1302 Calle De La Merced, Suite A
Española, New Mexico 87532
505.747.4415
Fax 505.747.4417

**INDEPENDENT AUDITORS' 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**

Honorable Bill Richardson, Governor
and
Honorable Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and major fund of the State of New Mexico, Office of the Governor (Office) as of and for the year ended June 30, 2008, which collectively comprise the Office's basic financial statements and have issued our report thereon dated October 16, 2008. We have also audited the budgetary comparison statements for the year ended June 30, 2008, presented as supplementary information. 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 Office'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 Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office'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 a 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 a 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 Office's internal control.

A material weakness is a significant deficiency, or a 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 Office'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 Office'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 instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**, which are identified in the accompanying schedule of findings and responses as item 2007-1.

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

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

Macias, Gutierrez & Co., CPAs, P.C.

Macias, Gutierrez & Co., CPAs, P.C.
Española, New Mexico
October 16, 2008

OFFICE OF THE GOVERNOR

**Schedule of Findings and Responses
June 30, 2008**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
Late paid GSD Assessments and Other Payments	D	2007-1	2007-1
Follow-up on Prior Year Findings:			
Unpaid General Services Department (GSD) Assessments	B	2007-1	Revised Repeated

*** Legend for Findings:**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters involving Internal Control Over Financial Reporting
- D. Material Instance of Noncompliance
- E. Immaterial Instance of Noncompliance

OFFICE OF THE GOVERNOR

Schedule of Findings and Responses June 30, 2008

2007-1

Late paid GSD Assessments and Other Payments

Criteria

Section 13-1-158, NMSA 1978, states that all agencies should tender payment to vendors for goods or services within 30 days of acceptance of such goods or services. Also, generally accepted accounting principles (GAAP) and Model Accounting Practices require that expenditures be recognized and recorded in the period incurred.

Condition

During our testing of disbursements, we noted that five (5) out of forty (40) vouchers examined, or a total of 13%, were paid more than 30 days after acceptance of the services. Our tests revealed that three assessments for telephone services and two copier lease payments were paid late ranging from approximately 45 to 135 days after acceptance of services. The total dollar value of these five late payments was \$10,045. A total of 614 vouchers were issued during the year; therefore, 80 (13%) were potentially paid late.

We also noted that one current year payment in the amount of \$214 was for services that were rendered in the prior fiscal year.

Cause

Vendor changes in SHARE required that purchase orders be cancelled and that new purchase orders established with the new vendor.

Effect

The Office has not complied with state statute in regard to timely payments to vendors.

Recommendation

We recommend that internal controls be strengthened to insure timely payment to all vendors and the timely recording of expenditures in accordance with GAAP and Model Accounting Practices.

Planned Corrective Actions

"The Office did experience some problems during FY08 with vendor changes in SHARE. The original purchase document (PD) for telephone services was established with the General Services Department (GSD) as the vendor. The Office later received notification that telephone charges should be paid to the Department of Information Technology (DOIT) not GSD. Two (2) different vendor numbers were set up in SHARE for DOIT. The second PD was prepared in SHARE and payments were processed using the wrong vendor code. These checks had to be cancelled before the third PD could be established in SHARE. This did create delays in processing payments. The vendor number in SHARE for Sharp Electronics was voided. This made it necessary to cancel three (3) PDs for Sharp copier and re-establish the PDs.

The Department of Finance and Administration (DFA) will work closely with the Office to resolve this audit finding. Queries will be run on a bi-weekly basis to verify that recurring monthly and annual charges are being paid in a timely manner. The DFA will also meet bi-weekly with staff from the Office to discuss and resolve problem the Office may experience either with vendor information or document problems in SHARE."

OFFICE OF THE GOVERNOR

Schedule of Findings and Responses June 30, 2008

Financial Statement Presentation

The financial statements and notes to the financial statements were prepared by the staff of the Department of Finance and Administration (DFA) on behalf of the Office of the Governor.

* * * * *

EXIT CONFERENCE

The financial statements and the auditors' reports were discussed at an exit conference held on October 21, 2008 with the following in attendance:

Office of the Governor

Teresa Casados, Deputy Chief of Staff for Operations
Debra Griego, ASD Director, DFA
Louise Romero, Financial Coordinator

Audit Firm

James R. Macias, CPA