



**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

MORTON
ACCOUNTING, LLC

certified public accountants | consultants

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
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June 30, 2018**

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**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Official Roster
June 30, 2018**

SENATE CHIEF CLERK'S OFFICE

Lenore Naranjo Chief Clerk
Senator Mary Kay Papen President Pro Tempore

ADMINISTRATIVE OFFICIALS

Raúl E. Burciaga Director
Kathy Pacheco-Dofflemeyer Assistant Director for Administration
Anesa Serna-Espinoza Chief Financial Officer

FINANCIAL SECTION



1512 Pacheco Street
Suite D-204
Santa Fe, NM 87505
505.303.3557 (o)

Independent Auditor's Report

Senator Mary Kay Papen, President Pro-Tempore of the Senate
Lenore Naranjo, Senate Chief Clerk
State of New Mexico, Senate Chief Clerk's Office
And
Mr. Wayne Johnson, New Mexico State Auditor

Report on the 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, Senate Chief Clerk's Office (Senate Chief Clerk) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Senate Chief Clerk's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Senate Chief Clerk's 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, the major fund (general fund), and the budgetary comparison for the general fund of the Senate Chief Clerk, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A, the financial statements of the Senate Chief Clerk are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the major fund that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and on pages vii - xi 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the Senate Chief Clerk's internal control over financial reporting and on 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 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 Senate Chief Clerk's internal control over financial reporting and compliance.



Morton Accounting Services, LLC
Santa Fe, New Mexico
October 15, 2018

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018

OVERVIEW

Our discussion and analysis of the State of New Mexico, Senate Chief Clerk's Office financial performance provide an overview of its financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the financial statements, which follow this discussion and analysis. This document will assist the reader in the following:

- Highlight significant financial issues;
- Provide an overview of the agency's financial activity;
- Identify changes in the agency's financial position;
- Identify any material deviation from the approved budget; and
- Identify issues and concerns.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the State of New Mexico, Senate Chief Clerk's Office as a whole and present a longer-term view of its finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the State of New Mexico, Senate Chief Clerk's Office's operations in more detail than the government-wide statements by providing information about the most significant funds. Financial data presented in these financial statements is for the activities of the State of New Mexico, Senate Chief Clerk's Office as a single agency. It does not purport to present the State of New Mexico as a whole.

Government-Wide Financial Statements

The government-wide financial statements report all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All current year revenues and expenses are reported regardless of when cash is received or paid.

The government-wide financial statements include all activities of the State of New Mexico, Senate Chief Clerk's Office. State General Fund appropriations finance most of these activities. The General Fund is included in the government-wide financial statements.

Fund Financial Statements

The General Fund is considered to be a major fund because only individual governmental or individual enterprise funds can be considered for major fund status. The Senate Chief Clerk's Office's governmental funds are required to be established by state law.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018**

USING THIS ANNUAL REPORT (Cont'd)

Governmental funds - All of the Senate Chief Clerk's Office's basic services are reported in governmental funds, which focus on the establishment of an appropriation by the State Legislature and the expenditures of this money in accordance with a budget. Funds not expended at the year-end revert to the State General Fund. These funds are reported using an accounting method called modified accrual, which measures cash and other financial assets that can readily be converted to cash. The difference between governmental activities and governmental funds is reconciled.

SENATE CHIEF CLERK'S OFFICE AS A WHOLE

The purpose of the Senate Chief Clerk's Office service program is to provide statutorily authorized services, including constituent services, general correspondence, public outreach and pre-session planning, through its permanent interim staff (see Section 2-14-3 NMSA 1978). The Senate leadership staff are Senate employees who work under the direction of their respective leaders and are budgeted through the Senate Chief Clerk's Office.

Condensed Statement of Net Position

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Change</u>
Assets:			
Current	\$ <u>38,499</u>	\$ <u>39,683</u>	\$ <u>(1,184)</u>
Liabilities:			
Current	\$ 84,506	\$ 84,311	\$ 195
Long-term	<u>164,733</u>	<u>154,873</u>	<u>9,860</u>
Total liabilities	<u>249,239</u>	<u>239,184</u>	<u>10,055</u>
Net Position:			
Unrestricted	<u>(210,740)</u>	<u>(199,501)</u>	<u>(11,239)</u>
Total net position	<u>(210,740)</u>	<u>(199,501)</u>	<u>(11,239)</u>
Total liabilities and net position	\$ <u>38,499</u>	\$ <u>39,683</u>	\$ <u>(1,184)</u>

As summarized in the above table, Net Position represents the difference between assets and liabilities of the Senate Chief Clerk's Office. The deficit presented in Net Position does not mean the agency overspent its funding authority. It represents the estimated future cost of compensated absences that will be funded and paid from future appropriations. Compensated absences represent the amount of accrued but unused leave time at current rates to be paid from future appropriations.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018**

SENATE CHIEF CLERK'S OFFICE AS A WHOLE (Cont'd)

The decrease in government-wide net position of \$11,239 is attributable to changes in compensated absences.

Condensed Statement of Activities

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Change</u>
Transfers:			
State General Fund transfers (net of reversion)	\$ <u>874,148</u>	\$ <u>862,386</u>	\$ <u>11,762</u>
Total transfers	<u>874,148</u>	<u>862,386</u>	<u>11,762</u>
Program expenses:			
Legislative - Administrative Services	<u>885,387</u>	<u>887,112</u>	<u>(1,725)</u>
Change in net position	(11,239)	(24,726)	13,487
Net position, beginning of year	<u>(199,501)</u>	<u>(174,775)</u>	<u>(24,726)</u>
Net position, end of year	<u><u>\$ (210,740)</u></u>	<u><u>\$ (199,501)</u></u>	<u><u>\$ (11,239)</u></u>

The Senate Chief Clerk's Office's total expenses for governmental-type activities during the fiscal year include an accrual for compensated absences. The negative change in net position does not reflect an over-expenditure of appropriated funds, but reflects the reporting difference from a budgetary basis of accounting to a full accrual method of accounting that more closely resembles for-profit businesses.

Revenues increased by \$11,762 and expenses decreased by \$1,725. The changes in revenues and expenses were due to an insignificant decrease in costs.

ANALYSIS OF FINANCIAL POSITION

The Senate Chief Clerk's Office receives 100% of its governmental funds from State General Fund appropriations from the State Legislature. These funds are expended by the Senate Chief Clerk's Office based on a budget submitted and approved by the State Legislature and the Governor. The financial position of the State of New Mexico, Senate Chief Clerk's Office has remained stable as a result of this year's operations.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018**

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The Senate Chief Clerk's Office maintains one governmental fund. The governmental fund receives an appropriation from the State Legislature and the expenditures of this money are in accordance with a budget. Unused appropriations at year end revert to the State General Fund.

The State of New Mexico, Senate Chief Clerk's Office operates one governmental fund in which all activity related to Senate Chief Clerk's Office is recorded. The following summary presents the difference between results of operations for the governmental activities in the Statement of Net Position, compared to the Statement of Revenues and Expenditures in the fund statements.

Governmental fund expenditures differs from the government-wide expenses as follows:

	<u>FY 2018</u>	<u>FY 2017</u>	<u>Change</u>
Governmental fund expenditures	\$ 874,148	\$ 862,386	\$ 11,762
Increase (decrease) in liability for compensated absences	<u>11,239</u>	<u>24,726</u>	<u>(13,487)</u>
Government-wide expenses	<u>\$ 885,387</u>	<u>\$ 887,112</u>	<u>\$ (1,725)</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The annual operating budget is monitored by the Department of Finance and Administration. Comparison of actual expenditures on a budgetary basis to approved budget amounts is presented below:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Expenditures</u>
Personal services/employee benefits	\$ 936,700	\$ 936,700	\$ 776,354
Contractual services	149,400	149,400	75,629
Other	<u>44,200</u>	<u>44,200</u>	<u>22,165</u>
Total	<u>\$ 1,130,300</u>	<u>\$ 1,130,300</u>	<u>\$ 874,148</u>

The budget is projected for the appropriation process during the legislative session. Actual amounts will vary from the projection. Any unexpended appropriations revert to the General Fund.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2018**

CAPITAL ASSET ADMINISTRATION

The Senate Chief Clerk's Office has no capital assets valued at \$5,000 and over that would be required to be capitalized and depreciated.

LONG-TERM DEBT

The Senate Chief Clerk's Office had long-term debt at June 30, 2018 for compensated absences payable (employee annual and sick leave payable) amounting to \$164,733. The long-term debt balance at June 30, 2017 was \$154,873. This was not a significant increase from the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The appropriations made for FY 2019 from the General Fund in Laws 2018, Chapter 2, Section 8 reflect a flat budget from the 2018 fiscal year-end. A 2% compensation package was also appropriated for the 2019 fiscal year from the General Fund in Laws 2018, Chapter 73, Section 8.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

The financial report is designed to provide citizens, taxpayers, customers, legislators and creditors with a general overview of the Senate Chief Clerk's Office's finances and to demonstrate the Senate Chief Clerk's Office's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact:

**Senate Chief Clerk's Office
115 State Capitol
Santa Fe, NM 87501
(505) 986-4714
lenore.naranjo@nmlegis.gov**

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Statement of Net Position
June 30, 2018**

	<u>Governmental Activities</u>
Assets:	
Interest in the State Treasurer General Fund Investment Pool (note 2)	\$ <u><u>38,499</u></u>
Liabilities:	
Accounts payable	\$ 6,832
Accrued salaries payable	13,445
Payroll taxes payable	6,514
Payroll benefits payable	11,708
Due to State General Fund (note 4)	-
Compensated absences payable (note 3)	
Due within one year — current	46,007
Due after one year — long-term	<u>164,733</u>
Total liabilities	<u>249,239</u>
Net Position:	
Unrestricted (deficit)	<u>(210,740)</u>
Total liabilities and net position	\$ <u><u>38,499</u></u>

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

STATE OF NEW MEXICO
 SENATE CHIEF CLERK'S OFFICE
 Statement of Activities
 For the Year Ended June 30, 2018

	<u>Governmental Activities</u>
Expenses:	
Legislative Program	\$ 885,387
Transfers:	
Transfer in - State General Fund appropriations (note 5)	1,130,300
Reversions to State General Fund - FY 2018 (note 4)	<u>(256,152)</u>
Total transfers	<u>874,148</u>
Change in net position	(11,239)
Net Position:	
Net position, beginning of year	<u>(199,501)</u>
Net position, end of year	<u><u>\$ (210,740)</u></u>

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

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Balance Sheet
Governmental Funds
June 30, 2018**

	Fund 74300 General Fund
Assets:	
Interest in the State Treasurer General Fund Investment Pool (note 2)	\$ <u>38,499</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 6,832
Accrued salaries payable	13,445
Payroll taxes payable	6,514
Payroll benefits payable	11,708
Due to State General Fund (note 4)	<u>-</u>
Total liabilities	<u>38,499</u>
Fund Balance:	
Unassigned	<u>-</u>
Total liabilities and fund balances	<u>\$ 38,499</u>

Amounts reported for governmental activities in the Statement of Net Position (Exhibit A) differ because:

Fund Balances - Governmental Funds (Exhibit C)	\$ -
Compensated absences accrued in the government-wide financial statements, but not due and payable at fiscal year-end	<u>(210,740)</u>
Net position of Governmental Activities (Exhibit A)	<u>\$ (210,740)</u>

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

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2018**

	<u>Fund 74300 General Fund</u>
Expenditures:	
Legislative:	
Current:	
Personal services and employee benefits	\$ 776,354
Contractual services	75,629
Other costs	<u>22,165</u>
Total expenditures	<u>874,148</u>
Other Financing Sources (uses):	
Transfers:	
State General Fund appropriations (note 5)	1,130,300
Reversions to State General Fund - fiscal year 2018 (note 4)	<u>(256,152)</u>
Total other financing sources (uses)	<u>874,148</u>
Net change in fund balance	-
Fund Balance:	
Fund balance, beginning of year	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) differ because:

Net Change in Fund Balance - Total Governmental Funds (Exhibit D)	\$ -
<p>Accrued compensated absences are not recorded as liabilities in the governmental funds. However, for government activities, these costs are shown in the Statement of Net Position and the changes in the liability are recorded as a reduction or increase in the current personal services category.</p>	
Change in accrued compensated absences	<u>(11,239)</u>
Change in Net Position - Governmental Activities (Exhibit B)	<u><u>\$ (11,239)</u></u>

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

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)
General Fund (Fund 74300)
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund	\$ <u>1,130,300</u>	\$ <u>1,130,300</u>	\$ <u>1,130,300</u>	\$ <u>-</u>
Total revenues	\$ <u><u>1,130,300</u></u>	\$ <u><u>1,130,300</u></u>	\$ <u><u>1,130,300</u></u>	\$ <u><u>-</u></u>
Expenditures:				
Personal services and employee benefits	\$ 936,700	\$ 936,700	\$ 776,354	\$ 160,346
Contractual services	149,400	149,400	75,629	73,771
Other	<u>44,200</u>	<u>44,200</u>	<u>22,165</u>	<u>22,035</u>
Total expenditures	\$ <u><u>1,130,300</u></u>	\$ <u><u>1,130,300</u></u>	\$ <u><u>874,148</u></u>	\$ <u><u>256,152</u></u>
Reconciliation of GAAP basis to budget basis:			<u>Revenues</u>	<u>Expenditures</u>
GAAP basis			\$ 1,130,300	\$ 874,148
Adjustments:				
None			<u>-</u>	<u>-</u>
Budget basis			\$ <u><u>1,130,300</u></u>	\$ <u><u>874,148</u></u>

Note: The actual expenditures on the budget basis for FY 2018 do not include any accounts payable that required a request to pay prior year bills out of the FY 2019 budget.

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

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018

1. Summary of Organization and Significant Accounting Policies

The financial statements of the State of New Mexico, Senate Chief Clerk's Office (Senate Chief Clerk) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements for the year ended June 30, 2018 represent fiscal year 2018 of the Senate Chief Clerk. The more significant accounting policies of the Senate Chief Clerk are described below:

A. Financial Reporting Entity

The Senate Chief Clerk's Office's Interim Funds of the Senate was created by Laws 1993, Chapter 3, Sections 1 through 4 (Sections 2-14-1 through 2-14-4 NMSA 1978).

During the interim, the chief clerk elected by the Senate shall perform the following duties:

1. assistance with general correspondence, within guidelines of the Legislative Council;
2. conduct pre-session training for the staff of the respective houses;
3. perform pre-session duties necessary to assist the legislature in preparing for session in accordance with directions of the Legislative Council and in coordination with the Senate Chief Clerk;
4. perform routine legislative requests for constituents regarding the availability of and access to existing programs and services of state government within guidelines established by the Legislative Council;
5. maintain accurate inventories of the property of the respective houses in cooperation with the Legislative Council Service;
6. perform public outreach functions necessary to educate the public about the legislature and the respective houses, including coordinating with the Public Education Department and post-secondary educational institutions on educational program development regarding the legislative branch of government;
7. serve on the coordinating group of the integrated legislative information system; and
8. receive requests from members of the Senate for changes affecting the members' office spaces in the State Capitol prior to the request being presented to the building subcommittee of the Legislative Council.

The Senate Chief Clerk is a component unit of the primary government, the State of New Mexico. These financial statements present the financial position and results of operations of only those Statewide Human Resources, Accounting and Management Reporting System (SHARE) funds over which the Senate Chief Clerk has oversight responsibility. The Senate Chief Clerk does not have any fiduciary funds or component units.

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018

1. Summary of Organization and Significant Accounting Policies (Continued)

B. Basic Financial Statements - Government-Wide Statements

The Senate Chief Clerk's basic financial statements include both government-wide (reporting the Senate Chief Clerk as a whole, excluding fiduciary activities) and fund financial statements (reporting the Senate Chief Clerk's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental. The Senate Chief Clerk's general fund is classified as a governmental activity.

In the government-wide Statement of Net Position, the governmental column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Senate Chief Clerk's net position is reported as unrestricted net position.

The government-wide Statement of Activities reports the gross cost of the Senate Chief Clerk's function. The function is supported by legislative revenues (intergovernmental revenues). This government-wide focus is more on the sustainability of the Senate Chief Clerk as an entity and the change in the Senate Chief Clerk's net position resulting from the current year's activities. When an expense is incurred for purposes for which both unrestricted and restricted net position are available, restricted net position is used first, then unrestricted.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Senate Chief Clerk are reported in the individual fund financial statements. The accounts of the Senate Chief Clerk are maintained on the basis of funds as established by state statutes or account groups, 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 and expenditures. Government resources are allocated to and accounted for in individual funds based on the appropriate state statutes and the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are utilized by the Senate Chief Clerk:

Governmental Funds

The focus of the governmental funds measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Senate Chief Clerk:

General Fund - The General Fund (Fund 74300) is the general operating fund and only major fund of the Senate Chief Clerk. The fund is used to account for all financial resources except those required to be accounted for in another fund. Unexpended and uncommitted appropriations remaining in this fund at year end revert to the State General Fund.

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018

1. Summary of Organization and Significant Accounting Policies (Continued)

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses 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 governmental fund of the Senate Chief Clerk follows FASB statements and interpretations.

Accrual

Governmental activities in the government-wide financial statements are presented using the economic resources focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on a current financial resource measurement focus using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

E. Interest in the State Treasurer General Fund Investment Pool

Pooled cash and investments are on deposit with the State of New Mexico, Office of the State Treasurer General Fund Investment Pool. The State Treasurer's scope of authority for the types of investments that may be made with state funds is statutorily defined and governed by the State Treasurer's Investment Policy approved by the State Board of Finance.

F. Net Position/Fund Balances

Net position represents the difference between assets and liabilities. In the government-wide financial statements, net position consists of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Senate Chief Clerk has no capital assets and no restricted assets; therefore, all remaining net position is reported as unrestricted.

The Senate Chief Clerk follows GASB Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definition*.

Governmental fund balances are divided into five classifications based on the extent to which government is bound to honor constraints on the specific purposes for which amounts in that fund can be spent.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018**

1. Summary of Organization and Significant Accounting Policies (Continued)

F. Net Position/Fund Equity/Fund Balances (Continued)

Non-spendable are the most limited amounts that are legally or contractually required to stay intact.

The spendable fund categories can be depicted as follows:

Restricted are amounts that are so due to enabling legislation or constitutional provisions or are externally imposed by grantors, contributors, laws or regulations of other governments or by creditors, such as through debt covenants.

Committed are amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and removal of the constraint would require a formal action by the same authority.

Assigned consists of amounts that are intended to be used for a specific purpose established by the government's highest level of decision-making authority, or its designated body or official. The purpose of the assignment must be narrower than the general fund; assigned fund balance represents the residual amount in the fund balance.

Unassigned represents the residual amount after all classifications have been considered for the government's general fund, and could report a surplus or a deficit.

The Senate Chief Clerk would typically use *restricted* fund balances first, followed by *committed* resources, and then *assigned* resources, as appropriate opportunities arise, but reserves the right to selectively spend *unassigned* resources first to defer the use of these other classified funds.

G. Capital Assets

Capital assets are recorded as expenditures in the governmental funds and capitalized at cost in the Statement of Activities. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: furniture and fixtures, 5-12 years. During the 2005 Regular Legislative Session, House Bill 1074 amended Section 12-6-10 NMSA 1978, changing the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000 effective June 17, 2005.

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018

1. Summary of Organization and Significant Accounting Policies (Continued)

H. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Compensated Absences Payable

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities. The expenditure is reported for these amounts in the Statement of Activities. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that employees may convert to cash.

The Senate Chief Clerk recognizes the liabilities for compensated absences meeting the requirements of accrual as of year-end. The compensated absences payable have been valued using current pay levels. All compensated absences are considered to be paid out of subsequent year resources. (See also Note 3.)

J. Budgetary Procedures and Accounting

The Senate Chief Clerk follows these procedures in establishing the budgetary data reflected in the financial statements:

The State Legislature makes annual appropriations for the Senate Chief Clerk. Legal compliance is monitored through the establishment of a budget and a financial control system that permits budget-to-actual comparison. Expenditures by "appropriation unit" may not legally exceed appropriations. Budgeted line-item classifications may be amended upon submission of a budget adjustment request form to the State Budget Division to process.

The basis of accounting for the budget, as appropriated by the State Legislature and processed by the State Budget Division, differs from the basis of accounting required by GAAP. The budget for the General Fund is adopted on a modified accrual basis of accounting. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior-year bills out of the FY 2019 budget.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018**

1. Summary of Organization and Significant Accounting Policies (Continued)

J. Budgetary Procedures and Accounting (Continued)

Reconciling items between the budget basis to GAAP basis of accounting are reflected in the Statement of Revenue and Expenditures - Budget and Actual. All of the unexpended and uncommitted appropriations made to the Senate Chief Clerk revert to the State General Fund, unless specifically excluded in the appropriation language along with any unappropriated miscellaneous revenue.

2. Interest in the State Treasurer General Fund Investment Pool

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

Pooled cash and investments of \$38,499 are on deposit with the State of New Mexico, Office of the State Treasurer General Fund Investment Pool. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Pooled cash and investments are composed of the reconciled account balance at the State of New Mexico, Office of the State Treasurer, Senate Interim account #74300.

The June 30, 2018 State Treasurer's General Fund Investment Pool audited financial statements were not available as of October 15, 2018. Based on the State Treasurer's unaudited information, the management of the Senate Chief Clerk has presented pooled cash and investments at a value that approximates fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

<u>Name of Depository</u>	<u>Account Name</u>	<u>Agency Number</u>	<u>SHARE Fund #</u>	<u>Balance per Depository Investment Pool</u>	<u>Balance per Books</u>
State Treasurer	State of NM Senate Chief Clerk	11400	74300	\$38,499	\$38,499

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. This policy is reviewed and approved annually by the State Board of Finance.

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

For additional GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018

2. Interest in the State Treasurer General Fund Investment Pool (Continued)

State General Fund Investment Pool

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (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.

As provided for in Chapter 8, Article 6 NMSA 1978, the State Treasurer shall receive and keep all money of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the state's bank. Agency cash receipts are deposited with the STO and pooled in a State Investment Fund. When amounts are greater than immediate needs, they are placed into short-term investments. When agencies make payments to vendors and employees, they are made from this Pool and their claims on the Pool are reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the Pool to the associated resources held by the State Treasurer's Office, is now in its fourth year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the department fully compliant with requirements of the monthly process.

The following assertions are provided:

1. As of June 30, 2018, resources held in the Pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

The Senate Chief Clerk has reconciliation policies and procedures in place that are performed on a monthly basis to ensure that the agency's cash balances in the Pool, in SHARE, are correct and to mitigate the risk that the agency's cash balances in the Pool would not be misstated as of June 30, 2018.

3. Long-Term Liabilities

Qualified employees are entitled to accumulate annual leave as follows: Unlimited accumulated annual leave may be carried forward into the beginning of the calendar year. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, generally up to a maximum of 240 hours. However, it has been the accepted practice in coordination with and approval of leadership that, under extenuating circumstances, compensation for accumulated unpaid leave may exceed 240 hours for reasons including timing and circumstances of the termination (e.g., session or changes in chief clerk or leadership), availability of funding from one fiscal year to the next and the needs of the legislative office from which the employee is terminating.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018**

3. Long-Term Liabilities (Continued)

Qualified employees are entitled to accumulate sick leave at the rate of 3.69 hours per pay period. Employees who have accumulated 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to 50% of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July.

Immediately prior to retirement from the service, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to 50% of their hourly rate for up to 400 hours of sick leave.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	<u>Balance 6/30/2017</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 06/30/2018</u>
Compensated absences	\$ 199,501	\$ 50,238	\$ (38,999)	\$ 210,740
Current	\$ 44,628			\$ 46,007
Long-term	<u>154,873</u>			<u>164,733</u>
	<u>\$ 199,501</u>			<u>\$ 210,740</u>

The General Fund is used to liquidate long-term liabilities.

4. Reversions and Due to State General Fund

Reversions and the amount Due to the State General Fund from unused appropriations are composed of the following at June 30, 2018:

Due to State General Fund, June 30, 2018	\$ -
Additions:	
Reversion - FY 2018 - Unexpended budget balance	256,152
Deletions:	
Payments - FY 2018 - Transfer to State General Fund for FY 2018	<u>(256,152)</u>
Due to State General Fund, June 30, 2018	<u>\$ -</u>

The State General Fund appropriation was \$1,130,300, and the unexpended portion was \$256,152, for a net State General Fund appropriation of \$874,148.

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018**

5. Transfers

Inter-agency transfers for the year ended June 30, 2018 consist of the following:

<u>To</u>		<u>From</u>		<u>Purpose</u>
<u>Agency/Fund</u>	<u>Amount</u>	<u>Agency/Fund</u>	<u>Amount</u>	
11400/74300	\$ 1,130,300	34101/85300	\$ 1,130,300	General Fund appropriation (Laws 2017, 1 st Special Session, Chapter 2, Section 4(A)).

6. Pension Plan - Public Employees Retirement Association

The Senate Chief Clerk, 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. 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 the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, NM 87501.

7. Post-Employment Benefits - State Retiree Health Care Plan

Compliant with the requirements of GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The Senate Chief Clerk, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit post-employment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other post-employment benefits (OPEB) plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB plan net position, resulting in a net OPEB liability. The state has determined the state's share of the net OPEB liability to be a liability of the state as a whole, rather than any agency or department of the state, and the liability will not be reported in the department of agency level financial statements of the state. All required disclosures will be presented in the CAFR of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows or resources of the primary government will be contained in the State of New Mexico CAFR for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Notes to the Financial Statements
June 30, 2018

8. Risk Management and Litigation

The Senate Chief Clerk obtains coverage through the State of New Mexico's Risk Management Division of the General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the Tort Claims Act. All Senate Chief Clerk employees are covered by a blanket fidelity bond with a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico.

The Senate Chief Clerk is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (workers' compensation, unemployment compensation, employee liability and transportation property) with the Risk Management Division.

Risk Management

The Senate Chief Clerk, as a state agency defined in the Tort Claims Act, is insured through the Risk Management Division. The Senate Chief Clerk pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. liability and civil rights protection for claims made by others against the State of New Mexico;
2. coverage to protect the State of New Mexico's property and assets; and
3. fringe benefit coverage for State of New Mexico employees.

The Senate Chief Clerk's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, there are no known or threatened legal proceedings involving material matters to which the Senate Chief Clerk is a party and/or believes that the outcome of pending litigation would have a materially adverse effect on the financial position or operations of the Senate Chief Clerk. In addition, for the years ended June 30, 2018, 2017 and 2016, the Senate Chief Clerk had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Senate Chief Clerk.

COMPLIANCE



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Independent Auditor's 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*

Senator Mary Kay Papen, President Pro-Tempore of the Senate
Lenore Naranjo, Senate Chief Clerk
State of New Mexico, Senate Chief Clerk's Office
And
Mr. Wayne Johnson, New Mexico State Auditor

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 for the general fund of the State of New Mexico, Senate Chief Clerk (Senate Chief Clerk) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Senate Chief Clerk's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Senate Chief Clerk'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Senate Chief Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Senate Chief Clerk'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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Senate Chief Clerk's financial statements are free from 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.

A handwritten signature in blue ink that reads "Morton Accounting Services, LLC". The signature is written in a cursive, flowing style.

Morton Accounting, LLC
Santa Fe, New Mexico
October 15, 2018

**STATE OF NEW MEXICO
SENATE CHIEF CLERK'S OFFICE
Schedule of Findings and Responses
June 30, 2018**

I. PRIOR-YEAR AUDIT FINDINGS

a. Repeated in current-year

None

b. Resolved and not included in current-year

None

II. CURRENT-YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED

None

STATE OF NEW MEXICO
Senate Chief Clerk's Office
Financial Statement Preparation and Exit Conference
June 30, 2018

Financial Statement Preparation

The financial statements were prepared by the Legislative Council Service staff. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

Exit Conference

An exit conference was held on October 15, 2018 to discuss the audit. The following individuals were in attendance:

State of New Mexico - Senate Chief Clerk's Office

Senator Mary Kay Papen, President Pro Tempore of the Senate
Lenore Naranjo, Senate Chief Clerk
Raúl E. Burciaga, Director, Legislative Council Service
Kathy Pacheco-Dofflemeyer, Assistant Director for Administration, Legislative Council Service
Anesa Serna-Espinoza, Chief Financial Officer, Legislative Council Service
Angie Garcia, Finance-Senate

Audit Firm (Morton Accounting Services, LLC)

Janet Pacheco-Morton, CPA, CGFM