

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

Annual Financial Report  
For the Year Ended June 30, 2016

## INTRODUCTORY SECTION

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
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June 30, 2016

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STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Official Roster  
as of June 30, 2016

ADMINISTRATIVE OFFICIALS

John A. Sanchez

Lieutenant Governor

Mark Van Dyke

Chief of Staff

## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Honorable John A. Sanchez, Lieutenant Governor  
And  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the State of New Mexico, Office of the Lieutenant Governor (Office), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Office's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of the State of New Mexico, Office of the Lieutenant Governor, as of June 30, 2016, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the Office's financial statements, the individual fund financial statements, and the budgetary comparisons that collectively comprise the State of New Mexico, Office of the Lieutenant Governor basic financial statements. The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2 NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional schedules listed as "supplementary information" in the table of contents, which includes schedules required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional

schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, 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* in considering the Office's internal control over financial reporting and compliance.

  
Burt & Company CPAs, LLC

December 1, 2016



STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Management's Discussion and Analysis  
June 30, 2016

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, 2016. The MD&A also provides a discussion of significant changes in the account categories presented in the entity-wide Statement of Net Position 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 position increased by \$3,168 in fiscal year 2016 from the year ended June 30, 2015.
- Expenses during fiscal year 2016 decreased by \$75,043 and revenue decreased by \$4,800 from fiscal year 2015.
- All capital assets are fully depreciated.
- Our expenditures decreased from the prior year and remained well within our budget of \$583,400.

**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) *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 Position includes all assets, liabilities, and net position 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 (GAAP Basis)*, reports the original approved budget, final approved budget, and actual results presented on the budgetary basis of reporting for the general 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.*

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Management's Discussion and Analysis (continued)  
June 30, 2016

**Financial Analysis of the Office as a Whole:**

Condensed Financial Information:

	<b>Governmental Activities</b>	
	Current Year June 30, 2016	Prior Year June 30, 2015
<b>Statement of Position</b>		
Current assets	\$ 148,411	73,576
Capital assets	-	-
Total assets	\$ 148,411	73,576
Current liabilities	\$ 148,411	73,576
Compensated absences:		
Due in less than one year	12,055	12,481
Total current liabilities	160,466	86,057
Noncurrent liabilities:		
Compensated absences:		
Due in more than one year	10,044	6,450
Total liabilities	\$ 170,510	92,507
Net investment in capital assets	\$ -	-
Unrestricted net position	(22,099)	(18,931)
Restricted net position	-	-
Total net position	\$ (22,099)	(18,931)
<b>Statement of Activities</b>		
General revenue:		
State General Fund appropriations	\$ 583,400	588,200
Other state funds	-	-
Total revenue	583,400	588,200
Expenses: General government	(454,670)	(526,546)
Total expenses before reversions	(454,670)	(526,546)
Other financing uses: reversions	(131,898)	(56,695)
Change in net position	(3,168)	4,959
Net position, beginning of the year	(18,931)	(23,890)
Net position, end of the year	\$ (22,099)	(18,931)

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Management's Discussion and Analysis (continued)  
June 30, 2016

The financial position and results from operations for the Office of the Lieutenant Governor increased by \$3,168 in the year ended June 30, 2016. This was largely a result of a decrease in our compensated absences liabilities. Total state general fund appropriations decreased by \$4,800 from FY 15.

All capital assets have been fully depreciated. The Office did not acquire capitals assets.

Current liabilities increased by \$1,833 during the year. There was an increase of \$75,202 in reversions due to the state general fund from \$56,695 on June 30, 2015 to \$131,898 on June 30, 2016. The deficit net position of \$22,099 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, 2015 were paid in fiscal year June 30, 2016. The Office reverted the unexpended budget balances at June 30, 2016 to the state general fund by September 30, 2016, as required.

Compensated absences decreased during the year from \$18,931 at June 30, 2015 to \$22,099. There is an amount of \$10,044 considered to be 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 position at June 30, 2016 of \$22,099. 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 2017 are adequate to cover the potential disbursements.

Approved budgets from 2016 as compared to 2015 were decreased by \$4,800 from \$588,200 to \$583,400. Actual budgetary basis expenditures of \$451,502 are \$131,898 under budgeted expenditures. Expenditures relating to personal services and benefits were \$92,882 under budget, contract costs were \$34,816 under budget, and other costs were \$4,200 under budget.

**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

## BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Statement of Net Position  
June 30, 2016

	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets:	
Interest in State General Fund Investment Pool	\$ 148,411
Other receivables	-
Total current assets	<u>148,411</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	-
Total assets	<u>148,411</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	2,149
Payroll taxes payable	3,297
Payroll benefits payable	3,957
Accrued salaries	6,842
Due to other agencies	268
Due to State General Fund	131,898
Current portion of compensated absences	<u>12,055</u>
Total current liabilities	160,466
Noncurrent liabilities:	
Noncurrent portion of compensated absences	<u>10,044</u>
Total liabilities	170,510
 <b>Net Position</b>	
Net investment in capital assets	-
Unrestricted (deficit)	<u>(22,099)</u>
Total net position	<u>\$ (22,099)</u>

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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Statement of Activities  
For the Year Ended June 30, 2016

	<u>Governmental Activities</u>
<b>Expenses:</b>	
Operating and administrative	\$ <u>454,670</u>
	454,670
<b>Revenues:</b>	
Other State funds	<u>-</u>
	<u>-</u>
Net program expense	(454,670)
<b>Transfers:</b>	
State General Fund appropriations	583,400
Reversion fiscal year 2016	<u>(131,898)</u>
Total transfers	<u>451,502</u>
<b>Change in net position</b>	(3,168)
Net position, beginning of year	<u>(18,931)</u>
<b>Net position, end of year</b>	\$ <u><u>(22,099)</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, 2016

	<u>General Fund</u>
<b>Assets</b>	
Interest in State General Fund Investment Pool	\$ 148,411
Other receivables	<u>-</u>
Total assets	\$ <u>148,411</u>
<b>Liabilities and Fund Balance</b>	
Liabilities:	
Accounts payable	\$ 2,149
Payroll taxes payable	3,297
Payroll benefits payable	3,957
Accrued salaries and benefits	6,842
Due to other agencies	268
Due to State General Fund	<u>131,898</u>
Total liabilities	148,411
<b>Fund balance:</b>	
Unassigned	<u>-</u>
Total liabilities and fund balance	\$ <u>148,411</u>

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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Position  
June 30, 2016

Total fund balance for Governmental Funds	\$	-
<p>Amounts reported for governmental activities in the statement  of net position 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>(22,099)</u>
Total liabilities		<u>(22,099)</u>
Net position of governmental activities	\$	<u>(22,099)</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 Balances -  
Governmental Funds  
For the Year Ended June 30, 2016

	<u>General Fund</u>
Revenues:	
Other state funds	\$ <u>          -</u>
	-
Expenditures:	
Operating and administrative	<u>          451,502</u>
Total expenditures	<u>          451,502</u>
Excess (deficiency) of revenues over expenditures	<u>          (451,502)</u>
Other financing sources (uses):	
State General Fund appropriation	583,400
Reversion fiscal year 2016	<u>          (131,898)</u>
Total other financing sources (uses)	<u>          451,502</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 Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2016

Net change in fund balance - total governmental funds (Statement of revenues, expenditures, and changes in fund balance)	\$ -
Expenses recognized in the statement of activities, not reported in governmental funds:	
Decrease in compensated absences	<u>(3,168)</u>
Change in net position of governmental activities	<u>\$ (3,168)</u>

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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Statement of Revenues and Expenditures  
Budget and Actual (GAAP Basis)  
General Fund  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>			Variance Favorable
	<u>Original</u>	<u>Final</u>	<u>Actuals</u>	<u>(Unfavorable)</u>
Revenues:				
General Fund appropriation	\$ 586,900	583,400	583,400	-
Total revenues	<u>\$ 586,900</u>	<u>583,400</u>	<u>583,400</u>	<u>-</u>
Expenditures:				
Personal services and benefits	\$ 498,400	494,900	402,018	92,882
Contractual services	44,700	44,700	9,884	34,816
Other costs	<u>43,800</u>	<u>43,800</u>	<u>39,600</u>	<u>4,200</u>
Total expenditures	<u>\$ 586,900</u>	<u>583,400</u>	<u>451,502</u>	<u>131,898</u>
Excess revenues over expenditures			\$ <u>131,898</u>	<u>131,898</u>

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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies

The Office of the Lieutenant Governor (Office) was created by the Constitution of New Mexico, Article V, Section 1 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. 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 and may serve two consecutive terms.

The financial statements of the 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 Office has implemented GASB Statement 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, in the fiscal year ended 2002, 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 standards beginning with the fiscal year that ended June 30, 2002.

A. Financial Reporting Entity

The financial reporting entity, as defined by GASB Statement 14, as amended by GASB 61, 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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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 in the financial data of the State. The Office has no component units that are required to be reported in its financial statements.

Copies of the State of New Mexico's Comprehensive Annual Financial Report and the State General Fund's Annual Financial Report can be requested from the Department of Finance and Administration, Financial Control Division/State Controller, Bataan Memorial Building Room 320, Santa Fe, NM 87501.

B. Basic Financial Statements

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 Position, the governmental activities are presented on a consolidated basis, and are reflected on a full accrual, economic resource measurement 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 position and a statement of activities. Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide statements.

The fund financial statements, the balance sheet, and statement of revenues, expenditures, and changes in fund balances, are presented to give additional information about the Office. 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.

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements (continued)

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 General Fund, the only major fund 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**

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. The following is a description of the Governmental Funds of the Office:

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements (continued)

General Fund

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

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 Position.

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

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.

Due to the implementation of GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2013, the Office has reclassified "net assets" in the financial statements as "net position." During FY13, the Office also implemented GASBS 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASBS 62 incorporates any old FASB statements that apply to government accounting into GASB statements. Therefore, the old policy disclosure is no longer necessary, regarding what FASB pronouncements apply, or do not apply, to the Office financial statements.

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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within sixty (60) days or soon enough thereafter to be used to pay liabilities of the current period.

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

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

E. Assets, Liabilities and Equity

1. Interest in State General Fund Investment Pool

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. See Note 5 for additional information.

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 I changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods.

Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.



STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Equity (continued)

2. Capital Assets (continued)

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 hours) of such accumulated vacation leave may be carried forward into the beginning of the calendar year.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave 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 had no employees with excess accrued sick leave at June 30, 2016.

4. Fund Balance

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 by creditors or imposed by law

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Equity (continued)

4. Fund Balance (continued)

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 balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

All revenue sources appropriated to the Office are subject to the restrictions placed on them by outside funding sources, provisions of enabling legislation and applicable statutes, and by the language of legislative awards appropriated to the Office. Currently, the Office has no fund balances that should be classified as unreserved or undesignated. Once the applicable conditions have been satisfied, remaining sources revert to the original funding source.

5. Net Position

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

Net Investment in Capital Assets (net of related debt) - is intended to reflect the portion of net position which is associated with non-liquid capital assets less outstanding capital asset related debt. The Office has no debt related to capital assets.

Restricted Net Position - is net position (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Net Position - is net position that does not have third-party (statutory, bond covenant or granting agency) limitations on its use. The unrestricted deficit \$22,099 is due to recognition of compensated absences which is uncorrectable in a reverting agency.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

1. Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities and Equity (continued)

6. Deferred Outflows/Inflows of Resources (continued)

of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Office did not have any items that qualified for reporting in this category as of June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Office did not have any items that were required to be reported in this category as of June 30, 2016.

7. Use of Estimates

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

8. Inter-Fund Activity

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

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 Financial Statements  
June 30, 2016

2. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Data (continued)

1. The Office submits a proposed budget to the New Mexico State Legislature for the fiscal year commencing the following July 1<sup>st</sup>. 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. 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.

3. Detailed Notes on All Funds

A. Interest in the State General Fund Investment Pool

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

At June 30, 2016 of the Office had the following in pooled cash:

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

3. Detailed Notes on All Funds (continued)

A. Interest in the State General Fund Investment Pool (continued)

Interest in State General Fund Investment Pool \$148,411

**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 exposure to fair value losses arising from increasing interest rates. The policy is reviewed and approved annually by the New Mexico State Board of Finance.

**Credit Risk for Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

**Custodial Credit Risk-Deposit**

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Office. Therefore, collateralization of the Office's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Office is not permitted to have any investments other than what is held at the STO and the Office did not have any other investments during the year ended June 30, 2016. There is no custodial risk at the Office's level since the Office's investments are under the contract of the STO.

For further information regarding the SGFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

3. Detailed Notes on All Funds (continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Cost	June 30, 2015	Additions	Deletions	June 30, 2016
Office equipment	\$ 2,323	-	-	2,323
Furniture	3,940	-	-	3,940
Data processing	1,153	-	-	1,153
Total cost	<u>7,416</u>	<u>-</u>	<u>-</u>	<u>7,416</u>
 Accumulated depreciation				
Office equipment	(2,323)	-	-	(2,323)
Data processing	(3,940)	-	-	(3,940)
Furniture	(1,153)	-	-	(1,153)
Total accumulated depreciation	<u>(7,416)</u>	<u>-</u>	<u>-</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, 2016.

C. Accounts Payable

Accounts payable represents expenditures incurred as of June 30, 2016, but not paid until July or August 2016.

D. Due to State General Fund

Due to the State General Fund at fiscal year ending June 30, 2016 is the amount of reversion due which is \$131,898.

E. Compensated Absences

The following is a summary of changes in compensated absences:

	Balance June 30, 2015	Increase	Decrease	June 30, 2016	Due Within One Year	Due Over One Year
Annual Leave	\$ <u>18,931</u>	<u>16,068</u>	<u>12,900</u>	<u>22,099</u>	<u>12,055</u>	<u>10,044</u>

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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

3. Detailed Notes on All Funds (continued)

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, 2016 was \$2,692.

The Office has commitments for lease obligations in the following:

Fiscal Year	Total Lease
2017	\$ 276

4. Other Information

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

Pension Plan - Public Employees Retirement Association

*Plan Description* - Substantially all of the Office of the Lieutenant Governor's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article II, 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 8.92% of their gross salary. The Office of the Lieutenant Governor's is required to contribute 16.99% of the gross covered salary. The contribution requirements of plan members and the Office of the Lieutenant Governors are established in State statute under Chapter 10, Article II, 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, 2016, 2015, and 2014 were \$35,361, \$44,113, and \$44,673, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

4. Other Information (continued)

A. Retirement Plan, Deferred Compensation Plan, and Post Employment Benefits (continued)

Pension Plan - Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers

The Office, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Deferred Compensation

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all state employees and those local government and school district employees whose employers have elected to participate in the plan. The plan permits participants to defer a portion of their salary until future years.

The deferred compensation plan is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are the property of the participant.

Employees of the Office are making contributions to the Deferred Compensation Plan. Neither the Office nor the State of New Mexico makes any contributions to the Deferred Compensation plan. All contributions withheld from participants by the Office have been paid to PERA who administers the plan.

Post-Employment Benefits - State Retiree Health Care Plan

*Plan Description* - 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.



STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

4. Other Information (continued)

A. Retirement Plan, Deferred Compensation Plan, and Post Employment Benefits (continued)

Post-Employment Benefits - State Retiree Health Care Plan (continued)

The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's 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. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

4. Other Information (continued)

A. Retirement Plan, Deferred Compensation Plan, and Post Employment Benefits (continued)

Post-Employment Benefits - State Retiree Health Care Plan (continued)

to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Office of the Lieutenant Governor's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$4,163, \$5,195, and \$5,394, 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 general liability, property, and civil rights. There are no pending or known threatened legal proceedings involving material matters to which the Office is a party.

5. State General Fund Investment Pool

For cash management and investment purposes and compliance with state statute 6-10-3 (NMSA 1978), funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP or the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I, the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013.

This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

5. State General Fund Investment Pool (continued)

In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015.

The process now has been reviewed by the IPAs performing the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For FY 2016 the following assertions are provided:

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range over the last twelve months;
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP;
3. All claims will be honored at face value.

As part of the Office's cash controls, all incoming funds and outgoing disbursements are tracked to ensure transactions are properly entered into SHARE and posted to the general ledger. Additionally at year end, the Office performs a cash analysis on all funds to ensure the activity affecting the cash accounts properly reflect the ending balances at year-end. The Office also does not issue third party disbursements that may materially affect the Office's financial statements.

The Office of the Lieutenant Governor has also 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

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Notes to Financial Statements  
June 30, 2016

5. State General Fund Investment Pool (continued)

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 account 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.

6. Subsequent Events

The Office has evaluated subsequent events through December 1, 2016, the date of the Auditors' Report. In the opinion of management, no events occurring after June 30, 2016, require adjustment or disclosure to the financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Schedule of Interest in State General Fund Investment Pool  
June 30, 2016

	<u>Fund Number</u>	<u>Book Balance</u>	<u>Current Status</u>
Governmental Funds:			
Operating account	17700	\$ 148,411	Active

See Independent Auditors' Report.

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Schedule of Transfers  
June 30, 2016

	<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>583,400</u>		State General Fund appropriation
DFA - State General Fund	17700	85300		\$ <u>131,898</u>	General Fund Reversion

See Independent Auditors' Report.

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
For the Year Ended June 30, 2016

RFB#/RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work	
	There were no purchases exceeding \$60,000 (excluding GRT).								



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*

INDEPENDENT AUDITORS' REPORT

Honorable John A. Sanchez, Lieutenant Governor  
and  
Mr. Tim Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited, 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, the financial statements of the governmental activities, the major fund and the budgetary comparison of the general fund, of the State of New Mexico, Office of the Lieutenant Governor (Office) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Office's basic financial statements, and have issued our report thereon dated December 1, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Office's internal control. Accordingly, we do not express an opinion on the effectiveness of the Office's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Burt & Company CPAs, LLC

December 1, 2016

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Schedule of Findings and Responses  
June 30, 2016

I. Prior-Year Audit Findings

None.

II. Current-Year Findings Pertaining to the Financial Statements

None.

STATE OF NEW MEXICO  
OFFICE OF THE LIEUTENANT GOVERNOR  
Exit Conference  
June 30, 2016

Financial Statement Preparation

The financial statements and notes to the financial statements were prepared by the auditors of Burt & Company CPAs, LLC. However, the financial statements are the responsibility of management.

Exit Conference

An exit conference was held on December 1, 2016 to discuss the audit and contents of this report. The following individuals were in attendance:

State of New Mexico, Office of the Lieutenant Governor

Mark Van Dyke, Chief of Staff  
Julia Ruetten, DFA, ASD, CFO

Independent Auditor – Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA - Partner