

State of New Mexico
Office of the Lieutenant Governor

Financial Statements and Schedules
With Independent Auditor's Report Thereon

12-12-2005

For the Fiscal Year Ended June 30, 2005

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State of New Mexico
OFFICE OF THE STATE AUDITOR

Domingo P. Martinez, CGFM
State Auditor

Carl M. Baldwin, CPA, CFE
Deputy State Auditor

December 12, 2005

SAO Ref. No. 360

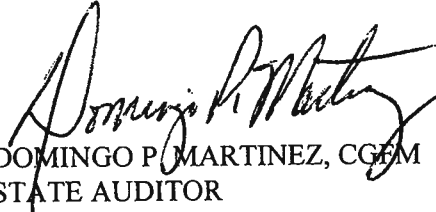
Honorable Diane Denish, Lieutenant Governor
Office of the Lieutenant Governor
State Capitol Room 417
Santa Fe, NM 87503

SUBJECT: Audit Report—Office of the Lieutenant Governor—2004-2005 Fiscal Year—Prepared
by Zlotnick, Laws & Sandoval, PC

Your agency audit report was received by the Office of the State Auditor (Office) on November 15, 2005. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies.*


DOMINGO P. MARTINEZ, CGFM
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration
Financial Control Division & Budget Division
Office of the State Treasurer
Zlotnick, Laws & Sandoval, PC

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

**Official Roster
June 30, 2005**

Diane Denish

Lieutenant Governor

Chris Cervini

Chief of Staff

12-12-2005

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

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June 30, 2005**

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

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FINANCIAL SECTION

Zlotnick, Laws & Sandoval, P.C.

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Independent Auditors' Report

Domingo P. Martinez, CGFM
State Auditor, and

Honorable Diane Denish
Lieutenant Governor, State of New Mexico
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 as of and for the year ended June 30, 2005, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinion.

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 changes of financial position of only that portion of the governmental activities and major fund of the State that is attributable to the transactions of the Office. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2005 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, 2005, 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 accordance with Government Auditing Standards, we have also issued a report dated September 15, 2005, on our consideration of the State of New Mexico, Office of the Lieutenant Governor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 result 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 is not a required part of the basic financial statements but is supplemental 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 Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Office's basic financial statements. The accompanying supplementary information listed as schedules in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these 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.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.
Certified Public Accountants
September 15, 2005

State of New Mexico
Office of the Lieutenant Governor
Management Discussion & Analysis
(Required Supplementary Information)
June 30, 2005

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, 2005. 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 declined 20% in fiscal year 2005, from the year ending June 30, 2004.
- Expenditures during fiscal year 2005 declined by \$50,676 and revenue declined by \$30,165 from fiscal year 2004. However, expenditures were still less than revenue for the year by \$36,061.
- Revenue from total state appropriations remained virtually unchanged at \$631,100 from \$630,802 in the prior year. However, the state general fund appropriations were reduced by \$2,300 from the prior year. Compensation appropriations were increased by \$2,600 from the prior year.
- We reduced our expenditures from the prior year and remained well within our budget.

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.

State of New Mexico
Office of the Lieutenant Governor
Management Discussion & Analysis
(Required Supplementary Information)
June 30, 2005

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.

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</u> <u>June 30, 2005</u>	<u>Prior Year</u> <u>June 30, 2004</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
Statement of Net Assets				
Current assets	\$ 210,274	\$ 255,770	\$ (45,496)	(18)%
Capital assets	<u>16,494</u>	<u>26,247</u>	<u>(9,753)</u>	<u>(37)%</u>
Total assets	<u>\$ 226,768</u>	<u>\$ 282,017</u>	<u>\$ (55,249)</u>	<u>(20)%</u>
Current liabilities	\$ 210,274	\$ 242,089	\$ (31,815)	(13)%
Noncurrent liabilities:				
Compensated absences:				
Due in less than one year	18,178	16,136	2,042	13 %
Due in more than one year	<u>325</u>	<u>-</u>	<u>325</u>	<u>100 %</u>
Total non-current liabilities	<u>18,503</u>	<u>16,136</u>	<u>2,367</u>	<u>15 %</u>
Total liabilities	<u>\$ 228,777</u>	<u>\$ 258,225</u>	<u>\$ (29,448)</u>	<u>(11)%</u>
Investment in capital assets	\$ 16,494	\$ 26,247	\$ (9,753)	(37)%
Restricted net assets	<u>(18,503)</u>	<u>(2,455)</u>	<u>(16,048)</u>	<u>(654)%</u>
Total net assets	<u>\$ (2,009)</u>	<u>\$ 23,792</u>	<u>\$ (25,801)</u>	<u>(108)%</u>
Statement of Activities				
General revenue:				
State general fund appropriations	\$ 623,000	\$ 630,800	\$ (7,800)	(1)%
State special appropriations	8,100	-	8,100	100 %
Program revenue:				
Section 401(b), Jobs and Growth				
Tax Reconciliation Act of 2003	38,130	68,593	(30,463)	(44)%
Miscellaneous revenue	<u>-</u>	<u>2</u>	<u>(2)</u>	<u>100 %</u>
Total revenue	<u>669,230</u>	<u>699,395</u>	<u>(30,165)</u>	<u>(4)%</u>

**State of New Mexico
Office of the Lieutenant Governor
Management Discussion & Analysis
(Required Supplementary Information)
June 30, 2005**

Expenses: General government	<u>(633,159)</u>	<u>(683,848)</u>	<u>50,689</u>	<u>(7)%</u>
Total Expenses before reversions	<u>(633,159)</u>	<u>(683,848)</u>	<u>50,689</u>	<u>(7)%</u>
Other financing uses: Reversions	<u>(61,872)</u>	<u>(44,754)</u>	<u>(17,118)</u>	<u>38 %</u>
Change in net assets	<u>(25,801)</u>	<u>(29,207)</u>	<u>3,406</u>	<u>(12)%</u>
Net assets, beginning of year	<u>23,792</u>	<u>52,999</u>	<u>(29,207)</u>	<u>(55)%</u>
Net assets, end of year	<u>\$ (2,009)</u>	<u>\$ 23,792</u>	<u>\$ (25,801)</u>	<u>(108)%</u>

The financial position and results from operations for the Office of the Lieutenant Governor declined by \$25,801 in the year ended June 30, 2005. This resulted from a decline in capital assets book value by \$9,753, an increase in our compensated absences liabilities by \$2,367, and \$13,681 of expenditures that were encumbered in prior years and paid in FY 05 from prior year budgets. Total state appropriations remained relatively flat at \$631,100 for an increase of only \$298 from FY 04. 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 \$38,130 for federal grants expenses.

Capital Assets declined by \$9,753 in fiscal year ending 2005, from \$26,247 to \$16,494. The decline is from depreciation expense of \$9,613 and net adjustments to prior years of \$140. The Office did not acquire or dispose of any capital assets in fiscal year 2005.

Current liabilities declined by \$29,783 or 12% during the year. There was \$38,130 in deferred revenue that were used in the year ending June 30, 2005. The \$225,000 in federal grants received in FY 04 has a remaining balance of \$118,277 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 decline of \$6,650 in reversions due to the state general fund from \$68,522 on June 30, 2004 to \$61,872 on June 30, 2005. These were offset by increases in accounts payables of \$8,479, \$4,486 in accrued salaries and an increase in compensated absences of \$2,042 for a total of \$15,007. The fund balance deficit of \$2,009 which is the result of compensated absences liabilities which will be paid as used by employees in the years taken from future year appropriations and sources.

Reversions outstanding as of June 30, 2004 were paid in fiscal year June 30, 2005. However, of the outstanding encumbrances in fiscal year ending June 30, 2003 and June 30, 2004, \$13,509 was not used for the intended commitments. The Office also had a stale dated warrant from fiscal year ending June 30, 2003 that needed to be remitted. These reversions were all remitted to the state general fund as required by September 30, 2005.

Compensated absences increased by 15% during the year from \$16,136 at June 30, 2004 to \$18,503 based

State of New Mexico
Office of the Lieutenant Governor
Management Discussion & Analysis
(Required Supplementary Information)
June 30, 2005

upon historical usage \$325 is considered a non-current liability due in over 1 year. Employees accrued 714 hours of annual leave during the year and used 685 hours. 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 large increase in these non-cash expenses resulted in a deficit for unrestricted net assets at June 30, 2005 of \$18,503. 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 2005 are adequate to cover the potential disbursements.

Fund balance did show a sharp decline during the year. Unlike prior years however, there were no outstanding encumbrances for fiscal year ending June 30, 2005, since the remaining encumbrances were considered invalid and were not carried forward into fiscal year 2006.

Approved budgets were increased by \$149,538 during the year from the original amount of \$631,100 to \$780,638. The 24% 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 ending June 30, 2004 and brought forward to fiscal year 2005. 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 \$602,744 are within the total allowed in the final approved budget by \$177,894. When compared to fiscal year 2004 budget there was an increase of \$300 in state appropriations and a decline of \$75,162 or 9% from \$855,800 in FY 04 to \$780,638 in FY 05 when including federal grants. The reason for the decline is that the funds were used in FY 04 and not available for use in FY 05.

Economic Factors and Fiscal 2006's Budget:

In FY 2005 overall employment growth in New Mexico was 2.1%. During FY 2005, New Mexico added 17,000 jobs. Job growth was diverse across industrial sectors. Government, health services, and construction provided 11,000 new jobs, the highest employment growth rates however came from the mining sector (9.4%) followed by construction (7.0%), financial activities (3.5%) and health services (3.4%). Job losses have been in the information (-700 jobs), manufacturing (-400 jobs) and wholesale trade (-100 jobs) sectors. With the closure of the MCI call center last year, the information sector itself lost almost 1,000 jobs. Transportation, warehousing and utilities have shown no change in their employment situation from the last year. In June 2005 New Mexico's seasonally adjusted unemployment rate was 5.7% compared to national unemployment of 5 percent. At the end of FY 2005, the inflation rate was 6.2% which was 3.5% higher than the previous year.

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 expenditures were reduced by \$5,900 from fiscal year 2005 to fiscal year 2006. The amount budgeted for state appropriations is \$625,200 in fiscal year 2006 and is less than the

**State of New Mexico
Office of the Lieutenant Governor
Management Discussion & Analysis
(Required Supplementary Information)
June 30, 2005**

\$631,100 that was appropriated for fiscal year 2005. The Office also has \$118,277 available for budget of federal grants which it holds from the Jobs and Growth Tax Reconciliation Act of 2003. The portion to be used from federal awards for budget was not finalized at the time the audit report was completed.

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 the Director of Administrative Services Division, Department of Finance and Administration, Bataan Memorial Building, Suite 325, 130 Capitol Ave., Santa Fe, NM 87503.

BASIC FINANCIAL STATEMENTS

State of New Mexico
Office of the Lieutenant Governor

Statement of Net Assets
(Government Wide)
June 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash on deposit with the State Treasurer	\$ 209,454
Accounts Receivables	<u>820</u>
Total Current Assets	<u>210,274</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>16,494</u>
Total Assets	<u>226,768</u>
LIABILITIES	
Current liabilities:	
Accounts payable	11,529
Accrued salaries	18,596
Due to state general fund	61,872
Deferred revenue	118,277
Compensated absences portion due within one year	<u>18,178</u>
Total current liabilities	<u>228,452</u>
Noncurrent liabilities:	
Compensated absences portion due after one year	<u>325</u>
Total non-current liabilities	<u>325</u>
Total Liabilities	<u>228,777</u>
NET ASSETS	
Invested in capital assets	16,494
Unrestricted (deficit)	<u>(18,503)</u>
Total Net Assets	<u>\$ (2,009)</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, 2005**

	<u>Governmental Activities</u>
Program Expenses: State Ombudsman Program	\$ 583,049
Depreciation Expenses	9,613
Compensated Absences	2,367
Jobs Growth and Reconciliation Act	<u>38,130</u>
Total Program Expenses	<u>633,159</u>
Program Revenues: Operating grants and contributions	<u>38,130</u>
Net program (expenses)/revenues	(595,029)
General Revenues:	
State general fund appropriations	623,000
Miscellaneous revenue	<u>8,100</u>
Total general revenues	631,100
Other financing sources/(uses): Reversions	<u>(61,872)</u>
Change in net assets	(25,801)
Net assets, beginning of year	<u>23,792</u>
Net assets, end of year	\$ <u><u>(2,009)</u></u>

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

State of New Mexico
Office of the Lieutenant Governor

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2005

	<u>General Fund</u>
Assets:	
Cash on deposit with the State Treasurer	\$ 209,454
Accounts Receivables	<u>820</u>
Total Assets	<u><u>\$ 210,274</u></u>
Liabilities:	
Accounts payable	\$ 11,529
Accrued salaries and benefits	18,596
Due to state general fund	61,872
Deferred revenue	<u>118,277</u>
Total Liabilities	210,274
Fund Balances:	
Unreserved	<u>-</u>
Total Fund Balances	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 210,274</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 Balance Sheet
to the Statement of Net Assets
Governmental Funds
June 30, 2005

Total fund balances for governmental funds	\$	-
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Property, Plant and Equipment	\$	49,135
Accumulated depreciation		<u>(32,641)</u>
Total Capital Assets		<u>16,494</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:		
Compensated absences		<u>(18,503)</u>
Total Net Assets of Governmental Activities	\$	<u><u>(2,009)</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 & Changes in Fund Balance
Governmental Funds
For the year ended June 30, 2005**

	<u>General Fund</u>
Revenues:	
State general fund appropriations	\$ 623,000
Federal grants	38,130
Other	<u>8,100</u>
Total Revenues	<u>669,230</u>
 Expenditures:	
Current: State Ombudsman Program	582,909
Jobs and Growth Tax Reconciliation Act of 2003	<u>38,130</u>
Total Expenditures	<u>621,039</u>
Excess (deficiency) of revenues over expenditures	48,191
 Other Financing Sources (Uses):	
Reversions to State General Fund FY 05	(59,691)
Reversions to State General Fund FY 04	(613)
Reversions to State General Fund FY 03	<u>(1,568)</u>
Net change in fund balance	(13,681)
Fund balance at beginning of year	<u>13,681</u>
Fund balance at end of year	<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
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds (Statement of revenue, expenditures, and changes in fund balance)	\$ (13,681)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this is the amount by which depreciation expense exceeded capital outlay:	
Capital Outlay	\$ -
Depreciation expense	<u>(9,753)</u> (9,753)
Expenses recognized in the Statement of Activities not reported in governmental funds:	
Increase in compensated absences	<u>(2,367)</u>
Change in Net Assets of Governmental Activities	<u>\$ (25,801)</u>

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

State of New Mexico
Office of the Lieutenant Governor

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
(Budgetary Basis)
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
State general fund	\$ 623,000	\$ 623,000	\$ 623,000	\$ -
Other state funds	8,100	8,100	8,100	-
Federal Funds	-	-	-	-
Total revenues budgeted	<u>631,100</u>	<u>631,100</u>	<u>631,100</u>	-
Cash balance budgeted	<u>-</u>	<u>149,538</u>	<u>31,269</u>	<u>(118,269)</u>
Total budgeted revenues and cash balance	<u>\$ 631,100</u>	<u>\$ 780,638</u>	<u>\$ 662,369</u>	<u>\$ (118,269)</u>
<u>Expenditures:</u>				
Personal services/benefits	\$ 560,800	\$ 525,800	\$ 489,800	\$ 36,000
Contractual services	5,000	154,538	31,509	123,029
Other	65,300	100,300	81,435	18,865
Other financing uses	-	-	-	-
Total Expenditures	<u>631,100</u>	<u>780,638</u>	<u>602,744</u>	<u>177,894</u>
Net Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,625</u>	<u>\$ 59,625</u>

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

NOTES TO FINANCIAL STATEMENTS

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

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 and 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.

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 Office has no non-major funds.

The Office uses the following fund types:

GOVERNMENTAL FUND TYPES

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

Accordingly, they are said to present a summary of sources and uses of available spendable resources

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 types 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.

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. 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 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.

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity

1. Cash Deposits

All funds allotted to the Office of the Lieutenant Governor 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 \$1,000 or greater are capitalized. 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 is 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 80 to 160 hours per year, depending upon the length of service and employee's hire date. A maximum of thirty working days (240 hours) of such accumulated vacation leave may be carried forward into the beginning of the calendar year and any excess is forfeited.

When employees terminate, they are compensated for accumulated unpaid vacation leave as of the date of termination, up to a maximum of thirty days (240 hours).

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2005.

4. Reservations and Designations

The accounting for the financial statements beginning July 1, 2004 were changed to the Modified Accrual method of accounting. In conjunction with this change in the basis of accounting, reservations of fund balances for encumbrances did not occur on the Office's financial statements for June 30, 2005.

5. Net Assets

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in fixed assets less outstanding liquid 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 Assets - are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

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

6. Use of Estimates

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

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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. There remains a difference however, between the budgetary basis and GAAP presentation which is a result of receipts in prior years and payments made in the current year on outstanding prior year encumbrances. 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, unaccrued balances in state agency accounts remaining at the end of the fiscal year from appropriations made from the State General Fund shall

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

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. Cash on Deposit

Cash on deposit with the State Treasurer's Office agrees to the cash balances of the Office after an adjustment of \$119 for a stale dated warrant that is being reverted to the State General Fund. Schedule 2 provides a detailed listing of cash balances by fund and account numbers.

B. Accounts Receivables

Accounts receivable represent a credit for overpayment of expenses in fiscal year 2005 that is due from General Services Department, another agency of the State of New Mexico. This will be applied to charges in fiscal year 2006 on automobile leasing.

C. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

<u>Cost</u>	<u>Balance</u> <u>6/30/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>6/30/05</u>
Furniture & fixtures	\$ 1,153	\$ -	\$ -	\$ -	\$ 1,153
Office Equipment	8,145	-	-	(5,822)	2,323
Data Processing	<u>45,659</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,659</u>
Total cost	<u>54,957</u>	<u>-</u>	<u>-</u>	<u>(5,822)</u>	<u>49,135</u>
<u>Accumulated depreciation</u>					
Furniture & fixtures	(384)	(165)	-	137	(412)
Office Equipment	(6,844)	(232)	-	5,799	(1,277)
Data Processing	<u>(21,482)</u>	<u>(9,216)</u>	<u>-</u>	<u>(254)</u>	<u>(30,952)</u>
Total Accum. Depreciation	<u>(28,710)</u>	<u>(9,613)</u>	<u>-</u>	<u>5,682</u>	<u>(32,641)</u>
Net Capital Assets	<u>\$ 26,247</u>	<u>\$ (9,613)</u>	<u>\$ -</u>	<u>\$ (140)</u>	<u>\$ 16,494</u>

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

The Office does not have any debt related to capital assets. Depreciation expense totaled \$9,753 for the year ending June 30, 2005.

D. Accounts Payables

Accounts payable represents expenditures incurred as of June 30, 2005, but not paid until July 2005.

E. Accrued Payroll

This represents 90% of the liability for the payroll period ending July 1, 2005.

F. Due to State General Fund

	Balance <u>6/30/04</u>	<u>Payments</u>	<u>Additions</u>	Balance <u>6/30/05</u>
Reversions to the State General Fund by the fiscal year of appropriations				
Fiscal year 2002	\$ 4,693	\$ 4,693	\$ -	\$ -
Fiscal year 2003	19,955	19,955	1,448	1,448
Fiscal year 2004	43,754	43,754	613	613
Fiscal year 2005	-	-	59,626	59,626
State dated warrants	-	-	185	185
Total amount due to the State General Fund	<u>\$ 68,402</u>	<u>\$ 68,402</u>	<u>\$ 61,872</u>	<u>\$ 61,872</u>

The outstanding reversions as of June 30, 2004 in the amount of \$68,402 were reverted within fiscal year 2005 as required. The additions for fiscal year 2003 and 2004 represents amounts that were disencumbered in fiscal year 2005 and became additional reversions due to the State General Fund. All reversions for fiscal year 2005 were remitted by September 30, 2005 as required by law.

G. 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.

	Original Grant Balance	Revenue earned in Prior Years	Revenue earned in FY 05	Balance June 30, 2005
Federal Awards Received	\$ <u>225,000</u>	\$ <u>68,593</u>	\$ <u>38,130</u>	\$ <u>118,277</u>

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 3. DETAILED NOTES ON ALL FUNDS (continued)

H. Compensated Absences

The following is a summary of changes in compensated absences.

	Balance 6/30/04	Increase	Decrease	Balance 6/30/05	Due within One Year	Due over One Year
Annual Leave	\$ <u>16,136</u>	\$ <u>19,382</u>	\$ <u>17,015</u>	\$ <u>18,503</u>	\$ <u>18,178</u>	\$ <u>325</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.

I. 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, 2005 was \$6,101.

Note 4. OTHER INFORMATION

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

Retirement Plan

Plan Description. Substantially all of the Office's full time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 12B, NMSA 1978). The requirements may be amended by acts of the legislature. The Public Employees' Retirement Association (PERA) is the administrator of the plan.

The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Office of the Lieutenant Governor is required to contribute 16.59% of the gross covered salary. The Office's contributions to PERA for the years ended June 30, 2005, 2004 and 2003 were \$59,609,

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

Note 4. OTHER INFORMATION (continued)

\$61,149 and \$45,756 respectively, equal to the amount of the required contributions for the 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

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, the Magistrate Retirement Act or the Public Employees Retirement Act.

Eligible retirees are: (1) Retirees who made contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act (NMRHCA) on the person's behalf unless that person retires before the employers NMRHCA effective date, in which event, the time period for employee and employer

State of New Mexico
Office of the Lieutenant Governor

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005

Note 4. OTHER INFORMATION (continued)

contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former Legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an amount equal to 0.65 of one percent of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and employees become the property of the Retire Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the NMRHCA. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participating contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma NW, Suite 200, Albuquerque, NM 87102. For the fiscal year ended June 30, 2005, the Office of the Lieutenant Governor remitted \$4,671 in employer contributions and \$2,335 in employee contributions.

B. Reconciliations Between GAAP Basis and Actual Budgetary Basis Statement

Revenue (budgetary basis)	\$ 631,100
Deferred revenue- earned in FY 05	<u>38,130</u>
Revenue (GAAP basis)	<u>\$ 669,230</u>
Expenditures (budgetary basis)	\$ 602,744
Prior years encumbrances paid in FY 05	21,292
Stale dated warrant not reversed in FY 05	(66)
Stale dated warrant not reverted in FY 03	119
Reverse P/Y accounts payable	<u>(3,050)</u>
Expenditures (GAAP Basis)	<u>\$ 621,039</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2005**

Note 4. OTHER INFORMATION (continued)

C. 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.

SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the Lieutenant Governor

General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
(Budgetary Basis)
For the Year Ended June 30, 2005

Lt. Governor's Operations - Program P638

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues:</u>				
State general fund	\$ 623,000	\$ 623,000	\$ 623,000	\$ -
Other state funds	<u>8,100</u>	<u>8,100</u>	<u>8,100</u>	<u>-</u>
Total revenues budgeted	<u>631,100</u>	<u>631,100</u>	<u>631,100</u>	<u>-</u>
<u>Expenditures:</u>				
Personal services/benefits	\$ 560,800	\$ 525,800	\$ 489,800	\$ 36,000
Contractual services	5,000	5,000	240	4,760
Other	65,300	100,300	81,435	18,865
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>631,100</u>	<u>631,100</u>	<u>571,475</u>	<u>59,625</u>
Total net revenue	<u>\$ (631,100)</u>	<u>\$ (631,100)</u>	<u>\$ (571,475)</u>	<u>\$ 59,625</u>

Job Growth and Tax Reconciliation Act of 2003 - Org. 400

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues:</u>				
Federal funds	\$ -	\$ -	\$ -	\$ -
Total revenues budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance budgeted	<u>-</u>	<u>149,538</u>	<u>31,269</u>	<u>(118,269)</u>
Total budgeted revenues and cash balance	<u>\$ -</u>	<u>\$ 149,538</u>	<u>\$ 31,269</u>	<u>\$ (118,269)</u>
<u>Expenditures:</u>				
Contractual services	\$ -	\$ 149,538	\$ 31,269	\$ 118,269
Total expenditures	<u>-</u>	<u>149,538</u>	<u>31,269</u>	<u>118,269</u>
Total net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Auditor's Report.

State of New Mexico
Office of the Lieutenant Governor

General Fund

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
(Budgetary Basis)**

For the Year Ended June 30, 2005

Combining General Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
State general fund	\$ 623,000	\$ 623,000	\$ 623,000	\$ -
Other state funds	8,100	8,100	8,100	-
Federal funds	-	-	-	-
Total revenues budgeted	<u>631,100</u>	<u>631,100</u>	<u>631,100</u>	-
Cash balance budgeted	<u>-</u>	<u>149,538</u>	<u>31,269</u>	<u>(118,269)</u>
Total budgeted revenues and cash balance	<u>\$ 631,100</u>	<u>\$ 780,638</u>	<u>\$ 662,369</u>	<u>\$ (118,269)</u>
<u>Expenditures:</u>				
Personal services/benefits	\$ 560,800	\$ 525,800	\$ 489,800	\$ 36,000
Contactual services	5,000	154,538	31,509	123,029
Other	65,300	100,300	81,435	18,865
Other financing uses	-	-	-	-
Total expenditures	<u>631,100</u>	<u>780,638</u>	<u>602,744</u>	<u>177,894</u>
Total net revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,625</u>	<u>\$ 59,625</u>

See Auditor's Report.

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

**Supplemental Schedule of Cash Accounts with State Treasurer
June 30, 2005**

	Central Accounting System Number	Financial Statement Balance	Outstanding Items	State Treasurer Balance
General Fund:				
On deposit with State Treasurer:				
Operating Fund	177	\$ 209,454	\$ 3,570	\$ 213,024
Acting Governor Fund	754	-	-	-
Total		<u>\$ 209,454</u>	<u>\$ 3,570</u>	<u>\$ 213,024</u>

See Auditor's Report.

State of New Mexico
 Office of the Lieutenant Governor
 Year-End Budget and Encumbrance Analysis
 June 30, 2005

	General Fund					Exhibit 7 Total
	CAS Actual FY 05	CAS Actual PY paid in 05	Valid Encumbrances	Total	Adjustments for Budgetary to Modified Accrual	
<u>Expenditures:</u>						
Personal services/Benefits	\$ 489,800	\$ -	\$ -	\$ 489,800	\$ -	\$ 489,800
Contractual services	31,509	12,937	-	44,446	(12,937)	31,509
Other costs (1)	82,255	8,355	-	90,610	(9,175)	81,435
Other financing uses	-	-	-	-	-	-
Total expenditures	<u>\$ 603,564</u>	<u>\$ 21,292</u>	<u>\$ -</u>	<u>\$ 624,856</u>	<u>\$ (22,112)</u>	<u>\$ 602,744</u>
	General Fund					Valid Encumbrances
	FY 2003	FY 2004	FY 2005	Invalid Encumbrances	Encumbrances Reclassified as Accounts Payables	
<u>Encumbrances:</u>						
Contractual services	\$ -	\$ -	\$ 2,120	\$ 2,120	\$ -	\$ -
Other costs	1,448	2,236	12,400	4,555	11,529	-
Total encumbrances	<u>\$ 1,448</u>	<u>\$ 2,236</u>	<u>\$ 14,520</u>	<u>\$ 6,675</u>	<u>\$ 11,529</u>	<u>\$ -</u>

(1) Adjusted for overpayment of \$820 that is reflected as an accounts receivable, \$3,050 for fiscal year 2004 accounts payables and \$53 for the state dated warrants in fiscal year 2003 and 2004.

See Auditor's Report.

State of New Mexico
Office of the Lieutenant Governor

Schedule of Expenditures of Federal Awards
June 30, 2005

	<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. - None)	\$ <u>38,130</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, combining, 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 \$38,130 of its federal award in the year ended June 30, 2005 and is not required to present a Schedule of Expenditure 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.

See Auditor's Report.

GOVERNMENT AUDITING STANDARDS REPORT

Zlotnick, Laws & Sandoval, P.C.

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Report on Internal Control over Financial Reporting And on Compliance and other Matters Required by Government Auditing Standards

Domingo P. Martinez, CGFM
State Auditor, and

Honorable Diane Denish
Lieutenant Governor, State of New Mexico
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund and the respective budgetary comparisons of the State of New Mexico, Office of the Lieutenant Governor, as of and for the year ended June 30, 2005, which collectively comprise the Office's basic financial statements and have issued our report thereon dated September 15, 2005. 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 State of New Mexico, Office of the Lieutenant Governor's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Zlotnick, Laws & Sandoval, P.C.

Zlotnick, Laws & Sandoval, P.C.
Certified Public Accountants

September 15, 2005

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

**Status of Prior Years Audit Findings
June 30, 2005**

Status of Prior Years Audit Findings

Finding

Status

Reversions

Resolved

Current Year Audit Findings

None.

The financial statements and notes to the financial statements were prepared by the staff of the Department of Finance and Administration - Administrative Services Division (DFA-ASD) on behalf of the Office of the Lieutenant Governor.



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

**Exit Conference
June 30, 2005**

Exit Conference

The contents of this report were discussed at an exit conference held on October 5, 2005 with the following in attendance:

Office of the Lieutenant Governor

Chris Cervini, Chief of Staff

Department of Finance and Administration

James W. Chadburn, CFO

Debra J. Griego, Director, ASD, DFA

Zlotnick, Laws & Sandoval, P.C.

Richard D. Sandoval, CPA - Partner

Donna Trujillo, CPA - Staff

We appreciate the many courtesies and assistance extended to us by the management and employees of the State of New Mexico, Office of the Lieutenant Governor and Department of Finance and Administration.