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CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Financial Statements and Schedules
For the Fiscal Year Ended June 30, 2010

(With Independent Auditors' Report Thereon)

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

**Financial Statements and Schedules
with Independent Auditor's Report Thereon**

For the Fiscal Year Ended June 30, 2010

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

June 30, 2010

Official Roster

Bill Richardson

Governor

Brian Condit

Chief of Staff

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

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June 30, 2010**

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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, 2010, 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, 2010, 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, 2010, 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, 2010, 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, 2010, 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 September 23, 2010 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.
Espanola, New Mexico
September 23, 2010

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

**Management's Discussion and Analysis
June 30, 2010**

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, 2010. 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 \$215,143 (deficit net assets). This is the direct result of the inclusion of compensated absences in the Statement of Net Assets.
- Capital assets decreased by \$8,959 over the prior year. The Office did not purchase any capital assets during the fiscal year ended June 30, 2010. 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 \$4,449,516. In FY 2009, the Office received a \$10,000 award from the *Jobs and Growth Tax Reconciliation Act of 2003*. The unexpended balance of this award in the amount of \$5,817 was reauthorized for use to continue the effort in FY 2010. 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 \$3,768,620 or \$680,897 less than the total revenues and cash balance rebudgeted of \$4,449,516 for fiscal year ended June 30, 2010. The Office will revert \$680,897 to the State General Fund.

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

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**Management's Discussion and Analysis
June 30, 2010**

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 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 Revenues, 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*.

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**Management's Discussion and Analysis
June 30, 2010**

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

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 2010	Prior Year 2009
	<u> </u>	<u> </u>
Interest in State General Fund investment pool	\$ 866,524	\$ 841,838
Current and other assets	-	39,814
Capital assets	<u>1,463</u>	<u>10,422</u>
Total Assets	<u>\$ 867,987</u>	<u>\$ 892,074</u>
Current liabilities	1,031,894	1,023,530
Noncurrent liabilities	<u>51,236</u>	<u>81,399</u>
Total Liabilities	<u>1,083,130</u>	<u>1,104,929</u>
Invested in capital assets	1,463	10,422
Restricted	-	5,817
Unrestricted	<u>(216,606)</u>	<u>(229,094)</u>
Total Net Assets	<u>\$(215,143)</u>	<u>\$(212,855)</u>

As shown in Table A-1 the total assets for the Office of the Governor decreased from \$892,074 in fiscal year ended June 30, 2009 to \$867,987 in FY 2010 or by \$24,087. Current liabilities increased from \$1,023,530 to \$1,031,894 or by \$8,364. This increase is directly attributed to the Office streamlining its budget by cutting back on non-essential operating expenses and reverting to the General Fund \$88,259 or 15% more than in FY09.

Net assets decreased from \$(212,855) in FY 2009 to \$(215,143). This increase in net assets is primarily the result of decreases in compensated absences and capital asset depreciation with a net result of \$2,288 at June 30, 2010.

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**Management's Discussion and Analysis
June 30, 2010**

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

Governmental Activities	Current Year 2010	Prior Year 2009
Revenues:		
<i>General revenue:</i> State General Fund	\$ 4,443,700	\$ 4,542,300
Other state funds	-	96,000
Total Revenues	<u>4,443,700</u>	<u>4,638,300</u>
Expenses:		
Executive Administration	3,750,360	3,877,745
Governor's Office of Victims Advocacy	-	131,695
Women's Initiatives	5,772	4,183
Depreciation expense	8,959	11,608
Total Expenses	<u>3,765,091</u>	<u>4,025,231</u>
Excess/(Deficiency) of revenues over expenditures	678,609	613,069
Other financing uses:		
Reversions	(680,897)	(592,638)
Transfers out	-	-
Change in net assets	<u>(2,288)</u>	<u>20,431</u>
Net assets, beginning of year	<u>(212,855)</u>	<u>(233,286)</u>
Net assets, end of year	<u>\$(215,143)</u>	<u>\$(212,855)</u>

Table A-2 reflects the changes in the Statement of Activities from Fiscal Year (FY) 2010 to FY 2009. Total revenues saw a slight decrease of 4.2% over the prior fiscal year. State General Fund appropriations decreased by only \$98,600. However, the Office did not receive any special appropriations in FY 2010 which accounts for the decrease in other state funds. Expenses decreased by \$260,140 in the current year.

Budgetary Comparisons:

Final amounts budgeted in FY 2010 decreased from FY 2009, \$4,638,300 to \$4,449,516. This decrease is approximately 4.07% and is attributable to budget reductions imposed by the Legislature in 2009.

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**Management's Discussion and Analysis
June 30, 2010**

Economic Factors and Fiscal 2011's Budget:

In Fiscal Year 2010, New Mexico's seasonally adjusted unemployment rate remained at 8.2 percent in July, down from 8.4 percent in May, but higher than 7.4 percent reported one year ago. The national employment rate remained at 9.5 percent. The rate of job growth over the last 12 months was a negative 0.8 percent, representing 6,600 jobs lost last year. New Mexico ranked 22nd in lowest unemployment: North Dakota (3.6 percent) and Nevada (14.2) percent ranked lowest and highest, respectively.

The July unemployment report from the U.S Bureau of Labor Statistics showed that total employment in the nation declined by 131,000 jobs. The decline was attributable to very weak growth in the private sector (71,000 jobs), a large decline in federal government employment (-154,000) primarily reflecting the departure of 143,000 temporary Census 2000 workers and a decline of 48,000 jobs in state and local governments.

Economic statistics released late in August offered the clearest sign yet that the recovery, already slowing is beginning to crawl. The government lowered its estimate of economic growth in the second quarter to an annual rate of 1.6 percent after originally reporting last month that growth during April and June was 2.4 percent. The revision is a significant slowdown from the annual rate of 3.7 percent in the first quarter of 2010 and 5 percent in the last quarter of 2009.

New Mexico is inextricably tied to the U.S. economy representing less than 1 percent of the population and about 0.5 percent of all economic activity. New Mexico employment and personal income growth have moved in lockstep since 2008.

There are no clear signs of imminent economic recovery in New Mexico or in the United States. Federal stimulus efforts will have run their course by 2012. Existing home sales in July were down to their lowest levels in a decade, and sales of new homes last month were at their lowest levels since the government began tracking these data in 1963. Orders for large factory goods, excluding transportation, dropped in July, indicating that the recovery in the manufacturing sector is also stalling.

In FY10, the New Mexico Legislature combined revenue increases with spending cuts and enacted a budget that was 9% less than 2009 appropriations prior to solvency legislation. The budget relied on \$330 million of federal stimulus funding for education and human services, forestalling the need for deeper cuts.

Despite weak economic and employment growth, the New Mexico Legislature and the Executive are making substantial progress to bring stability to the state economy preparing the way for future growth. Economic conditions at present and for the foreseeable future do no jeopardize the financial condition of the state of New Mexico.

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**Management's Discussion and Analysis
June 30, 2010**

In the July, 2010, Consensus Revenue Group Forecast, recurring revenues for FY11 are expected to total \$5.3 billion, up nearly \$158 million from the December 2009 outlook. Recurring appropriations total \$5.35 billion. Spending under ARRA brought several hundred dollars of additional economic activity to the state last year, and actions by Congress and the President extended by two quarters the FMAP (Medicaid match) bonus provisions. Additional Federal funding was also made available for education. Federal actions were included in balancing the FY11 state budget, softening the impact of a flattening economic outlook.

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, 2010**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Interest in State General Fund investment pool	\$ 866,524
Noncurrent assets:	
Capital assets, net of depreciation	1,463
Total Assets	<u>867,987</u>
LIABILITIES	
Current liabilities:	
Accounts payable	46,931
Accrued Salaries	67,688
Payroll taxes payable	32,994
Other payroll liabilities	37,772
Due to State General Fund	681,139
Current portion of compensated absences	165,370
Total current liabilities	<u>1,031,894</u>
Noncurrent liabilities:	
Noncurrent portion of compensated absences	51,236
Total Liabilities	<u>1,083,130</u>
NET ASSETS	
Invested in capital assets	1,463
Restricted	-
Unrestricted	(216,606)
Total Net Assets	<u><u>\$ (215,143)</u></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, 2010**

	Governmental Activities
Expenses:	
Executive Administration	\$ 3,750,360
Women's Initiatives	5,772
Depreciation expense - unallocated	8,959
	3,765,091
 Transfers:	
State General Fund appropriations	4,443,700
Reversion fiscal year 2010	(680,897)
	3,762,803
Change in net assets	(2,288)
Net assets, beginning of year	(212,855)
Net assets, end of year	\$ (215,143)

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, 2010**

	<u>General Fund</u>
ASSETS	
Interest in State General Fund investment pool	\$ 866,524
Total Assets	<u>\$ 866,524</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 46,931
Accrued salaries	67,688
Payroll taxes payable	32,994
Other payroll liabilities	37,772
Due to State General Fund	<u>681,139</u>
Total Liabilities	<u>866,524</u>
Fund balances:	
Reserved	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 866,524</u>

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

STATE OF NEW MEXICO
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Reconciliation of the Balance Sheet
to the Statement of Net Assets
Governmental Fund
June 30, 2010

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	\$	76,759	
Accumulated depreciation		(75,296)	
Total capital assets			1,463
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		(216,606)	
Total liabilities			(216,606)
Net assets of governmental activities		\$	(215,143)

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, 2010**

	<u>General Fund</u>
Expenditures:	
Current:	
Executive Administration	\$ 3,762,848
Women's Initiatives	5,772
Total expenditures	<u>3,768,620</u>
Excess (deficiency) of revenues over expenditures	<u>(3,768,620)</u>
Other financing sources (uses):	
State General Fund appropriation	4,443,700
Reversion fiscal year 2010	(680,897)
Total other financing sources (uses)	<u>3,762,803</u>
Net change in fund balance	(5,817)
Fund balance, beginning of year	<u>5,817</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, 2010**

Net change in fund balance - total governmental fund (Statement of revenues, expenditures, and changes in fund balance)	\$ (5,817)
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	(8,959)
Revenues and expenses recognized in the statement of activities, not reported in governmental funds:	
Decrease in compensated absences	<u>12,488</u>
Changes in Net Assets in Governmental Activities	<u><u>\$ (2,287)</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, 2010**

	General Fund			Variance Favorable (Unfavorable)
	Budgeted Amounts		Actuals	
	Original	Final		
Combined				
Revenues:				
General Fund Appropriation	\$ 4,443,700	\$ 4,443,700	\$ 4,443,700	\$ -
	4,443,700	4,443,700	4,443,700	-
Cash balance budgeted	5,816	5,816	5,816	-
Total revenues and cash balance budgeted	<u>\$ 4,449,516</u>	<u>\$ 4,449,516</u>	4,449,516	-
Expenditures:				
Personal services and benefits	\$ 3,729,700	\$ 3,729,700	3,138,475	591,225
Contractual services	115,116	115,116	69,248	45,868
Other costs	604,700	604,700	560,898	43,803
Total expenditures	<u>\$ 4,449,516</u>	<u>\$ 4,449,516</u>	3,768,620	680,896
Excess revenues over expenditures			<u>\$ 680,896</u>	<u>\$ 680,896</u>

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

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OFFICE OF THE GOVERNOR**

**Notes to the Financial Statements
June 30, 2010**

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.

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**Notes to the Financial Statements
June 30, 2010**

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 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, 2010**

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:

Women's Initiatives: The Office received a \$10,000 award in FY2009 from the *Jobs and Growth Tax Reconciliation Act of 2003*. This award will be used to conduct a comprehensive review of the 2003 Pay Equity Task Force Report and to assist the Office in addressing issues of importance to New Mexico women specifically in the area of pay equity.

The unexpended balance of this award in the amount of \$5,817 was reauthorized for use to continue this effort in FY 2010.

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, 2010**

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.

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

**Notes to the Financial Statements
June 30, 2010**

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 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.

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. Restricted/Unrestricted Net Assets and Reserved/Unreserved Fund Balance

All revenue sources appropriated to the Office are subject to the restrictions placed on them by outside funding sources, provisions of enabling legislation and applicable statutes, and by the language of legislative awards appropriated to the Office. Currently, the Office has no net

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

**Notes to the Financial Statements
June 30, 2010**

assets or fund balances that should be classified as unreserved or undesignated. Once the applicable conditions have been satisfied, remaining sources revert to the original funding source.

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 net 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 net assets – are assets that do not have third-party (statutory, bond covenant or granting agency) limitations on their use. The unrestricted deficit (\$219,992) is due to recognition of compensated absences which is uncorrectable in a reverting agency.

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.

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

**Notes to the Financial Statements
June 30, 2010**

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).
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, 2010 the Office had the following in pooled cash:

Interest in State General Fund Investment Pool	\$866,524
--	-----------

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.

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

**Notes to the Financial Statements
June 30, 2010**

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, 2010.

B. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

<u>Cost</u>	<u>Balance 6/30/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2010</u>
Office equipment	\$ 3,473	\$ -	\$ (1,338)	\$ 2,135
Furniture	62,743	-	-	62,743
Data Processing	18,433	-	(6,553)	11,880
	<u>84,649</u>	<u>-</u>	<u>(7,891)</u>	<u>76,758</u>
<u>Accumulated Depreciation</u>				
Office equipment	(2,787)	(305)	1,338	(1,754)
Furniture	(56,966)	(4,694)	-	(61,600)
Data Processing	(14,474)	(3,960)	6553	(11,881)
	<u>(74,227)</u>	<u>(8,959)</u>	<u>7,891</u>	<u>(75,295)</u>
Net book value	<u>\$ 10,422</u>	<u>\$ (8,959)</u>	<u>\$ -</u>	<u>\$ 1,463</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, 2010.

The Office does not have any debt related to capital assets. Depreciation expense totaled \$8,959 for the year ended June 30, 2010.

C. Accounts Payable

Accounts payable represents expenditures incurred as of June 30, 2010 but not paid until fiscal year 2011.

D. Due to State General Fund

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

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

**Notes to the Financial Statements
June 30, 2010**

E. Compensated Absences

The following is a summary of changes in compensated absences.

	Balance <u>6/30/2009</u>	Increase	(Decrease)	Balance <u>6/30/2010</u>	Due within <u>One Year</u>	Due over <u>One Year</u>
Annual	\$ 225,672	\$175,860	\$ (196,041)	\$ 205,491	\$ 154,255	\$ 51,236
Sick	3,422	7,693		11,115	11,115	
Totals	<u>\$ 229,094</u>	<u>\$ 183,553</u>	<u>\$(196,041)</u>	<u>\$ 216,606</u>	<u>\$ 165,370</u>	<u>\$ 51,236</u>

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

F. 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 had 4 operating leases that expired during FY 2010. They are all now on a month to month basis. Therefore, there are no future minimum lease payments. Equipment rental expenditures for the year ended June 30, 2010 were \$20,043.

Note 4. OTHER INFORMATION

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

Pension Plan – Public Employees’ Retirement Association

Plan Description. Substantially all of the 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, 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 8.92% of their gross salary. The State of New Mexico, Office of the Governor is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Office of the Governor are established 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 years ended June 30, 2010, 2009, and 2008 were \$322,580, \$403,078, and \$430,414, respectively, which equal the amount of the required contributions for each fiscal year.

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

**Notes to the Financial Statements
June 30, 2010**

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 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 (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like 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 Retiree Health Care Act 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.

The Retiree Health Care Authority issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority, 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 the medical plus basic life plan plus an additional participation fee of five dollars if the

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

**Notes to the Financial Statements
June 30, 2010**

eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan (police, firefighters, municipal detention officers, or Judicial Retirement Act participants) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Office's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$26,339, \$29,494, and \$31,557, respectively, which equal the required contributions for each 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, 2010

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
P637				
Revenues:				
General Fund Appropriation	\$ 4,443,700	\$ 4,443,700	\$ 4,443,700	\$ -
Total revenues	<u>\$ 4,443,700</u>	<u>\$ 4,443,700</u>	<u>4,443,700</u>	<u>-</u>
Expenditures:				
Personal services and benefits	\$ 3,729,700	\$ 3,729,700	3,138,475	591,225
Contractual services	109,300	109,300	63,476	45,824
Other costs	604,700	604,700	560,898	43,803
Total expenditures	<u>\$ 4,443,700</u>	<u>\$ 4,443,700</u>	<u>3,762,848</u>	<u>680,852</u>
Excess revenues over expenditures			<u>\$ 680,852</u>	<u>\$ 680,852</u>
 Z5000 - Women's Initiatives				
Revenues:				
Cash balance budgeted	<u>\$ 5,817</u>	<u>\$ 5,817</u>	<u>\$ 5,817</u>	<u>\$ -</u>
Expenditures:				
Contractual services	<u>\$ 5,817</u>	<u>\$ 5,817</u>	<u>5,772</u>	<u>45</u>
	<u>\$ 5,817</u>	<u>\$ 5,817</u>	<u>5,772</u>	<u>45</u>
Excess revenues over expenditures			<u>\$ 45</u>	<u>\$ 45</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, 2010

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Combined				
Revenues:				
General Fund Appropriation	\$ 4,443,700	\$ 4,443,700	\$ 4,443,700	\$ -
Total revenues	4,443,700	4,443,700	4,443,700	-
Cash balance budgeted	5,816	5,816	5,816	-
Total revenues and cash balance budgeted	<u>\$ 4,449,516</u>	<u>\$ 4,449,516</u>	<u>4,449,516</u>	<u>-</u>
Expenditures:				
Personal services and benefits	\$ 3,729,700	\$ 3,729,700	3,138,475	591,225
Contractual services	115,116	115,116	69,248	45,868
Other costs	604,700	604,700	560,898	43,803
Total expenditures	<u>\$ 4,449,516</u>	<u>\$ 4,449,516</u>	<u>3,768,620</u>	<u>680,896</u>
Excess revenues over expenditures			<u>\$ 680,896</u>	<u>\$ 680,896</u>

See Auditor's Report.

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Schedule of Interest in State General Fund Investment Pool
June 30, 2010

	<u>Fund Number</u>	<u>Book Balance</u>	<u>Current Status</u>
Operating Account	17600	<u>\$ 866,524</u>	Active

See Auditor's Report.

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

**Schedule of Transfers
For the Year Ended June 30, 2010**

	<u>Agency Fund</u>	<u>SHARE Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
DFA - State General Fund	17600	85300	\$ 4,443,700 <u>4,443,700</u>	\$ - -	State general fund appropriation
DFA - State General Fund	17600	85300	<u>-</u>	<u>680,897</u>	State General fund reversion
			<u>\$ 4,443,700</u>	<u>\$ 680,897</u>	

See Auditor's Report.

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

**Schedule of Due to State General Fund
June 30, 2010**

Governmental Funds:	Business Unit	SHARE Fund	Amount	Purpose
Budget fiscal year 2010	34101	85300	680,897	Unexpended balance for BFY10
Prior-year reimbursement	34101	85300	<u>242</u>	Prior Year refund
			<u>\$ 681,139</u>	

See Auditor's Report.

STATE OF NEW MEXICO
OFFICE OF THE GOVERNOR

Schedule of Memorandums of Understanding
For the year ended June 30, 2010

<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/ Gaming Control Board Racing Commission EXPO New Mexico	Governor's Office	Cooperative Fund for Indian Gaming Contract	7/1/2009 - 6/30/2010	25,000	25,000	Gaming/Governor
				25,000	25,000	Racing/Governor
				25,000	25,000	EXPO/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.

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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, 2010, which collectively comprise the Office's basic financial statements and have issued our report thereon dated September 23, 2010. We have also audited the budgetary comparison statements for the year ended June 30, 2010, 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 no instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards**.

This report is intended solely for the information and use of management, 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
September 23, 2010

OFFICE OF THE GOVERNOR

**Schedule of Findings and Responses
June 30, 2010**

	<u>Type of Finding *</u>	<u>Prior Year Finding Number</u>	<u>Current Year Finding Number</u>
Current Year Findings:			
None	N/A	N/A	N/A
Follow-up on Prior Year Findings:			
None	N/A	N/A	N/A

*** 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

**Exit Conference
June 30, 2010**

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 September 29, 2010 with the following in attendance:

Office of the Governor

Renee Borrego, Director of Operations
Debra Griego, ASD Director, DFA
Robyn Romero, DFA, ASD, CFO

Audit Firm

James R. (Jim) Macias, CPA
George M. Gutierrez, CPA