

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE**

**Annual Financial Report
For the Year Ended June 30, 2008**

(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

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LEGISLATIVE COUNCIL SERVICE
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June 30, 2008

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**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Official Roster**

June 30, 2008

Legislative Council Members

Sen. Timothy Z. Jennings	Co-Chairman
Rep. Ben Lujan	Co-Chairman
Sen. Pete Campos	Member
Sen. Kent L. Cravens	Member
Sen. Carlos R. Cisneros	Member
Rep. Daniel R. Foley	Member
Sen. Stuart Ingle	Member
Sen. John T.L. Grubestic	Member
Rep. Rhonda S. King	Member
Rep. W. Ken Martinez	Member
Rep. Rick Miera	Member
Sen. Leonard Lee Rawson	Member
Sen. Michael S. Sanchez	Member
Rep. Sheryl Williams Stapleton	Member
Rep. Jeannette O. Wallace	Member
Rep. Thomas C. Taylor	Member

Administrative Officials

Paula Tackett	Director
Kathy Pacheco-Dofflemeyer	Asst. Director for Administration
John Yeager	Asst. Director For Legislative Affairs
Raul Burciaga	Asst. Director For Drafting Services

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

State of New Mexico
Legislative Council Service
Santa Fe, New Mexico
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities and each major fund of the State of New Mexico, Legislative Council Service (Council), as of and for the year ended June 30, 2008, which collectively comprise the State of New Mexico, Legislative Council Service's basic financial statements as listed in the table of contents. We also have audited the combining and individual fund financial statements presented as supplemental information as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Legislative Council Service's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A., the financial statements of the State of New Mexico, Legislative Council Service, are intended to present the financial position and changes in financial position of only that portion of the governmental activities and each major fund of the State of New Mexico that is attributable to the transactions of the State of New Mexico, Legislative Council Service. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the State of New Mexico, Legislative Council Service, as of June 30, 2008, and the respective changes in financial



position thereof and the respective budgetary comparisons for the general fund and Capital Building Repair special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the respective financial position of the Council Services and Building Services SHARE funds of the State of New Mexico, Legislative Council Service as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated October 31, 2008, on our consideration of the State of New Mexico, Legislative Council Service'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages vii through xv are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 31, 2008

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2008**

OVERVIEW

Our discussion and analysis of the State of New Mexico, Legislative Council Service's financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2008. 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 Council Service's financial activity;
- Identify changes in the Council Service'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 Assets and the Statement of Activities provide information about the State of New Mexico, Legislative Council Service 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, Legislative Council Service'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, Legislative Council Service as a single agency. It does not purport to represent the State of New Mexico as a whole.

In compliance with requirements of accounting principles generally accepted in the United States of America (GAAP) for governmental entities, the Council Service's basic financial statements include the:

- (1) Government-wide financial statements;
- (2) Fund financial statements;
- (3) Notes to financial statements

Reporting on the Council Service as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Council Service's finances which is similar to the accounting used by most private-sector companies. The government-wide financial statements report all assets and liabilities with the difference between the two reported as net assets, using the accrual basis of accounting in the Statement of Net Assets (Exhibit A).

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2008**

Reporting on the Council Service as a Whole (Cont'd)

Government-Wide Financial Statements

The *Statement of Activities* (Exhibit B) presents information on how the Council Service's net assets changed during the most recent fiscal year. Changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are included in this statement for some items that will result in cash flows in future fiscal periods (e.g. earned but unused vacation leave and uncollected accounts receivable).

The government-wide financial statements include all activities of the State of New Mexico, Legislative Council Service. Capital assets are included in these financial statements. State general fund appropriations finance most of these activities.

In the Statement of Net Assets and Statement of Activities, the Council Service reports governmental activities since there are no business-type activities or component units.

Reporting on the Council Service's Most Significant Funds

Governmental Activities - Fund Financial Statements

Governmental Funds - All of the Council Service'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 accounting, which measures cash and other financial assets that can readily be converted to cash. The difference between governmental activities and governmental funds are reconciled.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council Service uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows and spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented by governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Council Service's near-term financing

**STATE OF NEW MEXICO
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Fund Financial Statements (Cont'd)

decisions. Both of the governmental funds **Balance Sheet** (Exhibit C) and the governmental funds **Statements of Revenue, Expenditures and Changes in Fund Balances** (Exhibit D) provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council Service maintains its fund structure in the Statewide Human Resources, Accounting and Management Reporting (SHARE) system. The Council Service maintains one general fund that is comprised of two accounts, the Council Service Account (Fund #12900) and the Building Services Account (Fund #13200), and one special revenue fund, Capitol Buildings Repair Fund (Fund #07500).

The Council Service adopts an annual appropriated budget for its general fund and special revenue fund. A budgetary comparison statement has been provided for the funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits C through G of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 8 through 18 of this report.

Budgetary Comparisons

The budget comparison information required by GASB #34 for the major governmental funds and non-major governmental funds that have legally adopted annual budgets are presented on Exhibits F and G, and Statements 3 through 5. The budgetary comparisons present both the original and final budgets for the reporting period as well as the actual inflows, and balances, stated on a budgetary basis.

THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE

The purpose of the Legislative Council Service program is to provide nonpartisan, confidential assistance to the legislature and its committees. This program includes information, bill drafting, and administrative services as well as organizational, research, clerical and support services for members and interim committees, and some services for other legislative agencies, standing committees and other state agencies, as well as the public.

The Council Service's net assets increased by \$3,339,207 from a year ago, increasing from \$35,291,453 to \$38,630,660. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Council Service's governmental activities.

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LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2008**

THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Cont'd)

Table 1

Condensed Net Assets - Governmental Activities

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
<u>Assets</u>			
Current	\$ 6,368,597	\$ 2,312,726	\$ 4,055,871
Capital assets (net of depreciation)	<u>33,818,135</u>	<u>35,032,953</u>	<u>(1,214,818)</u>
Total assets	<u>40,186,732</u>	<u>37,345,679</u>	<u>2,841,053</u>
<u>Liabilities</u>			
Current	667,780	544,875	122,905
Due to other state agencies	-	174,197	(174,197)
Due to State General Fund	786,373	1,236,186	(449,813)
Long-term	<u>101,919</u>	<u>98,968</u>	<u>2,951</u>
Total liabilities	<u>1,556,072</u>	<u>2,054,226</u>	<u>(498,154)</u>
<u>Net Assets</u>			
Invested in capital assets	33,818,135	35,032,953	(1,214,818)
Restricted for subsequent years' expenditure	5,207,832	25,000	5,182,832
Unrestricted	<u>(395,307)</u>	<u>233,500</u>	<u>(628,807)</u>
Total net assets	<u>\$ 38,630,660</u>	<u>\$ 35,291,453</u>	<u>\$ 3,339,207</u>

As summarized in the above table, Net Assets represent the differences between assets and liabilities of the Council Service.

Current assets increased by \$4,055,871, or 175.4% from a year ago. This is mainly attributable to an increase of cash amounting to \$3,974,523. This is a direct result of \$4,500,000 of capitol building renovation funds appropriated to the Building Services Fund for expenditure in FY 2007 through FY 2011. Current assets of \$6,368,597 consist mostly of cash (\$6,262,099). Current liabilities decreased by \$501,105, or 25.63% from a year ago. This is mainly attributable to the decrease in the amount due to the State General Fund of \$499,813, and a decrease in due to other state agencies of \$174,197 due to payroll tax liability and other third-party payroll liability errors which were caused by posting errors in the SHARE accounting system.

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THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Cont'd)

Liabilities of \$1,556,072 constitute 3.87% of total assets and consist primarily of account payable (\$103,055) i.e., money that the Council Service is obligated to pay, but has not yet been transformed into warrants or wire transfers as of the close of the fiscal year; accrued salaries payable (\$125,426); payroll taxes payable (\$53,972); payroll benefits payable (\$91,789); due to the State General Fund (\$786,373); and, compensated absences payable (\$395,457).

Net assets may over time serve as a useful indicator of a government's financial position. In the case of the Council Service, a net asset balance is reported at the close of the most recent fiscal year.

The Council Service reports balances in the following three categories of net assets; (1) invested in capital assets; and (2) restricted, and (3) unrestricted. The invested in capital assets balance is positive and the unrestricted balance is in a deficit. The Council Service has restricted net assets of \$5,207,832 restricted for subsequent years' expenditures.

The Council Service uses capital assets to provide its services; consequently, these assets are not available for future spending.

This significant increase in net assets of \$3,339,207 was the result of the \$4,500,000 of capitol building renovation funds appropriated to the Building Services Fund which has not yet been expended

Table 2

Condensed Changes in Net Assets - Governmental Activities

This table shows the components that increased, in the aggregate, the Council Service's net assets by \$3,339,207, primarily from the \$4,500,000 of capitol building renovation funds appropriated to the Building Services Fund for planning, designing, constructing and renovating the capitol north and limited renovations at the capitol to provide for currently identified space needs of legislative staff and developing long-range plans to address long-term space needs for all agencies at the capitol.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
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THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Cont'd)

Table 2

Condensed Changes in Net Assets - Governmental Activities (Cont'd)

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
Revenues:			
General revenues:			
Bond proceeds	\$ 75,000	\$ -	\$ 75,000
Interest on investments	-	45	(45)
Miscellaneous revenue	14,293	33,118	(18,825)
Loss on disposal of equipment	(8,305)	(940)	(7,365)
Transfers:			
State General Fund appropriations (net of reversions)	8,472,728	7,110,414	1,362,314
Operating transfers in	393,915	808,814	(414,899)
Special appropriations	4,500,000	-	4,500,000
Transfers in - capital assets	76,467	-	76,467
	<u>13,524,098</u>	<u>7,951,451</u>	<u>5,572,647</u>
Program expenses:			
General government	8,901,912	7,900,113	1,001,799
Collection acquisitions	-	-	-
Depreciation expense	1,282,979	1,373,756	(90,777)
	<u>10,184,891</u>	<u>9,273,869</u>	<u>911,022</u>
Change in net assets	<u>3,339,207</u>	<u>(1,322,418)</u>	<u>4,661,625</u>
Net assets, beginning (as reported)	35,291,453	431,016	34,860,437
Restatements:			
Prior-period adjustments	-	36,182,855	(36,182,855)
Net assets beginning (as restated)	<u>35,291,453</u>	<u>36,613,871</u>	<u>(1,322,418)</u>
Net assets, ending	<u>\$ 38,630,660</u>	<u>\$ 35,291,453</u>	<u>\$ 3,339,207</u>

The Council Service's governmental activities general revenue increased significantly by \$5,572,647 from a year ago, primarily from the \$4,500,000 in capitol building renovation funds appropriated to the Building Services Fund.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
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June 30, 2008**

THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Cont'd)

The cost of governmental activities was \$10,184,891 compared to \$9,273,869 last year, or an increase of \$911,869 (9.82%).

THE COUNCIL SERVICE'S FUNDS

As the Council Service completed the year, the governmental funds (as presented in the Balance Sheet, Exhibit C, page 3) reported a combined fund balance of \$5,207,982, which is above last year's combined fund balance of \$610,027, an increase of \$4,597,955 (653.7%). This is mainly attributable to the addition of the \$4,500,000 capitol building renovation funds which were appropriated and which have not yet been expended as of June 30, 2008. The fund balance of the Council Service's general fund increased by \$4,462,047, resulting from the same. The fund balance of the Capitol Buildings Repair Special Revenue Fund increased insignificantly by \$135,908. This fund was not included in any other legislative agency financial statements and was brought into the Legislative Council during the previous year. The fund balance remaining at year end is reserved for expenditure in the subsequent fiscal year.

General Fund Budgetary Highlights

The General Fund is comprised of the Council Service Fund account and the Building Services Fund account. Funding is from the State General Fund. The annual operating budget is monitored by the Department of Finance and Administration. There was no change from the total of the original approved budget of \$14,030,400 to the final revised budget for the year.

The Council Service requested two budget adjustment requests. Comparison of actual expenditures on a budgetary basis to approved budget amounts is presented below:

	<u>Original Budget</u>	<u>Budget Adjustment Request</u>	<u>Budgeted Amount</u>	<u>Actual Amount</u>
Personal services/employee benefits	\$ 7,003,000	\$ (150,000)	\$ 6,853,000	\$ 6,305,272
Contractual services	1,543,000	150,000	1,693,000	587,035
Other	5,459,400	-	5,459,400	1,965,674
Other financing sources	25,000	-	25,000	-
Total	\$ 14,030,400	\$ -	\$ 14,030,400	\$ 8,857,981

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.

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LEGISLATIVE COUNCIL SERVICE
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June 30, 2008**

Capital Buildings Repair Fund Budgetary Highlights

There was no budget for the Capitol Buildings Repair Special Revenue Fund (Fund 07500). The Fund was transferred into the Council Service during the previous year. The fund balance is reserved for subsequent years' expenditures and will be budgeted in the subsequent fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the Council Service had \$58,713,207 invested in capital assets, accumulated depreciation of (\$24,895,072); resulting in net capital assets of \$33,818,035. The majority of the Council Service's capital assets are invested in land (\$1,277,372), and buildings and building improvements of \$56,793,875.

Current year additions of capital assets were insignificant, \$76,467. Deletions of capital assets were also insignificant, \$46,225.

**Capital Assets at Year End
(Net of Depreciation)**

	Governmental Activities	
	<u>2008</u>	<u>2007</u>
<u>Non-Depreciable</u>		
Land	\$ 1,277,372	\$ 1,277,372
Artwork and books	<u>124,275</u>	<u>124,275</u>
	<u>1,401,647</u>	<u>1,401,647</u>
<u>Depreciable</u>		
Furniture and equipment	183,622	158,038
Buildings	-	-
Building improvements	<u>32,232,866</u>	<u>33,473,268</u>
Total	<u>32,416,488</u>	<u>33,631,306</u>
Total governmental activities capital assets, net	<u>\$ 33,818,135</u>	<u>\$ 35,032,953</u>

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LEGISLATIVE COUNCIL SERVICE
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Debt

At the end of the current fiscal year, the Council Service had total debt outstanding of \$268,371, comprising accumulated balances for terminal and sick leave eligible for payment to employees upon termination of their employment from the Council Service. Employees can receive compensation for a maximum of 240 hours upon severance. More information about the Council Service's changes in compensated absences is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2009 appropriation included budget increases for salaries and benefits to the Council Service.

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 Agency's finances and to demonstrate the Agency's accountability for the funds it receives. If you have any questions about this report or need additional financial information please contact:

**New Mexico Legislative Council Service
411 State Capitol
Santa Fe, NM 87501
(505) 986-4600
lcs@nmlegis.gov**

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Net Assets
June 30, 2008**

Assets:

Investment in the State Treasurer General Fund Investment Pool (note 2)	\$ 6,262,099
Petty cash	150
Due from other state agencies	81,348
Due from State General Fund (note 3)	25,000
Land (note 4)	1,277,372
Artwork and books (note 1 and 4)	124,275
Depreciable buildings, property and equipment (net of accumulated depreciation) (note 4)	<u>32,416,488</u>
 Total assets	 <u>40,186,732</u>

Liabilities:

Accounts payable	103,055
Accrued salaries payable	125,426
Payroll taxes payable	53,972
Payroll benefits payable	91,789
Due to State General Fund (note 6)	786,373
Compensated absences: (note 5)	
Due within one year	293,538
Due after one year	<u>101,919</u>
 Total liabilities	 <u>1,556,072</u>

Net Assets:

Invested in capital assets	33,818,135
Restricted for subsequent years' expenditure	5,207,832
Unrestricted	<u>(395,307)</u>
 Total net assets	 <u>\$ 38,630,660</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Activities
For the Year Ended June 30, 2008**

Expenses:	
Legislative	\$ 8,901,911
Depreciation	<u>1,282,979</u>
Total expenses	<u>10,184,890</u>
Net (program expense) revenue	<u>(10,184,891)</u>
General revenues and transfers:	
Bond proceeds	75,000
Miscellaneous revenue	14,293
Interest on investments	
Loss on disposal of equipment	<u>(8,305)</u>
Total general revenues	<u>80,988</u>
Transfers:	
State General Fund appropriations	9,258,100
Compensation appropriation	272,300
Special appropriations	4,500,000
Operating transfers in (note 7)	121,615
Reversion-Fiscal Year 2008	(785,372)
Transfer in-capital assets	<u>76,467</u>
Total transfers	<u>13,443,110</u>
Total general revenues and transfers, net	<u>13,524,098</u>
Change in net assets	3,339,207
Net Assets:	
Net assets, beginning	<u>35,291,453</u>
Net assets, ending	<u>\$ 38,630,660</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Balance Sheet
Governmental Funds
June 30, 2008**

	General Fund	Capitol Buildings Repair Fund	Total Governmental Funds
Assets:			
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$ 5,541,315	\$ 720,785	\$ 6,262,100
Petty cash	150	-	150
Due from other state agencies (note 10)	81,348	-	81,348
Due from State General Fund (note 3)	25,000	-	25,000
	<u>\$ 5,647,813</u>	<u>\$ 720,785</u>	<u>\$ 6,368,598</u>
Total assets			
	<u>\$ 5,647,813</u>	<u>\$ 720,785</u>	<u>\$ 6,368,598</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 103,055	\$ -	\$ 103,055
Accrued salaries payable	125,427	-	125,427
Payroll taxes payable	53,972	-	53,972
Payroll benefits payable	91,789	-	91,789
Due to State General Fund (note 6)	786,373	-	786,373
	<u>1,160,616</u>	<u>-</u>	<u>1,160,616</u>
Total liabilities			
	<u>1,160,616</u>	<u>-</u>	<u>1,160,616</u>
Fund Balances:			
Fund balances:			
Reserved for petty cash	150	-	150
Reserved for subsequent years' expenditures	4,487,047	720,785	5,207,832
	<u>4,487,197</u>	<u>720,785</u>	<u>5,207,982</u>
Total fund balances			
	<u>4,487,197</u>	<u>720,785</u>	<u>5,207,982</u>
Total liabilities and fund balances	<u>\$ 5,647,813</u>	<u>\$ 720,785</u>	<u>\$ 6,368,598</u>

Amounts reported in the Statement of Net Assets
(Exhibit A) differ because:

Fund Balances - Governmental Funds \$ 5,207,982

Capital assets used in governmental activities are
not financial resources and, therefore, are not
reported in the funds, net of accumulated
depreciation 33,818,135

Compensated absences are not reported in the
fund financial statements (395,457)

Net Assets of Governmental Activities \$ 38,630,660

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

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Revenues, Expenditures and Changes in Fund Balances-
Governmental Funds
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Capitol Buildings Repair Fund</u>	<u>Total Governmental Funds</u>
Expenditures:			
Legislative:			
Current:			
Personal services and employee benefits	\$ 6,305,272	\$ -	\$ 6,305,272
Contractual services	587,035	-	587,035
Other costs	1,894,258	-	1,894,258
Capital outlay	71,416	-	71,416
	<u>8,857,981</u>	<u>-</u>	<u>8,857,981</u>
Total expenditures			
Other Financing Sources (uses):			
Bond proceeds	75,000	-	75,000
Miscellaneous revenue	-	14,293	14,293
Transfers:			
State General Fund appropriations	9,258,100	-	9,258,100
Compensation appropriation (note 7)	272,300	-	272,300
Special appropriations (note 7)	4,500,000	-	4,500,000
Operating transfers in (note 7)	-	121,615	121,615
Reversion- Fiscal Year 2008 (note 6)	(785,372)	-	(785,372)
	<u>13,320,028</u>	<u>135,908</u>	<u>13,455,936</u>
Total other financing sources (uses)			
Net change in fund balances	4,462,047	135,908	4,597,955
Fund Balances:			
Fund balance, beginning	<u>25,150</u>	<u>584,877</u>	<u>610,027</u>
Fund balance, ending	<u>\$ 4,487,197</u>	<u>\$ 720,785</u>	<u>\$ 5,207,982</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of net assets are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 4,597,955
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	
Depreciation expense	(1,282,979)
In the statement of activities, the transfer-in of capital assets is reported as a revenue, whereas in the governmental funds, the transfer-in of capital assets is not reported as an increase in financial resources. Thus, the change in net assets differs from the change in fund balance by the value of the capital assets .	
	76,467
In the statement of activities, the loss on the disposal of equipment is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in the fund balance by the cost of the disposed equipment.	
	(8,305)
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
	<u>(43,931)</u>
Change in Net Assets - Governmental Activities	\$ <u>3,339,207</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE**
Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund	\$ 9,258,100	\$ 9,258,100	\$ 9,258,100	\$ -
Other revenues	-	-	-	-
Other financing sources	<u>4,772,300</u>	<u>4,772,300</u>	<u>4,772,300</u>	<u>-</u>
 Total revenues	 14,030,400	 14,030,400	 <u>\$ 14,030,400</u>	 <u>\$ -</u>
 Cash balance	 <u>-</u>	 <u>-</u>		
 Total resources	 <u>\$ 14,030,400</u>	 <u>\$ 14,030,400</u>		
Expenditures:				
Personal services and employee benefits	\$ 7,003,000	\$ 6,853,000	\$ 6,305,272	\$ 547,728
Contractual services	1,543,000	1,693,000	587,035	1,105,965
Other	5,459,400	5,459,400	1,965,674	3,493,726
Other financing uses	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
 Total expenditures	 <u>\$ 14,030,400</u>	 <u>\$ 14,030,400</u>	 <u>\$ 8,857,981</u>	 <u>\$ 5,172,419</u>
 Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 8,857,981	
Adjustments:				
None			<u>-</u>	
 Budget basis expenditures			 <u>\$ 8,857,981</u>	

Note:

The actual expenditures on the budget basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

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

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)
Capitol Buildings Repair Special Revenue (Fund 07500)
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	14,293	14,293
Operating transfers in	-	-	-	-
Other financing sources	-	-	121,615	121,615
	<u>-</u>	<u>-</u>	<u>121,615</u>	<u>121,615</u>
Total revenues	\$ <u>-</u>	\$ <u>-</u>	\$ <u>135,908</u>	\$ <u>135,908</u>
Expenditures:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Reconciliation of GAAP basis to budget basis expenditures:

GAAP basis expenditures	\$ -
Adjustments:	
None	<u>-</u>
Budget basis expenditures	\$ <u>-</u>

Note:

The actual expenditures on the budget basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

1. Summary of Organization and Significant Accounting Policies

The financial statements of the State of New Mexico, Legislative Council Service (Council Service) 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, 2008, represent fiscal year 2008 of the State of New Mexico. The more significant accounting policies of the Council Service are described below:

A. Financial Reporting Entity

The Council Service was created by Laws of 1951, Chapter 182, Section 2, (New Mexico Statutes Annotated, 1978 Compilation).

The Council Service functions for the use of the members of the legislature, the governor and the various departments, institutions and agencies of the state which may desire to avail themselves of its services and also provides information services to the public. The Council Service conducts itself with strict regard to the division of powers among the legislative, executive and judicial branches of the government of the state.

The Council Service is a department of 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 Council Service has oversight responsibility. The Council Service does not have any component units.

B. Basic Financial Statements - Government-Wide Statements

The Council Services basic financial statements include both government-wide (reporting the Council Service as a whole, excluding fiduciary activities) and fund financial statements (reporting the Council Service's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental. The Council Service's General Fund and the Capitol Buildings Repair Special Revenue Fund are included as governmental activities.

In the government-wide Statement of Net Assets, 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 Council Service's net assets are reported in three parts - invested in capital assets; restricted for capital projects; and unrestricted net assets. Interfund activity (between or within funds) due to/due from other funds are eliminated in the government-wide financial statements.

The government-wide Statement of Activities reports the gross cost of the Council Service's function. The function is supported by general government revenues (intergovernmental revenues). This government-wide focus is more on the sustainability of the Council Service as an entity, and the change in the Council Service's net assets resulting from the current year's activities.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

1. **Summary of Organization and Significant Accounting Policies (Cont'd)**

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Council Service are reported in the individual fund financial statements. The accounts of the Council Service are maintained on the basis of funds as established by state statutes, 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, reserves, fund balance, revenues, and expenditures/expenses. 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 funds are utilized by the Council Service:

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 Council Service:

General Fund - The General Fund is the general operating fund of the Council Service. The General Fund is comprised of two accounts, the Council Service account (Fund 12900), and the Building Services account (Fund 13200). The General Fund is a major fund of the Council Service. They are used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - The Capitol Buildings Repair Fund is a special revenue fund of the Council Service. It is used to account for repairs, remodeling and equipment additions to capitol buildings and adjacent lands; to repair or replace building machinery and buildings located in capitol buildings and to contract for options to purchase real estate, such real estate, if purchased, to be put to state use. Expenditures from the fund must be authorized by the State Board of Finance. The Capitol Buildings Repair Fund is a major fund of the Council Service.

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 funds of the Legislative Council Service follow FASB statements and interpretations and GASB statements issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Both GASB and FASB pronouncements are applied to the government-wide financial statements.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

1. Summary of Organization and Significant Accounting Policies (Cont'd)

D. Basis of Accounting (Cont'd)

Accrual

Governmental activities in the government-wide financial statements are presented on 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 resources 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. Investment in the State Treasurer General Fund Investment Pool

Cash is on deposit as an investment in the State Treasurer General Fund Investment Pool. The State Treasurer's scope of authority for the types of investments which 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. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts legally restricted for specified purposes. The general fund reserve for restricted purposes includes fund balance/net assets restricted for petty cash and future capitol building renovations. Restricted resources are applied first when an expense is incurred for a purpose for which restricted and unrestricted net assets are available.

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 are historical cost, or where historical cost is not available, estimated historical cost based on replacement. Contributed assets are reported at fair market value as of the date received.

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: buildings, 40 years; building improvements, 40 years; furniture and fixtures, 12 years; computer equipment and software, 4 years; and maintenance equipment, various years.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

1. Summary of Organization and Significant Accounting Policies (Cont'd)

G. Capital Assets (Cont'd)

During the 2005 Regular Legislative Session, HB1074 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.

Legislative Council Service has a collection of art work and books presented for public exhibition and education that is being preserved for future generations. The collection is capitalized, but not depreciated as part of capital assets.

H. Compensated Absences

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 nonvesting 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.

I. Budgetary Procedures and Accounting

The Council Service follows these procedures in establishing the budgetary data reflected in the financial statements:

The State Legislature makes annual appropriations for the Council Service's Funds. Legal compliance is monitored through the establishment of a budget and a financial control system which permits budget-to-actual comparison. Expenditures by fund may not legally exceed appropriations. Budgeted line-item classifications may be amended upon approval from the State Budget Division.

The basis of accounting for the budget, as appropriated by the State Legislature and approved by the State Budget Division, differs from the basis of accounting required by GAAP. The budget for the Council's various funds is adopted on a modified accrual basis of accounting. However, there is 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 2009 budget. At June 30, 2008, there were none.

All of the unexpended and unreserved appropriations made to the Council Service revert to the State General Fund.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

2. Investment in the State Treasurer General Fund Investment Pool

Pooled cash and investments of \$6,262,099 are on deposit with the State of New Mexico, Office of the State Treasurer investment pool. In general, state statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50 percent.

The State Treasurer's investment pool June 30, 2008, audited financial statements were not available as of October 31, 2008. Based on the State Treasurer's unaudited information, the management of the Council Service has presented pooled cash and investments at a value which approximates fair value as required by GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

<u>Account Name</u>	<u>SHARE Fund #</u>	<u>Balance per Depository</u>	<u>Reconciling Items</u>	<u>Balance per Books</u>
Council Service	12900	\$ 762,195	\$ -	\$ 762,195
Building Service Fund	13200	4,779,120	-	4,779,120
Capital Buildings Repair Fund	07500	720,785	-	720,785
		<u>\$ 6,262,100</u>	<u>\$ -</u>	<u>\$ 6,262,100</u>

3. Due From State General Fund

The amount due from the State General Fund represents a special appropriation from the Laws of 2006, Chapter 111, Sec. 51 of \$25,000 for the purchase and installation of exercise equipment in the capitol building. As of June 30, 2008, the amount had not been drawn by Legislative Council Service.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

4. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2008:

	<u>Balance 6/30/2007</u>	<u>Adjust- ments</u>	<u>Adjustments Balance 6/30/2007</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 6/30/2008</u>
Governmental activities:						
Nondepreciable assets:						
Land	\$ 1,277,372	\$ -	\$ 1,277,372	\$ -	\$ -	\$ 1,277,372
Artwork and books	124,275	-	124,275	-	-	124,275
Total	<u>1,401,647</u>	<u>-</u>	<u>1,401,647</u>	<u>-</u>	<u>-</u>	<u>1,401,647</u>
Depreciable assets:						
Furniture & equipment	487,443	-	487,443	76,467	(46,225)	517,685
Buildings	7,177,801	-	7,177,801	-	-	7,177,801
Building improvements	49,616,074	-	49,616,074	-	-	49,616,074
Total	<u>57,281,318</u>	<u>-</u>	<u>57,281,318</u>	<u>76,467</u>	<u>(46,225)</u>	<u>57,311,560</u>
Total capital assets	<u>58,682,965</u>	<u>-</u>	<u>58,682,965</u>	<u>76,467</u>	<u>(46,225)</u>	<u>58,713,207</u>
Less accumulated depreciation for:						
Furniture & equipment	(329,405)	-	(329,405)	(42,577)	37,919	(334,063)
Buildings	(7,177,801)	-	(7,177,801)	-	-	(7,177,801)
Building improvements	(16,142,806)	-	(16,142,806)	(1,240,402)	-	(17,383,208)
Total accumulated depreciation	<u>(23,650,012)</u>	<u>-</u>	<u>(23,650,012)</u>	<u>(1,282,979)</u>	<u>37,919</u>	<u>(24,895,072)</u>
Total governmental activities capital assets net	<u>\$ 35,032,953</u>	<u>\$ -</u>	<u>\$ 35,032,953</u>	<u>\$ (1,206,512)</u>	<u>\$ (8,306)</u>	<u>\$ 33,818,135</u>

Depreciation expense for the year was \$1,282,979 and was charged to governmental activities.

General Government

\$1,282,979

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

5. 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, up to a maximum of 240 hours.

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 fifty percent (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. The Council Service Fund and the Building Services Fund are used to liquidate payment for compensated absences.

Immediately prior to retirement from 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 fifty percent (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, 2008:

	<u>Balance 06/30/2007</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 06/30/2008</u>	<u>Amounts Due Within One Year</u>	<u>Long Term</u>
Compensated absences						
Council Service	\$ 245,621	\$ 220,645	\$ (197,895)	\$ 268,371	\$ 193,246	\$ 75,125
Building Services	105,906	143,940	(122,760)	127,086	100,292	26,794
Total	<u>\$ 351,527</u>	<u>\$ 364,585</u>	<u>\$ (320,655)</u>	<u>\$ 395,457</u>	<u>\$ 293,538</u>	<u>\$ 101,919</u>

6. Due to State General Fund - Reversions of State General Fund Appropriations

	<u>Council Service</u>	<u>Building Services</u>	<u>Total</u>
Balance June 30, 2007	\$ 592,789	\$ 643,397	\$ 1,236,186
Additions (Deletions):			
Reversion - FY 2008	539,038	246,334	785,372
Reversion - FY 2007	-	1,001	1,001
Payments - FY 2008	<u>(592,789)</u>	<u>(643,397)</u>	<u>(1,236,186)</u>
Balance June 30, 2008	<u>\$ 539,038</u>	<u>\$ 247,335</u>	<u>\$ 786,373</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

7. Transfers

Inter-agency transfers for the 2008 fiscal year are as follows:

To		From		Purpose
Agency/Fund	Amount	Agency/Fund	Amount	
11100/12900	\$ 5,448,300	34100	\$ (5,448,300)	General Fund appropriation, Laws 2007, HB 1, Sec. 3
11900/13200	3,809,800	34100	(3,809,800)	General Fund appropriation, Laws 2007, Ch 28, Sec 4
11100/12900	165,700	34100	(165,700)	Compensation package, Laws 2007, HB 2, Ch. 28, Sec 9
11900/13200	106,600	34100	(106,600)	Compensation package, Laws 2007, HB 2, Ch. 28, Sec 9
11900/13200	4,500,000	35000/86300	(4,500,000)	Capitol Building Renovations appropriations Laws 2007, Ch. 192, Sec. 1
34100	592,789	11100/12900	(592,789)	General Fund reversion
34100	643,397	11900/13200	(643,397)	General Fund reversion
11100/12900	121,615	35000/86300	(121,615)	Capital Buildings Repair Fund
	<u>\$ 15,388,201</u>		<u>\$ (15,388,201)</u>	

8. Pension Plan - Public Employees Retirement Association

Substantially all of the Legislative Council Service's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy - Plan members are required to contribute 7.42 percent of their gross salary. The Legislative Council Service is required to contribute 16.59 percent of the gross covered salary. The contribution requirements of plan members and the Legislative Council Service are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Council's employer contributions to PERA for the years ending June 30, 2008, 2007 and 2006 were \$722,415, \$630,296, and \$600,708, respectively, equal to the amount of the required contributions for each year.

9. Post Employment Benefits - State Retiree Health Care Plan

Plan Description. The Legislative Council Service contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

9. Post Employment Benefits - State Retiree Health Care Plan (Cont'd)

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 the 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.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature. The Legislative Council Service contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006 were \$55,711, \$48,888, and \$46,753, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2008**

10. Due from Other State Agencies

An amount of \$6,348 is due from the New Mexico Department of Finance and Administration resulting from payroll tax and employee benefit liability errors in the Statewide Human Resources, Accounting and Management Reporting System (SHARE). In addition, \$75,000 is due from the NM State Board of Finance from the issuance of Severance Tax Bonds, the proceeds of which were appropriated to the Legislative Council Service to plan and design a system and purchase and install equipment required to webcast legislative sessions, pursuant to the Laws 2006, Ch. 111.

11. Commitments and Contingencies

The Council Service is committed under several leases for various office equipment. The lease commitments are contingent upon legislative appropriation. Therefore, no long-term lease commitments exist which require disclosure. Total lease expenditures for rent of equipment for the year ended June 30, 2008, amounted to \$159,474.

12. Risk Management

The Legislative Council Service 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 State of New Mexico Risk Management Division (RMD) of the General Services Department.

13. Special Appropriations

The Legislative Council Service received the following special appropriations during the current and previous years which are still available to expend in subsequent years.

<u>Agency/Fund</u>	<u>Amount</u>	<u>Unexpended Balance</u>	<u>Appropriation Lapses</u>	<u>Purpose</u>
11900/13200	\$ 4,500,000	\$ 4,362,047	06/30/2012	Capitol Building Renovations appropriations Laws 2007, Ch. 192, Sec. 1
11100/12900	25,000	25,000	06/30/2010	Purchase and install exercise equipment at state capitol Laws 2006, Ch. 111, Sec. 51
11100/12900	75,000	75,000	06/30/2011	Webcast Project, Laws 2006, Ch. 111, Sec. 17 Severance tax Bonds

Combining and Individual Fund Financial Statements

General Fund - Council Service

To account for activities of the Legislative Council Service, except for the maintenance of the State Capitol. (Share Fund #12900)

General Fund - Building Services

To account for activities of the Legislative Council Service activity related to the maintenance of the State Capitol. (Share Fund #13200)

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Combining Balance Sheet
General Fund
June 30, 2008**

	<u>Council Service</u>	<u>Building Services</u>	<u>Total</u>
<u>Assets</u>			
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$ 762,195	\$ 4,779,120	\$ 5,541,315
Petty cash	100	50	150
Due from other state agencies (note 10)	75,177	6,171	81,348
Due from State General Fund (note 3)	-	25,000	25,000
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ <u>837,472</u>	\$ <u>4,810,341</u>	\$ <u>5,647,813</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 38,785	\$ 64,270	\$ 103,055
Accrued salaries payable	74,017	51,410	125,427
Payroll taxes payable	33,576	20,396	53,972
Payroll benefits payable	51,956	39,833	91,789
Due to State General Fund (note 6)	539,038	247,335	786,373
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>737,372</u>	<u>423,244</u>	<u>1,160,616</u>
Fund Balance:			
Reserved for:			
Petty cash	100	50	150
Subsequent years' expenditure	100,000	4,387,047	4,487,047
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>100,100</u>	<u>4,387,097</u>	<u>4,487,197</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	\$ <u>837,472</u>	\$ <u>4,810,341</u>	\$ <u>5,647,813</u>

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

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
General Fund
Year Ended June 30, 2008

	Council Service	Building Services	Total
Expenditures:			
Legislative:			
Current:			
Personal services and employee benefits	\$ 3,803,693	\$ 2,501,579	\$ 6,305,272
Contractual services	297,221	289,814	587,035
Other	877,632	1,016,626	1,894,258
Capital outlay	71,416	-	71,416
	5,049,962	3,808,019	8,857,981
Total expenditures			
Other financing sources (uses):			
Bond proceeds	75,000	-	75,000
Transfers:			
State General Fund appropriations	5,448,300	3,809,800	9,258,100
Compensation appropriation (note 7)	165,700	106,600	272,300
Special appropriations (note 7)	-	4,500,000	4,500,000
Reversions - Fiscal Year 2008 (note 6)	(539,038)	(246,334)	(785,372)
	5,149,962	8,170,066	13,320,028
Total other financing sources (uses)			
Net change in fund balance	100,000	4,362,047	4,462,047
Fund Balances:			
Fund balance, beginning of year	100	25,050	25,150
Fund balance, end of year	\$ 100,100	\$ 4,387,097	\$ 4,487,197

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

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Revenues and Expenditures
Budget and Actual (Budget Basis)
General Fund - Council Service (Fund 12900)
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund	\$ 5,448,300	\$ 5,448,300	\$ 5,448,300	\$ -
Other revenues	-	-	-	-
Other financing sources	<u>165,700</u>	<u>165,700</u>	<u>165,700</u>	<u>-</u>
Total revenues	<u>\$ 5,614,000</u>	<u>\$ 5,614,000</u>	<u>\$ 5,614,000</u>	<u>\$ -</u>

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services	\$ 4,298,300	\$ 4,148,300	\$ 3,803,693	\$ 344,607
Contractual services	189,000	339,000	297,221	41,779
Other	1,101,700	1,101,700	949,048	152,652
Other financing uses	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>\$ 5,614,000</u>	<u>\$ 5,614,000</u>	<u>\$ 5,049,962</u>	<u>\$ 564,038</u>

Reconciliation of GAAP basis to budget basis expenditures:		
GAAP basis expenditures		\$ 5,049,962
Adjustments:		
None		<u>-</u>
Budget basis expenditures		<u>\$ 5,049,962</u>

Note:

The actual expenditures on the budget basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

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

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Revenues and Expenditures
Budget and Actual (Budget Basis)
General Fund - Building Services (Fund 13200)
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund	\$ 3,809,800	\$ 3,809,800	\$ 3,809,800	\$ -
Other revenues	-	-	-	-
Other financing sources	4,606,600	4,606,600	4,606,600	-
Total revenues	8,416,400	8,416,400	<u>\$ 8,416,400</u>	<u>\$ -</u>
Cash balance	-	-		
Total resources	<u>\$ 8,416,400</u>	<u>\$ 8,416,400</u>		

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services	\$ 2,704,700	\$ 2,704,700	\$ 2,501,579	\$ 203,121
Contractual services	1,354,000	1,354,000	289,814	1,064,186
Other	4,357,700	4,357,700	1,016,626	3,341,074
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 8,416,400</u>	<u>\$ 8,416,400</u>	<u>\$ 3,808,019</u>	<u>\$ 4,608,381</u>

Reconciliation of GAAP basis to budget basis expenditures:

GAAP basis expenditures	\$ 3,808,019
Adjustments:	
None	<u>-</u>
Budget basis expenditures	<u>\$ 3,808,019</u>

Note:

The actual expenditures on the budget basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Revenues and Expenditures
Budget and Actual (Budget Basis)
General Fund - All Accounts
For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund	\$ 9,258,100	\$ 9,258,100	\$ 9,258,100	\$ -
Other revenues	-	-	-	-
Other financing sources	<u>4,772,300</u>	<u>4,772,300</u>	<u>4,772,300</u>	<u>-</u>
Total revenues	14,030,400	14,030,400	<u>\$ 14,030,400</u>	<u>\$ -</u>
Cash balance	<u>-</u>	<u>-</u>		
Total resources	<u>\$ 14,030,400</u>	<u>\$ 14,030,400</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services	\$ 7,003,000	\$ 6,853,000	\$ 6,305,272	\$ 547,728
Contractual services	1,543,000	1,693,000	587,035	1,105,965
Other	5,459,400	5,459,400	1,965,674	3,493,726
Other financing sources	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>\$ 14,030,400</u>	<u>\$ 14,030,400</u>	<u>\$ 8,857,981</u>	<u>\$ 5,172,419</u>

Reconciliation of GAAP basis to budget basis expenditures:

GAAP basis expenditures	\$ 8,857,981
Adjustments:	
None	<u>-</u>
Budget basis expenditures	<u>\$ 8,857,981</u>

Note:

The actual expenditures on the budget basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2009 budget.

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

OTHER REPORTS

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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*

State of New Mexico,
Legislative Council Service
and
Mr. Hector Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund, and the Capital Buildings Repair Fund, and the combining and individual fund financial statements and budgetary comparisons presented as supplemental information of the State of New Mexico, Legislative Council Service, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of New Mexico, Legislative Council Service's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of New Mexico, Legislative Council Service's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of New Mexico, Legislative Council Service internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Legislative Council Service's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the State of New Mexico, Legislative Council Service's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the State of New Mexico, Legislative Council Service's internal control.

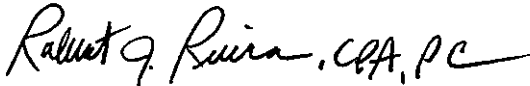


Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New Mexico, Legislative Council Service's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the State of New Mexico, Legislative Council Service's management, others within the agency, the State Auditor, the New Mexico Department of Finance and Administration, and the New Mexico Legislature, and is not intended to be and should not be used by anyone other than these specified parties.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 31, 2008

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Schedule of Findings and Responses**

June 30, 2008

I. PRIOR-YEAR AUDIT FINDINGS

a. Repeated in current-year

None

b. Resolved and not included in current-year

Finding 2007-1 - Accounting System - SHARE

Finding 2007-2 - Late Delivery of Audit Report to the State Auditor's Office

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

None

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE**

June 30, 2008

Financial Statement Preparation

The financial statements were prepared by the independent certified public accountant performing the audit, with the assistance of the Legislative Council 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. Management has reviewed and approved the financial statements.

Exit Conference

An exit conference was held on December 11, 2008, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Legislative Council Service

Timothy Z. Jennings, President Pro-Tempore of the Senate, Legislative Council Co-Chairman
Representative Ben Lujan, Speaker of the House, Legislative Council Co-Chairman
Paula Tackett, Director, Legislative Council Service
Kathy Pacheco-Dofflemeyer, Assistant Director for Administration

Audit Firm (Robert J. Rivera, CPA, PC)

Robert J. Rivera, CPA