

**STATE OF NEW MEXICO**

**OFFICE OF THE  
LIEUTENANT  
GOVERNOR**



**Financial Statements and Schedules  
For the Fiscal Year Ended June 30, 2012**

**(With Independent Auditor's 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, 2012**

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

**June 30, 2012**

**Official Roster**

John A. Sanchez

Lieutenant Governor

Mark Van Dyke

Chief of Staff

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

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**June 30, 2012**

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Office of the Lieutenant Governor**

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## INDEPENDENT AUDITORS' REPORT

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Honorable John A. Sanchez, 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, 2012, which collectively comprise the Office's basic financial statements 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, 2012, and the changes in its financial position thereof 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated October 2, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Office's basic financial statements. The additional schedules listed as "supplementary information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Macias, Gutierrez & Co., CPAs, P.C.  
Espanola, New Mexico  
October 2, 2012, except for Note 5, as to which the date is November 1, 2012

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

**Management Discussion & Analysis**  
**June 30, 2012**

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, 2012. 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 increased by \$819 in fiscal year 2012 from the year ended June 30, 2011.
- Expenses during fiscal year 2012 decreased by \$217,007 and revenue decreased by \$81,114 from fiscal year 2011.
- All capital assets are fully depreciated.
- Our expenditures decreased from the prior year however, remained well within our budget of \$671,000.

**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 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.



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

**Management Discussion & Analysis  
June 30, 2012**

*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:**

	<b><u>Governmental Activities</u></b>		
	<u>Current Year June 30, 2012</u>	<u>Prior Year June 30, 2011</u>	<u>Increase/ (Decrease)</u>
<b>Statement of Net Assets</b>			
Current assets	\$ 292,065	\$ 144,256	\$ 147,809
Capital assets	-	-	-
Total Assets	<u>\$ 292,065</u>	<u>\$ 144,256</u>	<u>\$ 147,809</u>
Current Liabilities	\$ 292,065	\$ 144,256	\$ 147,809
Compensated absences:			
Due in less than one year	7,873	7,054	819
Total current liabilities	<u>299,938</u>	<u>151,310</u>	<u>148,628</u>
Noncurrent Liabilities:			
Compensated absences:			
Due in more than one year	-	-	-
Total liabilities	<u>\$ 299,938</u>	<u>\$ 151,310</u>	<u>\$ 148,628</u>
Investment in capital assets	\$ -	\$ -	\$ -
Unrestricted net assets	(7,873)	(7,054)	(819)
Restricted net assets	-	-	-
Total net assets	<u>\$ (7,873)</u>	<u>\$ (7,054)</u>	<u>\$ (819)</u>
<b>Statement of Activities</b>			
General revenue:			
State General Fund appropriations	\$ 671,000	\$ 752,000	\$ (81,000)
Other State Funds	14	128	(114)
Revenue:			
Other Gifts & Grants	-	-	-
Section 401(b), Jobs and Growth	-	-	-
Tax Reconciliation Act of 2003	-	-	-
Total Revenue	<u>671,014</u>	<u>752,128</u>	<u>(81,114)</u>

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

**Management Discussion & Analysis  
June 30, 2012**

	<u>Current Year June 30, 2012</u>	<u>Prior Year June 30, 2011</u>	<u>Increase/ (Decrease)</u>
Expenses: General government	(397,779)	(614,786)	217,007
Total Expenses before reversions	<u>(397,779)</u>	<u>(614,786)</u>	<u>217,007</u>
Other financing uses: Reversions	(274,054)	(117,395)	(156,659)
Change in net assets	(819)	19,947	(20,766)
Net assets, beginning of the year	(7,054)	(27,001)	19,947
Net assets, end of the year	<u>\$ (7,873)</u>	<u>\$ (7,054)</u>	<u>\$ (819)</u>

The financial position and results from operations for the Office of the Lieutenant Governor increased by \$819 in the year ended June 30, 2012. This was a result by an increase in our compensated absences liabilities. Total state general fund appropriations decreased by \$81,000 from FY 11.

All capital assets have been fully depreciated. The Office did not acquire capitals assets however it did dispose of \$2,858 in capital assets in fiscal year 2012.

Current liabilities increased by \$148,628 during the year. There was also an increase of \$156,787 in reversions due to the state general fund from \$117,395 on June 30, 2011 to \$274,054 on June 30, 2012. These were offset by a decrease in accounts payable of \$5,568, an increase in accrued salaries of \$8,723 and an increase of \$819 in compensated absences. The deficit net asset of \$7,873 is the result of compensated absence liabilities which will be paid as used by employees in the years taken from future year appropriations.

Reversions outstanding as of June 30, 2011 were paid in fiscal year June 30, 2012. The Office will revert the unexpended budget balances at June 30, 2012 to the state general fund as required by September 28, 2012.

Compensated absences increased during the year from \$7,054 at June 30, 2011 to \$7,873. There is no amount to be 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. The increase in these non-cash expenses resulted in a deficit for unrestricted net assets at June 30, 2012 of \$7,873. 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 2013 are adequate to cover the potential disbursements.

Approved budgets from 2012 as compared to 2011 were decreased by \$81,000 from the original amount of \$752,000 to \$671,000. Actual budgetary basis expenditures of \$396,960 are within the total allowed in the final approved budget by \$274,040.

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

**Management Discussion & Analysis  
June 30, 2012**

**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, 2012**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Current assets:	
Interest in State General Fund Investment Pool	\$ 292,065
Accounts receivable	-
Noncurrent assets:	
Capital assets, net of depreciation	-
Total Assets	<u>292,065</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	5,802
Payroll taxes payable	3,869
Payroll benefits payable	4,439
Accrued salaries	3,506
Due to State General Fund	274,449
Current portion of compensated absences	7,873
Total current liabilities	<u>299,938</u>
Noncurrent liabilities:	
Noncurrent portion of compensated absences	-
Total Liabilities	<u>299,938</u>
<b>NET ASSETS</b>	
Invested in capital assets	-
Unrestricted	(7,873)
Total Net Assets	<u><u>\$ (7,873)</u></u>

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, 2012**

	<u><b>Governmental Activities</b></u>
<b>Expenses:</b>	
State Ombudsman Program	\$ 397,779
Depreciation expense - unallocated	-
	<u>397,779</u>
<b>Revenues:</b>	
Other State Funds	<u>14</u>
	14
Net program expense	<u>(397,765)</u>
<b>Transfers:</b>	
State General Fund appropriations	671,000
Reversion fiscal year 2012	<u>(274,054)</u>
Change in net assets	(819)
Net assets, beginning of year	<u>(7,054)</u>
Net assets, end of year	<u><u>\$ (7,873)</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 Funds  
June 30, 2012

	<u>General Fund</u>
<b>ASSETS</b>	
Interest in State General Fund Investment Pool	\$ 292,065
Accounts receivable	-
	<hr/>
Total Assets	<u>\$ 292,065</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 5,802
Payroll taxes payable	3,869
Payroll benefits payable	4,439
Accrued salaries and benefits	3,506
Due to State General Fund	274,449
	<hr/>
Total Liabilities	<u>292,065</u>
<b>Fund balances:</b>	
Unassigned	-
	<hr/>
Total Liabilities and Fund Balance	<u>\$ 292,065</u>

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 Funds  
June 30, 2012**

Total fund balance for governmental fund	\$	-
<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	\$ 7,416	
Accumulated depreciation	<u>(7,416)</u>	
Total capital assets		-
<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	<u>(7,873)</u>	
Total liabilities		<u>(7,873)</u>
Net assets of governmental activities	\$	<u><u>(7,873)</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, Expenditures and  
Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2012

	<u>General Fund</u>
<b>Revenues:</b>	
Other State Funds	\$ 14
	<u>14</u>
<b>Expenditures:</b>	
State Ombudsman Program	396,960
Total expenditures	<u>396,960</u>
Excess (deficiency) of revenues over expenditures	<u>(396,946)</u>
<b>Other financing sources (uses):</b>	
State General Fund appropriation	671,000
Reversion fiscal year 2012	<u>(274,054)</u>
Total other financing sources (uses)	<u>396,946</u>
Net change in fund balance	-
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>

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



**STATE OF NEW MEXICO  
OFFICE OF THE 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, 2012**

Net change in fund balance - total governmental fund (Statement of revenues, expenditures, and changes in fund balance)	\$	-
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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, 2012. 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

Expenses recognized in the statement of activities, not reported in governmental funds:

Increase in compensated absences		<u>(819)</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>(819)</u></u>
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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, 2012**

	<u>Budgeted Amounts</u>		<u>Actuals</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>Revenues:</b>				
General Fund Appropriation	\$ 671,000	\$ 671,000	\$ 671,000	\$ -
Miscellaneous	-	-	14	14
Total revenues	<u>\$ 671,000</u>	<u>\$ 671,000</u>	<u>671,014</u>	<u>14</u>
<b>Expenditures:</b>				
Personal services and benefits	\$ 582,300	\$ 582,300	336,531	245,769
Contractual services	32,400	32,400	9,491	22,909
Other costs	56,300	56,300	50,938	5,362
Total expenditures	<u>\$ 671,000</u>	<u>\$ 671,000</u>	<u>396,960</u>	<u>274,040</u>
Net Total			<u>\$ 274,054</u>	<u>\$ 274,054</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, 2012**

**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" 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 Department, therefore, is part of the primary government of the State of New Mexico and its financial data should be included in the financial data of the State. However, New Mexico does at present issue a review 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, 2012**

**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. He 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 in a timely and courteous fashion.
- c. Keep records of his activities and make an annual report to 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 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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**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

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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 not to exceed 400 hours. The Office of the Lieutenant Governor had no employees with excess accrued sick leave at June 30, 2012.

**4. Fund Balance**

The GASB has issued Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. 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 since June 30, 2008. The Office does not have an unexpended fund balance.

**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.

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 (\$7,873) 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.

**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:



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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)**

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 appropriation unit. Budgets are controlled at the "appropriation unit" 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.

**Note 3. DETAILED NOTES ON ALL FUNDS**

**A. Interest in the State General Fund Investment Pool**

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

At June 30, 2012 of the Office had the following in pooled cash:

Interest in State General Fund Investment Pool	\$292,065
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**State of New Mexico  
Office of the Lieutenant Governor**

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 3. DETAILED NOTES ON ALL FUNDS (continued)**

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is a means of managing its exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico Board of Finance.

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

For additional GASB 40 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, 2012.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

<u>Cost</u>	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2012</u>
Office equipment	\$ 2,323	\$ -	\$ -	\$ 2,323
Furniture	6,798	-	(2,858)	3,940
Data processing	1,153	-	-	1,153
Total cost	<u>10,274</u>	<u>-</u>	<u>(2,858)</u>	<u>7,416</u>
<u>Accumulated depreciation</u>				
Office equipment	(2,323)	-	-	(2,323)
Data processing	(6,798)	-	2,858	(3,940)
Furniture	(1,153)	-	-	(1,153)
Total Accum. Depreciation	<u>(10,274)</u>	<u>-</u>	<u>2,858</u>	<u>(7,416)</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Office does not have any debt related to capital assets. There is no depreciation expense for the year ended June 30, 2012.

**C. Accounts Payable**

Accounts payable represents expenditures incurred as of June 30, 2012, but not paid until July or August 2012.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 3. DETAILED NOTES ON ALL FUNDS (continued)**

**D. Due to State General Fund**

	<u>Balance 6/30/2011</u>	<u>Payments</u>	<u>Additions</u>	<u>Balance 6/30/2012</u>
Reversions to the State General Fund by the fiscal year of appropriations				
Fiscal year 2011	\$ 117,395	\$ 117,395	\$ -	\$ -
Fiscal year 2012	-	-	274,054	274,054
Reimbursements				
2011			395	395
Total amount due to the State General Fund	<u>\$ 117,395</u>	<u>\$ 117,395</u>	<u>\$ 274,449</u>	<u>\$ 274,449</u>

All reversions for fiscal year 2011 were submitted by September 30, 2011 as required by law.

**E. Compensated Absences**

The following is a summary of changes in compensated absences.

	<u>Balance 6/30/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2012</u>	<u>Due within One Year</u>	<u>Due over One Year</u>
Annual Leave	<u>\$ 7,054</u>	<u>\$ 12,927</u>	<u>\$ 12,108</u>	<u>\$ 7,873</u>	<u>\$ 7,873</u>	<u>\$ -</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.

**F. 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, 2012 was \$3,323.

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>
2013	\$ 818	\$ 1,935	\$ 2,753
2014	-	1,612	1,612
2015	-	-	-
	<u>\$ 818</u>	<u>\$ 3,547</u>	<u>\$ 4,365</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 4. OTHER INFORMATION**

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

**Retirement Plan**

*Plan Description.* Substantially all of the 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, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute from **3.83%** to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Office of the Lieutenant Governor's is required to contribute from 7.0% to 25.72% depending upon the plan of the gross covered salary. The contribution requirements of plan members and the Office of the Lieutenant Governor's are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Office of the Lieutenant Governor's contributions to PERA for the fiscal years ending June 30, **2012, 2011 and 2010** were \$21,399, \$51,016, and \$70,195, respectively, which equal 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.

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

**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012**

**Note 4. OTHER INFORMATION (continued)**

**Post-Employment Benefits – State Retiree Health Care Plan**

*Plan Description.* Office of the Lieutenant Governor's contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment 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, NMSA1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA 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 RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 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 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](http://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, 2012**, the statute required each participating employer to contribute **1.834%** of each participating employee's annual salary; each participating employee was required to contribute **.917%** of their salary. In the fiscal year ending **June 30, 2013** the contribution rates for employees and employers will rise as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 4. OTHER INFORMATION (continued)**

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year Employer</u>	<u>Contribution Rate Employee</u>	<u>Contribution Rate</u>
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998, are 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 of the Lieutenant Governor's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$2,922, \$5,590 and \$6,029, respectively, which equal the required contributions for each 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

**Note 5. STATEWIDE CASH RECONCILIATION ISSUE**

The cash to bank reconciliation for the State of New Mexico is performed at the statewide level by the Office of the State Treasurer and the Department of Finance and Administration (DFA). A report titled *Current State Diagnostic of Cash Control* prepared by Deloitte Consulting, LLP, dated June 20, 2012, stated on page 2 that "As of June, 2012, the SHARE book to bank reconciliation contains a significant number of un-reconciled items. Reconciling items are where a SHARE system transaction (general ledger (GL) journal entry) may or may not have a corresponding bank transaction or a bank transaction may or may not have a corresponding SHARE transaction. According to information gathered during the preparation of this report, there are 32 categories of reconciling items ranging in size from less than \$1,000,000 to over \$6,000,000,000 with an absolute value total in excess of \$32,500,000,000 for the periods of FY 2007 through FY 2011. The count of individual reconciling items exceeds 1,400,000 transactions between FY 2010 and FY2011. A transaction count is not available for FY2007 through FY2009. Reconciling items also include warrants that have been issued but have not cleared the bank. The impact of reconciling items to the GL is unknown at this time. The net difference between the unadjusted GL and the bank accounts is

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2012**

**Note 5. STATEWIDE CASH RECONCILIATION ISSUE (continued)**

approximately \$2,700,000,000. These figures and counts are approximate and are subject to change through the daily accounting and monthly reconciliation processes. Planning for remediation efforts to rectify the root causes and problems are underway. An upgrade of SHARE is planned for FY 2013. Treasury system and process changes will be in alignment with the SHARE upgrade.”

A related updated report titled *Cash Management Plan and Business Processes* dated October 11, 2012, also prepared by Deloitte Consulting, LLP, states on page 30 that “The main premise (Premise) of the PeopleSoft Treasury reconciliation functionality is that all system transactions have an accounting entry on the general ledger and each bank transaction reconciles to a system transaction. Designing the processes to follow the Premise of the system will virtually eliminate the need for manual entries to cash directly on the GL.” This report identified three areas that the Office of the Lieutenant Governor uses report-identified business processes: deposit processing (page 49); disbursement processing (page 55); and other bank activity processing (manual SHARE GL Journal) and ability to record pre and/or post bank activity.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Office of the Lieutenant Governor’s balances at the business unit/fund level is not possible.

The Office of the Lieutenant Governor has developed the following internal control procedures to monitor the monthly change in the Office of the Lieutenant Governor Interest in General Fund Investment Pool account related to each of these areas of risk noted in the report referenced above: deposits; disbursements; and journal entries posted to the Interest in General Fund Investment Pool account in SHARE. These internal control procedures have been in effect for the most part since the conversion to SHARE in FY07. The Office of the Lieutenant Governor inputs into an Excel spreadsheet all monthly changes by total payroll expense and total of contractual and other cost expenses from the SHARE A611 trial balance report, and then the Office of the Lieutenant Governor ties the changes in these various account balances back to the monthly change in the Office of the Lieutenant Governor Interest in General Fund Investment Pool account. In addition, The Office receives very few deposits. The deposits per the general ledger are tied back to the original deposit documentation, or in the case of an appropriation, the deposits are tied back to the original law. The changes in the payroll liabilities that are posted to the Office of the Lieutenant Governor general ledger by DFA are scheduled out on an Excel spreadsheet by the Office of the Lieutenant Governor for the entire year, and reviewed for consistency and reasonableness. Expenditures recorded for each month, and the related change in the accounts payable balances are included in the overall reconciliation back to the monthly change in Office of the Lieutenant Governor Interest in General Fund Investment Pool account. The Office of the Lieutenant Governor reviews the posting of Office of the Lieutenant Governor journal entries to ensure that the resulting effect on Interest in General Fund Investment Pool and other accounts is the intended result. These processes that have been put into place by the Office of the Lieutenant Governor are the reasons that risk of misstatement of the Office of the Lieutenant Governor Interest in General Fund Investment Pool account has been mitigated to a low level of risk, even though there are significant problems with the statewide cash reconciliation process.

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

**Schedule of Interest in General Fund Investment Pool  
June 30, 2012**

	<u>Fund Number</u>	<u>Book Balance</u>	<u>Current Status</u>
<b>Governmental Funds:</b>			
Operating account	17700	\$ 292,065	Active



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

**Schedule of Transfers  
For the Year Ended June 30, 2012**

	<u>Agency Number</u>	<u>SHARE Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
DFA - State General Fund	17700	85300	<u>\$ 671,000</u>		State appropriation
DFA - State General Fund	17700	85300		<u>\$ 274,054</u>	General Fund Reversion

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

**Schedule of Memoranda of Understanding  
For the Year Ended June 30, 2012**

Participants	Administering Agency	Description	Term	Total Amount	Lieutenant Governor's Amount	Audit Responsibility
Office of the Lieutenant Governor's/ Department of Finance and Administration (DFA)	DFA	The office of the Lieutenant Governor reimburse DFA for the salary and benefits for employee of DFA to assist the Office of the Lieutenant Governor's due to staffing shortages.	8/8/2012 10/8/2012	\$ 8,024	\$ 8,024	Office of the Lieutenant Governor's/ Department of Finance and Administration (DFA)
Office of the Lieutenant Governor's/ Department of Finance and Administration (DFA)	DFA	The office of the Lieutenant Governor reimburse DFA for the salary and benefits for employee of DFA to assist the Office of the Lieutenant Governor's due to staffing shortages.	1/23/2012 2/17/2012	\$ 3,803	\$ 3,803	Office of the Lieutenant Governor's/ Department of Finance and Administration (DFA)

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



Macias, Gutierrez  
& Co., P.C.

*Certified Public Accountants*  
*Member AICPA, NMSCPA*

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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**

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Honorable John A. Sanchez, Lieutenant Governor  
and  
Honorable Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the 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, 2012, and have issued our report thereon dated October 2, 2012, except for Note 5, as to which the date is November 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Office is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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  
October 2, 2012

**OFFICE OF THE LIEUTENANT GOVERNOR**

**Schedule of Findings and Responses  
June 30, 2012**

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

**Exit Conference  
June 30, 2012**

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## **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.

\* \* \* \* \*

## **EXIT CONFERENCE**

The financial statements and the auditors' reports were discussed at an exit conference held on November 15, 2012, with the following in attendance:

### **Office of the Lieutenant Governor**

Mark Van Dyke, Chief of Staff  
Rose Ella Esquibel-Alarid, CFO, DFA, ASD

### **Audit Firm**

James R. (Jim) Macias, CPA