



MACIAS, GUTIERREZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESPANOLA, NEW MEXICO
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STATE OF NEW MEXICO

OFFICE OF THE LIEUTENANT GOVERNOR

Financial Statements and Schedules
For the Fiscal Year Ended June 30, 2009

(With Independent Auditors' Report Thereon)

State of New Mexico
Office of the Lieutenant Governor

Financial Statements and Schedules
With Independent Auditors' Report Thereon

For the Fiscal Year Ended June 30, 2009

**State of New Mexico
Office of the Lieutenant Governor**

June 30, 2009

Official Roster

Diane D. Denish

Lieutenant Governor

Joshua Rosen

Chief of Staff

**State of New Mexico
Office of the Lieutenant Governor**

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**State of New Mexico
Office of the Lieutenant Governor**

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**Macias, Gutierrez
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INDEPENDENT AUDITORS' REPORT

Honorable Diane Denish, Lieutenant 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 Lieutenant Governor (Office) as of and for the year ended June 30, 2009, 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, 2009 as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Office of the Lieutenant 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 Lieutenant 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, 2009, 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 Lieutenant Governor as of June 30, 2009, 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 Lieutenant Governor for the year ended June 30, 2009, 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 8, 2009 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 7 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

October 8, 2009

State of New Mexico
Office of the Lieutenant Governor

Management Discussion & Analysis
June 30, 2009

The *Management's Discussion and Analysis*, or MD&A, for the State of New Mexico, Office of the Lieutenant Governor (the Office) introduces the basic financial statements and provides an analytical overview of the Office's financial condition and results of operations as of and for the year ended June 30, 2009. 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 total net assets decreased by \$4,447 in fiscal year 2009, from the year ended June 30, 2008.
- Expenditures during fiscal year 2009 increased by \$92,708 and revenue increased by \$75,443 from fiscal year 2008.
- Capital assets decreased by \$742 over the prior year, due to full depreciation of several items.
- At the end of the current fiscal year the Office does have reserved, designated fund balance of \$50,000 for the general fund.
- Our expenditures increased from the prior year however remained well within our budget of \$979,108.

Overview of the Basic Financial Statements:

Although the Office of the Lieutenant Governor is one of several agencies within the government of the State of New Mexico, the only focus of this annual financial report is on the Office, and not the State of New Mexico. The basic financial statements include the following three elements: (1) Management's *Discussion and Analysis*, (2) the *Basic Financial Statements*, and (3) *Required Supplementary Information*.

The first two statements are entity-wide financial statements reporting information about the Office's overall financial condition and results of operations, both long-term and short-term, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all assets, liabilities, and net assets of the Office. Revenues and expenses are reported in the Statement of Activities regardless of when cash is received or disbursed.

Governmental fund statements, including 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 general and major funds.

The Office utilizes only one Fund which is the Office of the Lieutenant Governor's Operating Fund.

Budgetary comparison schedules, or the *Statement of Revenue and Expenditures - Budget and Actual (Budgetary Basis)*, reports the original approved budget, final approved budget, and actual results

**State of New Mexico
Office of the Lieutenant Governor**

**Management Discussion & Analysis
June 30, 2009**

presented on the budgetary basis of reporting for the general fund and each major fund. A separate column is presented to report variances between the final approved budget and actual amounts.

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:

	<u>Governmental Activities</u>		
	<u>Current Year June 30, 2009</u>	<u>Prior Year June 30, 2008</u>	<u>Increase/ (Decrease)</u>
Statement of Net Assets			
Current assets	\$ 121,601	\$ 163,030	\$ (41,429)
Capital assets	613	1,355	(742)
Total Assets	<u>\$ 122,214</u>	<u>\$ 164,385</u>	<u>\$ (42,171)</u>
Current Liabilities	\$ 71,601	\$ 123,030	\$ (51,429)
Compensated absences:			
Due in less than one year	23,157	14,375	8,782
Total current liabilities	<u>94,758</u>	<u>137,405</u>	<u>(42,647)</u>
Noncurrent Liabilities:			
Compensated absences:			
Due in more than one year	6,553	1,630	4,923
Total liabilities	<u>\$ 101,311</u>	<u>\$ 139,035</u>	<u>\$ (37,724)</u>
Investment in capital assets	\$ 613	\$ 1,355	\$ (742)
Unrestricted net assets	(29,710)	(16,005)	(13,705)
Restricted net assets	50,000	40,000	10,000
Total net assets	<u>\$ 20,903</u>	<u>\$ 25,350</u>	<u>\$ (4,447)</u>
Statement of Activities			
General revenue:			
State General Fund appropriations	\$ 893,000	\$ 845,000	\$ 48,000
Other State Funds	14,200	23,200	(9,000)
Revenue:			
Other Gifts & Grants	25,000	-	25,000
Section 401(b), Jobs and Growth Tax Reconciliation Act of 2003	6,765	35,322	(28,557)
Total Revenue	<u>938,965</u>	<u>903,522</u>	<u>35,443</u>

**State of New Mexico
Office of the Lieutenant Governor**

**Management Discussion & Analysis
June 30, 2009**

	<u>Current Year June 30, 2009</u>	<u>Prior Year June 30, 2008</u>	<u>Increase/ (Decrease)</u>
Expenses: General government	(933,007)	(840,299)	(92,708)
Total Expenses before reversions	(933,007)	(840,299)	(92,708)
Other financing uses: Reversions	(10,405)	(28,547)	18,142
Change in net assets	(4,447)	34,676	(39,123)
Net assets, beginning of the year	25,350	(9,326)	34,676
Net assets, end of the year	\$ 20,903	\$ 25,350	\$ (4,447)

The financial position and results from operations for the Office of the Lieutenant Governor decreased by \$4,447 in the year ended June 30, 2009. This resulted from a decline in capital assets book value by \$742 and an increase in our compensated absences liabilities by \$13,705 and the restricted net assets of \$50,000. Total state general fund appropriations increased by \$39,000 from FY 08. The Office received a federal grant in FY 04 in the amount of \$225,000 from Section 401(b) of the Jobs and Growth Tax Reconciliation Act of 2003. This grant on the accrual basis of accounting reflects no change in the financial conditions for the Office, because the amount of recognized revenue is equal to the amount of incurred expenses. However, the use of the grant revenue did result in a decline of total assets of the Office by \$6,765 for federal grants expenses.

Capital Assets declined by \$742 in fiscal year ended 2009, from \$3,427, to \$4,782. The decline is from depreciation expense of \$742. The Office did not acquire or dispose of any capital assets in fiscal year 2009.

Current liabilities declined by \$42,647 during the year. There was \$6,765 in deferred revenue that was used in the year ended June 30, 2009. The \$225,000 in federal grants received in FY 04 has a remaining balance of \$144 which will be spent in future years and is considered a non-renewable grant. This grant will be exhausted as the funds are used, new sources of support, such as state general fund appropriations, will be required to continue the activities now being funded by the grant. There was also a decrease of \$18,142 in reversions due to the state general fund from \$28,547 on June 30, 2008 to \$10,405 on June 30, 2009. These were offset by a decrease in accounts payables of \$27,975, an increase in accrued salaries of \$574 and an increase of \$13,705 in compensated absences. The fund balance of \$20,903 is the result of compensated absence liabilities which will be paid as used by employees in the years taken from future year appropriations and sources and by the \$50,000 held in restricted and reserved fund for transition to Governor and other cost.

Reversions outstanding as of June 30, 2008 were paid in fiscal year June 30, 2009. The Office reverted unexpended budget balances at June 30, 2009 to the state general fund as required by September 30, 2008.

Compensated absences increased by 66% during the year from \$16,005 at June 30, 200 to \$29,710 based upon historical usage \$6,553 is considered a non-current liability due in more than 1 year. Liabilities for compensated absences are measured on the accrual basis of accounting, so expenses for employee benefits are recognized when earned by the employees, increasing the liability for compensated absences. The liability will be reduced when annual leave is used by the employees.

**State of New Mexico
Office of the Lieutenant Governor**

**Management Discussion & Analysis
June 30, 2009**

The large increase in these non-cash expenses resulted in a deficit for unrestricted net assets at June 30, 2009 of \$29,710. It is possible the entire balance of compensated absences could be paid to employees within the next year; however State General Fund appropriations for fiscal year 2010 are adequate to cover the potential disbursements.

Fund balance did show an increase during the year. Unlike the prior year there is a balance reserved for a special appropriation for the transition to Governor and other costs.

Approved budgets were increased by \$68,678 during the year from the original amount of \$910,430 to \$979,108. The 7% increase is attributable to the federal grant awarded pursuant to Section 401(b) of the Jobs and Growth Tax Reconciliation Act of 2003, which was not spent in the fiscal year, ended June 30, 2007 and brought forward to fiscal year 2008. The federal funds were originally appropriated by the N.M. State Legislature in the General Appropriations Act of 2003 (Laws of 2003, Chapter 76, Section 3, Part I). Actual budgetary basis expenditures of \$978,965 are within the total allowed in the final approved budget by \$60,548. When compared to fiscal year 2009 budget there was an increase of \$79,000 in state general fund appropriations and an increase of \$68,678 from \$910,430 in FY 08 to \$979,108 in FY 09 when including federal grants and a special appropriation for Transition and other costs.

Economic Factors and Fiscal 2010's Budget:

In FY 2009 New Mexico's seasonally adjusted unemployment rate was 6.8 percent in June 2009, up from 6.5 in May and 4.1 percent a year ago. The national unemployment rate increased to 9.5 percent.

The rate of over-the-year job growth, comparing June 2009 with June 2008, was a negative 3.1 percent, representing an over-the-year loss of 26,400 jobs. Even with the weakest job growth in decades, New Mexico remained in the top half of the state rankings, at twentieth highest for June. Every state except North Dakota reported declining year-over-year employment.

During such turbulent times, no single indicator summarizes New Mexico's workforce conditions. Job growth is at a 55-year low, while the unemployment rate is only at a twelve-year high. Government and private health care appear to offer the best employment prospects for the state as we continue to endure difficult economic times.

There are no clear signs of imminent recovery in the New Mexico or U. S. economics. Although the federal stimulus efforts are thawing credit markets and raising consumer confidence, the fallout from the housing bust and credit crunch continues. The stimulus has brought some improvement to the Wall Street finance sectors, but the real economy of "main street" has seen little improvement as banks – even with capital injections from the federal government – are reluctant to loan money to any but the most creditworthy borrowers during this period of great uncertainty.

There are signs that the economic slide may be slowing and nearing bottom, but for each of these signs there is another that shows just how deep the recession has become or how tentative the recovery may be. The recession is hurting New Mexico, but not as badly as the rest of the country. Likewise, the eventual recovery may be less pronounced in New Mexico.

**State of New Mexico
Office of the Lieutenant Governor**

**Management Discussion & Analysis
June 30, 2009**

The 2009 legislature faced two formidable challenges as it began budget deliberations in January. The first challenge was to cover a \$545 million shortfall in the FY 2009. The second challenge was to enact a FY 2010 spending plan that was considerably smaller than that of the previous year. The legislature covered the FY 2009 budget shortfall in a very timely and effective manner with the passage of the “solvency package.” The package largely used “one-time” revenue enhancement and appropriation reductions measures to close the gap in FY 2009, leaving appropriations 2.7% below FY 2008 spending.

The second challenge was to pass a budget for FY 2010 without the benefit of the “one-time” measures already used. The legislature struck a balance between revenue increases and spending cuts and enacted a budget that was 9% less than FY 2009 appropriations prior to solvency legislation. The budget relies on \$330 million of federal stimulus funding for education and human services, forestalling the need for deeper cuts.

The federal stimulus funds are only available through FY 2011, so if energy prices and the New Mexico economy do not recover sufficiently to fill the gap when the federal funds run out, policymakers will face another challenge. Since the revenues are significantly lower than the original estimate made in February 2009, a special session may be called in October to further adjust the FY 2010 budget.

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

Budgeted state appropriations for expenditures were decreased by \$17,700 from fiscal year 2009 to fiscal year 2010. The amount budgeted for state appropriations is \$857,200 in fiscal year 2009 and is more than the \$839,500 that was appropriated for fiscal year 2010. The Office also has \$144 budgeted of federal grants which it holds from the Jobs and Growth Tax Reconciliation Act of 2003.

Contacting the Office's Financial Management:

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Office's finances and to demonstrate the Office's accountability for the money it receives. If you have questions about this report or need additional financial information, you may contact:

Office of the Lieutenant Governor
State Capitol Building
Suite 417
Santa Fe, NM 87501

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

**Statement of Net Assets
(Government-Wide)
June 30, 2009**

	Governmental Activities
ASSETS	
Current assets:	
Interest in State General Fund Investment Pool	\$ 121,251
Accounts receivable	350
Noncurrent assets:	
Capital assets, net of depreciation	613
Total Assets	122,214
LIABILITIES	
Current Liabilities:	
Accounts payable	29,556
Payroll taxes payable	8,412
Payroll benefits payable	6,107
Accrued salaries	14,081
Deferred revenue	144
Due to Other State Agencies	644
Due to State General Fund	12,657
Current portion of compensated absences	23,157
Total current liabilities	94,758
Noncurrent liabilities:	
Noncurrent portion of compensated absences	6,553
Total Liabilities	101,311
NET ASSETS	
Invested in capital assets	613
Unrestricted	(29,710)
Restricted for:	
Special Appropriation	50,000
Total Net Assets	\$ 20,903

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

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

**Statement of Activities
(Government-Wide)
For the Year Ended June 30, 2009**

	<u>Governmental Activities</u>
Expenses:	
State Ombudsman Program	\$ 886,299
Centennial	39,201
Depreciation expense - unallocated	742
Jobs Growth and Reconciliation Act	6,765
	<u>933,007</u>
 Revenues:	
Other Gifts & Grants	25,000
Program-specific operating grants	6,765
	<u>31,765</u>
Net program expense	<u>(901,242)</u>
 Transfers:	
State General Fund appropriations	893,000
Other State Funds	14,200
Reversion fiscal year 2009	<u>(10,405)</u>
Change in net assets	(4,447)
Net assets, beginning of year	<u>25,350</u>
Net assets, end of year	<u><u>\$ 20,903</u></u>

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

STATE OF NEW MEXICO
OFFICE OF THE LIEUTENANT GOVERNOR

Balance Sheet
Governmental Fund
June 30, 2009

	<u>General Fund</u>
ASSETS	
Interest in State General Fund Investment Pool	\$ 121,251
Accounts receivable	350
	<hr/>
Total Assets	\$ 121,601
	<hr/> <hr/>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 29,556
Payroll taxes payable	8,412
Payroll benefits payable	6,107
Accrued salaries and benefits	14,081
Deferred revenue	144
Due to Other State Agencies	644
Due to State General Fund	12,657
	<hr/>
Total Liabilities	71,601
	<hr/>
Fund balances:	
Unreserved	
Reserved for New Mexico Special Approp.	50,000
	<hr/>
Total Liabilities and Fund Balance	\$ 121,601
	<hr/> <hr/>

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

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

**Reconciliation of the Balance Sheet
to the Statement of Net Assets -
Governmental Fund
June 30, 2009**

Total fund balance for governmental fund		\$	50,000
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>			
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>			
Property, plant and equipment			10,274
Accumulated depreciation			(9,661)
Total capital assets			613
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:</p>			
Compensated absences			(29,710)
Total liabilities			(29,710)
Net assets of governmental activities		\$	20,903

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

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

**Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2009**

	General Fund
Revenues:	
Federal Grants	\$ 6,765
Other gifts and grants	25,000
Total Revenues	31,765
 Expenditures:	
State Ombudsman Program	872,594
NM Centennial Celebration	39,201
Jobs and Growth Tax Reconciliation Act of 2003	6,765
Total expenditures	918,560
Excess (deficiency) of revenues over expenditures	(886,795)
 Other financing sources (uses):	
State General Fund appropriation	893,000
Other State Funds	14,200
Reversion fiscal year 2009	(10,405)
Total other financing sources (uses)	896,795
Net change in fund balance	10,000
Fund balance, beginning of year	40,000
Fund balance, end of year	\$ 50,000

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

**STATE OF NEW MEXICO
OFFICE OF THE LIEUTENANT 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, 2009**

Net change in fund balance - total governmental fund (Statement of revenues, expenditures, and changes in fund balance)	\$ 10,000
Amounts reported for governmental activities in the statement of activities are different because:	
No capital outlay expenditures are reported in the governmental fund for the fiscal year ended June 30, 2008. However, the statement of activities allocates the cost of capital assets over their estimated useful lives as depreciation expense. In the current period, depreciation expense was recorded as	(742)
Expenses recognized in the statement of activities, not reported in governmental funds:	
Increase in compensated absences	<u>(13,705)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (4,447)</u></u>

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

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

**Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actuals</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
General Fund Appropriation	\$ 893,000	\$ 893,000	\$ 893,000	\$ -
Other Gifts & Grants	25,000	25,000	25,000	-
Other state funds	14,200	14,200	14,200	-
Total revenues	<u>932,200</u>	<u>932,200</u>	<u>932,200</u>	-
Cash balance budgeted	46,908	46,908	46,765	(143)
Total budgeted revenues and cash balance	<u>\$ 979,108</u>	<u>\$ 979,108</u>	<u>\$ 978,965</u>	<u>\$ (143)</u>
Expenditures:				
Personal services and benefits	\$ 749,312	\$ 749,312	\$ 738,425	\$ 10,887
Contractual services	56,401	56,401	54,842	1,559
Other costs	173,395	173,395	125,293	48,102
Total expenditures	<u>\$ 979,108</u>	<u>\$ 979,108</u>	<u>918,560</u>	<u>60,548</u>
Net Total			<u>\$ 60,405</u>	<u>\$ (60,405)</u>

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

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Office of the Lieutenant Governor (Office) have been prepared in accordance 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 Statement - 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 that 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.

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 Lieutenant 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.

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Lieutenant Governor shall be President of the Senate, but shall vote only when the Senate is equally divided. She may also execute delegated duties assigned by the Governor.

Other powers and duties of the Lieutenant Governor are to:

- a. Facilitate and promote the cooperation and understanding between the people of the State and the agencies of State Government, by assisting them in their dealing with such agencies, and by assisting the agencies to explain their functions, duties, and administrative procedures in so far as they affect the people of this State.
- b. Refer any complaints or special problems of the citizens of this State to the proper agency.
- c. Keep records of her activities and make an annual report to the Governor.
- d. Perform any other duties that may from time to time be assigned to her by the Governor.

The Lieutenant Governor is elected to a four-year term of office.

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 governmental 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.

The government-wide financial statements are designed to be corporate-like in that all governmental activities consolidate into columns that add to a total for the Office and consist of a statement of net assets and a statement of activities. These statements report all of the assets, liabilities, revenues, expenses and gains and losses of the office. 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 these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 general fund is always a major fund and the Office has no non-major funds.

The Office uses the following fund types:

GOVERNMENTAL FUND TYPES – General Fund (reverting)

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 the spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Non-Current 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.

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 presented using the economic resource 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 method of accounting revenues are recognized when earned and expenditures are recognized when incurred. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of Statement 33. The Office has established a policy whereby restricted funds are applied to expenditures prior to the use of unrestricted funds when both are available.

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. 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.

E. Assets, Liabilities and Equity

1. Interest in General Fund Investment Pool

All funds allotted to the Office are appropriated from the State General Fund. These monies are held on deposit with the State Treasurer and are pooled and invested by the State Treasurer's Office. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 is provided on the straight-line basis over estimated useful lives of 3 to 10 years with no salvage value. Any software acquired is also capitalized and depreciated. The Office has no software that has been internally developed.

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 expenses are not included in the accompanying financial statements. GASB No. 34 requires the recording and depreciation of infrastructure assets such as roads, bridges, etc. 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) 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 the 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 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 and up to 720 hours, not to exceed 120 hours. In the case of retiring employees, they may be paid for 50 percent of accrued sick leave in excess of 600, up to 1,000 hours

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

not to exceed 400 hours. The Office of the Lieutenant Governor had no employees with excess accrued sick leave at June 30, 2009.

4. Reservations and Designations

Financial statement accounting, beginning July 1, 2004 was changed to the modified accrual basis of accounting. In conjunction with this change, reservations of fund balance for encumbrances did not occur on the Office's financial statements for June 30, 2008. The Office has an unexpended \$50,000 fund balance from a special appropriation reserved for the transition to Governor and other costs.

5. Net Assets

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

Investment in Capital Assets (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Assets - are liquid net assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. Restricted net assets of \$50,000 are restricted by enabling legislation.

Unrestricted Net Assets - are net assets that do not have third-party (statutory, bond covenant or granting agency) limitations on their use. The unrestricted deficit (\$29,710) is due to recognition of compensated absences which is uncorrectable in a reverting agency.

6. Program Revenues

Program revenues are from federal grants awarded by Section 401(b), Jobs and Growth Tax Reconciliation Act of 2003. Other revenues are from a NM Community Foundation grant for an employees time spent on the children's cabinet.

7. 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.

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

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, professional services and other expenditures).
3. Any adjustments to the budget must be submitted to 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. In prior years the budgetary basis of accounting was not considered a GAAP basis of accounting. Budgetary comparisons presented in the financial statements are now presented on a GAAP basis.
5. The Office has been designated as a "reverting agency" by the New Mexico state legislature and, therefore, unexpended 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 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. Receivables are recognized as revenue in the year the transfers or services, which gave rise to the receivable, are provided.

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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 a interest in the investment pools managed by the New Mexico State Treasurer's Office.

At June 30, 2009 of the Office had the following in pooled cash:

Interest in State General Fund Investment Pool	\$121,251
------------------------------------------------	-----------

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, 2009.

B. Accounts Receivable

Accounts receivable represent a credit for overpayment of expenses in fiscal year 2005 and 2007 that is due from General Services Department, another agency of the State of New Mexico. This will be applied to charges in fiscal year 2010 on automobile leasing.

C. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

<u>Cost</u>	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Office equipment	\$ 2,323	\$ -	\$ -	\$ 2,323
Furniture	16,921	-	(10,123)	6,798
Data processing	1,153	-	-	1,153
Total cost	<u>20,397</u>	<u>-</u>	<u>(10,123)</u>	<u>10,274</u>
<u>Accumulated depreciation</u>				
Office equipment	(2,129)	(194)	-	(2,323)
Data processing	(16,075)	(383)	10,123	(6,335)
Furniture	(838)	(165)	-	(1,003)
Total Accum. Depreciation	<u>(19,042)</u>	<u>(742)</u>	<u>10,123</u>	<u>(9,661)</u>
Net capital assets	<u>\$ 1,355</u>	<u>\$ (742)</u>	<u>\$ -</u>	<u>\$ 613</u>

The deletion to the fixed assets owned by the Lieutenant Governor's Office represents assets with a value of less than \$5,000 that were fully depreciated at June 30, 2009.

The Office does not have any debt related to capital assets. Depreciation expense totaled \$742 for the year ended June 30, 2009.

D. Accounts Payable

Accounts payable represents expenditures incurred as of June 30, 2009, but not paid until July or August 2009.

E. Due to State General Fund

	Balance 6/30/2008	Payments	Additions	Balance 6/30/2009
Reversions to the State General Fund by the fiscal year of appropriations				
Fiscal year 2008	28,547	28,547	-	-
Fiscal year 2009	-	-	10,405	10,405
Reimbursements				
2007	410	410	62	62
2008	1,303	676	-	627
2009	-	-	1,563	1,563
Total amount due to the State General Fund	<u>\$ 30,260</u>	<u>\$ 29,633</u>	<u>\$ 12,030</u>	<u>\$ 12,657</u>

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

All reversions for fiscal year 2008 were remitted by September 30, 2009 as required by law, except for \$627 which represents an accounts receivable and therefore could not be reverted.

F. Deferred Revenue

The following is a summary of changes in deferred revenue for the federal awards from the Jobs and Growth Tax Reconciliation Act of 2003.

	<u>Original Grant Balance</u>	<u>Revenue earned in Prior Years</u>	<u>Revenue earned in FY 09</u>	<u>Amount Reverted FY 07</u>	<u>Balance June 30, 2009</u>
Federal Awards Received	<u>\$ 225,000</u>	<u>\$ 208,091</u>	<u>\$ 6,765</u>	<u>\$ (10,000)</u>	<u>\$ 144</u>

G. Compensated Absences

The following is a summary of changes in compensated absences.

	<u>Balance 6/30/2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2009</u>	<u>Due within One Year</u>	<u>Due over One Year</u>
Annual Leave	<u>\$ 16,005</u>	<u>\$ 23,785</u>	<u>\$ 10,080</u>	<u>\$ 29,710</u>	<u>\$ 23,157</u>	<u>\$ 6,553</u>

Compensated absences are typically paid with general fund resources when used by employees. The Office had no liabilities for sick leave, since no employees had accrued at least 600 hours of sick leave.

H. Operating Leases

The Office leases equipment under operating leases. Operating leases do not give rise to property rights or lease obligation, and therefore, the result 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. Rental expenditures for the year ended June 30, 2009 was \$3,778. The office has commitments for lease obligations in the following.

<u>Fiscal Year</u>	<u>Mail Scale</u>	<u>Copier</u>	<u>Total Lease</u>
2010	\$ 818	\$ 2,885	\$ 3,703
2011	818	2,885	3,703
2012	818	1,203	2,021
Thereafter	-	-	-
Totals	<u>\$ 2,454</u>	<u>\$ 6,973</u>	<u>\$ 9,427</u>

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

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 Lieutenant 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 Lieutenant Governor is required to contribute 16.59% of the gross covered salary.

The contribution requirements of plan members and the Office of the Lieutenant 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, 2009, 2008, and 2007 were \$89,377, \$78,681, \$64,199, 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 plan 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 Lieutenant 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 RCHA 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

**State of New Mexico
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009**

Note 4. OTHER INFORMATION (continued)

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.

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 Lieutenant Governor's contributions to the RCHA for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,004, \$6,165, \$5,030 and \$4,586, respectively, which equal the required contributions for each fiscal year.

B. Risk Management

The Office of the Lieutenant Governor is exposed to various risks 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 – Civil rights

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

**Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
General Fund by Organization
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
P638				
Revenues:				
General Fund Appropriation	\$ 843,000	\$ 843,000	\$ 843,000	\$ -
Other Gifts & Grants	25,000	25,000	25,000	-
Other state funds	14,200	14,200	14,200	-
	<u>14,200</u>	<u>14,200</u>	<u>14,200</u>	<u>-</u>
Total revenues	<u>\$ 882,200</u>	<u>\$ 882,200</u>	<u>882,200</u>	<u>-</u>
Expenditures:				
Personal services and benefits	\$ 713,100	713,100	712,213	887
Contractual services	45,600	45,600	44,162	1,438
Other costs	123,500	123,500	116,220	7,280
	<u>123,500</u>	<u>123,500</u>	<u>116,220</u>	<u>7,280</u>
Total expenditures	<u>\$ 882,200</u>	<u>\$ 882,200</u>	<u>872,594</u>	<u>9,606</u>
Total net revenue			<u>\$ 9,606</u>	<u>\$ 9,606</u>

**Org Z80137 New Mexico Centennial Celebration
(Laws of 2008)**

	Budgeted Amounts		Actuals	Variance
	Original	Final		Favorable (Unfavorable)
Cash balance budgeted	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>
Expenditures:				
Personal services and benefits	\$ 26,212	\$ 26,212	\$ 26,212	\$ -
Contractual services	10,788	10,788	10,681	107
Other	3,000	3,000	2,308	692
	<u>3,000</u>	<u>3,000</u>	<u>2,308</u>	<u>692</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>39,201</u>	<u>799</u>
Total net revenue			<u>\$ 799</u>	<u>799</u>

See Auditor's Report

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

**Statement of Revenues and Expenditures
Budget and Actual (GAAP Basis)
General Fund by Organization
For the Year Ended June 30, 2009**

Org Z0400 - Jobs & Growth Tax Reconciliation Act of 2003	Budgeted Amounts		Actuals	Variance
	Original	Final		(Unfavorable)
Federal funds rebudgeted	\$ 6,908	\$ 6,908	\$ 6,765	\$ (143)
Expenditures:				
Personal services and benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	13	13	-	13
Other	6,895	6,895	6,765	130
	\$ 6,908	\$ 6,908	6,765	143
Total net revenue			-	-
Org Z90118 - Special Appropriation				
	Budgeted Amounts		Actuals	Variance
	Original	Final		(Unfavorable)
General Fund Appropriation	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Expenditures:				
Personal services and benefits	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Other	40,000	40,000	-	40,000
	\$ 50,000	\$ 50,000	-	50,000
Total net revenue			\$ 50,000	50,000

See Auditor's Report

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

**Schedule of Interest in General Fund Investment Pool
June 30, 2009**

	<u>Fund Number</u>	<u>Book Balance</u>	<u>Current Status</u>
Governmental Funds:			
Operating account	17700	\$ 121,251	Active

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

**Schedule of Transfers
For the Year Ended June 30, 2009**

	<u>Agency Number</u>	<u>SHARE Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
DFA - State General Fund	34101	85300	\$ 843,000	\$ -	State appropriation
DFA - Special Appropriations Fund	34100	62000	14,200	-	Compensation package
DFA- State General Fund	34101	85300	50,000	-	Special appropriation Laws of 2009 Chapter 124, Section 5. Item 18. For Costs related to transition for Governor and other costs.
			<u>907,200</u>	<u>-</u>	
DFA - State General Fund	34101	85300	<u>-</u>	<u>10,405</u>	General Fund Reversion
			<u>-</u>	<u>10,405</u>	
Totals			<u>\$ 907,200</u>	<u>\$ 10,405</u>	

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

**Schedule of Expenditures of Federal Awards
For the year ended June 30, 2009**

	<u>Amount of Federal Award Expended</u>
U.S. Department of Treasury (Passed through the N.M. Department of Finance and Administration): <i>Section 401 (b) of the Jobs and Growth Tax Reconciliation Act of 2003</i> (CFDA No. - 21.None)	<u>\$ 6,765</u>

Note 1. Basis of Presentation: The accompanying *Schedule of Expenditure of Federal Awards* includes the federal grant activity of the State of New Mexico, Office of the Lieutenant Governor and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic, and individual fund financial statements.

Note 2. Reporting Requirements: OMB Circular A-133 requires organizations that expend \$500,000 or more of federal awards in a single year to present a Schedule of Expenditures of Federal Awards in its audited financial statements. The Office of the Lieutenant Governor expended only \$6,765 federal award in the year ended June 30, 2009 and is not required to present a Schedule of Expenditures of Federal Awards in its audited financial statements. The Office has voluntarily elected to present this Schedule in the financial statements to provide additional disclosure to users of the financial statements.



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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 Diane Denish, Lieutenant 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 Lieutenant Governor (Office) as of and for the year ended June 30, 2009, which collectively comprise the Office's basic financial statements and have issued our report thereon dated October 8, 2009. We have also audited the budgetary comparison statements for the year ended June 30, 2009, 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 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.

Espanola, New Mexico

October 8, 2009

OFFICE OF THE LIEUTENANT GOVERNOR

Schedule of Findings and Responses
June 30, 2009

	<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:			
Late Payments	D	2008-1	Resolved

*** 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 LIEUTENANT GOVERNOR

Exit Conference
June 30, 2009

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 Lieutenant Governor.

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EXIT CONFERENCE

The financial statements and the auditors' reports were discussed at an exit conference held on September 30, 2009, with the following in attendance:

Office of the Lieutenant Governor

Joshua Rosen, Chief of Staff
Debra Griego, ASD Director, DFA
Mackie Romero, CFO
Rosella Esquibel-Alarid, DFA, ASD

Audit Firm

James R. Macias, CPA