



**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE**

June 30, 2016

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
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JUNE 30, 2016**

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LEGISLATIVE COUNCIL SERVICE
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**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
OFFICIAL ROSTER
JUNE 30, 2016**

LEGISLATIVE COUNCIL MEMBERS

Senator	Mary Kay Papen	Co-Chair
Representative	Don L. Tripp	Co-Chair
Representative	Alonzo Baldonado	Member
Senator	Carlos R. Cisneros	Member
Representative	Brian Egolf	Member
Representative	Kelly K. Fajardo	Member
Representative	Doreen Y. Gallegos	Member
Representative	Nate Gentry	Member
Senator	Stuart Ingle	Member
Representative	W. Ken Martinez	Member
Senator	William H. Payne	Member
Senator	Clemente Sanchez	Member
Senator	Michael S. Sanchez	Member
Senator	William E. Sharer	Member
Senator	John Arthur Smith	Member
Representative	Sheryl Williams Stapleton	Member

ADMINISTRATIVE OFFICIALS

Raúl Burciaga	Director
Kathy Pacheco-Dofflemeyer	Assistant Director for Administration and Chief Financial Officer
John Yaeger	Assistant Director for Legislative Affairs
Amy Chavez-Romero	Assistant Director for Drafting Services

FINANCIAL SECTION

Independent Auditor's Report

Mr. Tim Keller, New Mexico State Auditor
Senator Mary Kay Papen, President Pro-Tempore of the Senate
Representative Don L. Tripp, Speaker of the House of Representatives
Legislative Council Service

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the State of New Mexico's Legislative Council Service (Council Service), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Council Service's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Council's general fund combining schedules, and the budgetary comparisons for the general fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Mr. Tim Keller, New Mexico State Auditor
Senator Mary Kay Papen, President Pro-Tempore of the Senate
Representative Don L. Tripp, Speaker of the House of Representatives
Legislative Council Service

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 Council Service'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, each major fund, and the aggregate remaining fund information of the Council Service as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental fund (General Fund Legislative Council Service and the Legislative Building Service SHARE general fund accounts) of the Council Service as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparisons for the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the

Mr. Tim Keller, New Mexico State Auditor
Senator Mary Kay Papen, President Pro-Tempore of the Senate
Representative Don L. Tripp, Speaker of the House of Representatives
Legislative Council Service

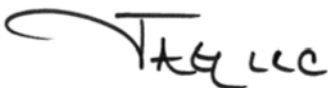
basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT) required by Section 2.2.2 NMAC is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the 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* in considering the Council Service's internal control over financial reporting and compliance.



Jaramillo Accounting Group LLC (JAG)

Albuquerque, New Mexico

November 29, 2016

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

OVERVIEW

Our discussion and analysis of the State of New Mexico, Legislative Council Service financial performance provides an overview of its financial activities for the fiscal year ended June 30, 2016. 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 Position 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 present 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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

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 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 position, using the accrual basis of accounting in the Statement of Net Position.

The Statement of Activities presents information on how the Council Service's net position changed during the most recent fiscal year. Changes in net position 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 Position and the Statement of Activities, the Council Service reports governmental activities since there are no business-type activities or component units.

Reporting on the Council Service Most Significant Funds

Fund Financial Statements

Governmental Funds - All of the Council Service 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.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

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 decisions. Both of the governmental funds Balance Sheet and the governmental funds Statements of Revenue, Expenditures and Changes in Fund Balances 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 Special Revenue 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 pages 15-17 of this report.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

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 21 through 39 of this report.

Budgetary Comparisons

The budget comparison information required by GASBS 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, for the major governmental funds and non-major governmental funds that have legally adopted annual budgets are presented on pages 19-20 and pages 42-48. 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 net position decreased by \$4,783,152 from a year ago, decreasing from \$43,435,344 to \$38,652,192. Our analysis below focuses on the net position and changes in net position of the Council Service governmental activities.

As summarized in the table on the next page, Net Position represents the difference between assets and liabilities of the Council Service.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

Condensed Statement of Net Position

	FY 2016	FY 2015	Change
Assets			
Current	\$ 3,161,878	\$ 6,221,480	\$ (3,059,602)
Capital assets (net of accumulated depreciation)	<u>37,732,937</u>	<u>39,353,006</u>	<u>(1,620,069)</u>
Total assets	<u>\$ 40,894,815</u>	<u>\$ 45,574,486</u>	<u>\$ (4,679,671)</u>
Liabilities			
Current	\$ 1,677,609	\$ 1,599,603	\$ 78,006
Long-term	<u>565,014</u>	<u>539,539</u>	<u>25,475</u>
Total liabilities	<u>2,242,623</u>	<u>2,139,142</u>	<u>103,481</u>
Net Position			
Net investment in capital assets Restricted for subsequent years' expenditures	37,732,937	39,353,006	(1,620,069)
Unrestricted	<u>(875,829)</u>	<u>(873,699)</u>	<u>(2,130)</u>
Total net position	<u>\$ 38,652,192</u>	<u>\$ 43,435,344</u>	<u>\$ (4,783,152)</u>
Total liabilities and net position	<u>\$ 40,894,815</u>	<u>\$ 45,574,486</u>	<u>\$ (4,679,671)</u>

Current assets decreased by \$3,059,602, or 49.18% from a year ago. Current assets consist entirely of cash (\$3,161,878).

Current liabilities increased by \$78,006, or 4.88% from a year ago. This increase is attributable to the decrease in compensated absences of \$23,345, increase in the amount due to the State General Fund of \$42,377, the increase in accounts payable of \$9,243, and the increase in payroll related liabilities of \$49,731.

Liabilities of \$2,242,623 constitute 5.80% of total net position and consist primarily of account payable (\$157,901) 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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

payable (\$101,600); payroll taxes payable (\$43,120); payroll benefits payable (\$81,553); due to the State General Fund (\$982,470); and, compensated absences payable (\$875,979).

Net position 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 position; (1) investment in capital assets; and (2) restricted, and (3) unrestricted. The net investment in capital assets balance is positive and the unrestricted balance is in a deficit. The Council Service has restricted net position of \$1,795,084 which is restricted for subsequent years' expenditures.

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

Condensed Statement of Activities

	FY 2016	FY 2015	Change
Program expenses:			
Legislative Program	<u>\$ 11,029,060</u>	<u>\$ 11,308,927</u>	<u>\$ (279,867)</u>
Transfers:			
State General Fund transfers (net of reversion)	6,045,985	9,166,307	(3,120,322)
Operating transfers in	158,692	187,968	(29,276)
Transfers in - donated capital assets	<u>41,231</u>	<u>390,951</u>	<u>(349,720)</u>
Total transfers	<u>6,245,908</u>	<u>9,745,226</u>	<u>(3,499,318)</u>
Change in net position	(4,783,152)	(1,563,701)	(3,219,451)
Net assets, beginning of year	<u>43,435,344</u>	<u>44,999,045</u>	<u>(1,563,701)</u>
Net assets, end of year	<u>\$ 38,652,192</u>	<u>\$ 43,435,344</u>	<u>\$ (4,783,152)</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

The decrease in net position of (\$4,783,152) was the result of the (\$1,620,069) of a decrease in net capital assets, a decrease of (\$3,160,953) in funds restricted for subsequent years' expenditures, and a decrease of (\$2,130) in compensated absences payable.

The Council Service governmental activities operating transfers-in decreased by (\$3,499,318), from a year ago. The significant change was the result of a decrease in net state general fund appropriations of (\$3,120,322), a decrease in donated capital assets of (\$349,720) and a decrease in operating transfers-in of (\$29,276).

The cost of governmental activities was \$11,029,060, compared to \$11,308,927 last year, or a decrease of (\$279,867) (2.47%). The difference was primarily the result of expenditures associated with the increase of \$117,600 in state general fund appropriations.

As the Council Service completed the year, the governmental funds reported a combined fund balance of \$1,795,234, which is below last year's combined fund balance of \$4,956,187, a decrease of (\$3,160,953) (63.78%). The fund balance of the Capitol Buildings Repair Special Revenue Fund increased as a result of transfers in of \$158,692 from the Capitol Kitchen Fund and the Capitol Buildings Repair Fund. The fund balance of the General Fund accounts decreased by (\$3,319,645) due to a lapse in a multi-year appropriation that was reverted in fiscal year 2016. The combined fund balance of \$1,795,234 remaining at year-end includes \$1,795,084 restricted 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. The original approved budget of \$14,910,400 had a budget reduction resulting in a change to the final revised budget of \$14,848,100.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

A comparison of actual expenditures on a budgetary basis to approved budget amounts is presented below:

	Original Budget	BAR Adjustments	Final Budget	Actual Amount
Personal services / employee benefits	\$ 7,556,500	\$ (62,300)	\$ 7,494,200	\$ 6,897,748
Contractual services	1,590,800	50,000	1,640,800	348,369
Other	5,763,100	(1,050,000)	4,713,100	2,119,513
Other financing uses	-	1,000,000	1,000,000	-
Total	<u>\$ 14,910,400</u>	<u>\$ (62,300)</u>	<u>\$ 14,848,100</u>	<u>\$ 9,365,630</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 state general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets at Year-End (Net of Accumulated Depreciation)

	Governmental Activities		
	FY 2016	FY 2015	Change
Non-Depreciable			
Land	\$ 1,277,372	\$ 1,277,372	\$ -
Artwork and books	<u>168,775</u>	<u>167,275</u>	<u>1,500</u>
Total non-depreciable assets	<u>1,446,147</u>	<u>1,444,647</u>	<u>1,500</u>
Depreciable			
Furniture and equipment	688,425	675,970	12,455
Buildings	13,228,246	13,618,274	(390,028)
Building improvements	<u>22,370,119</u>	<u>23,614,115</u>	<u>(1,243,996)</u>
Total depreciable assets	<u>36,286,790</u>	<u>37,908,359</u>	<u>(1,621,569)</u>
Total capital assets, net	<u>\$ 37,732,937</u>	<u>\$ 39,353,006</u>	<u>\$ (1,620,069)</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REQUIRED SUPPLEMENTARY INFORMATION)
JUNE 30, 2016**

As of June 30, 2016, the Council Service had \$76,267,609 of capital assets, accumulated depreciation of (\$38,534,672), resulting in net capital assets of \$37,732,937. The majority of the Council Service's capital assets are invested in land (\$1,277,372), and buildings and building improvements of \$72,467,183. There were current year additions of capital assets totaling \$274,166, of which \$41,231 was donated to the Council Service.

Debt - Compensated Absences Payable

At the end of the current fiscal year, the Council Service had total debt outstanding of \$875,979, comprising accumulated balances for terminal and sick leave eligible for payment to employees (compensated absences payable) upon termination of their employment from the Council Service. Employees can receive compensation for accumulated unpaid annual leave as of the date of termination, generally up to a maximum of 240 hours upon severance. More information about the Council Service's changes in compensated absences is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The appropriations to the Council Service made for FY 2017 from the General Fund in Laws 2016, Chapter 1, Section 3 (A) and Laws 2016, Chapter 11, Section 11 and for Building Services, Laws 2016, Chapter 11, Section 4.A.(1) were reduced by four percent and no salary increases were appropriated.

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 Council Service finances and to demonstrate the Council Service 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 POSITION
June 30, 2016**

	Governmental Activities
Assets	
Interest in the State Treasurer General Fund Investment Pool	\$ 3,161,728
Petty cash	150
Capital assets, net	<u>37,732,937</u>
Total Assets	<u>\$ 40,894,815</u>
Liabilities	
Accounts payable	157,901
Accrued salaries payable	101,600
Payroll taxes payable	43,120
Payroll benefits payable	81,553
Due to State General Fund	982,470
Compensated absences payable	
Due within one year - current	310,965
Due after one year - long-term	<u>565,014</u>
Total Liabilities	<u>2,242,623</u>
Net Position	
Net investment in capital assets	37,732,937
Restricted	1,795,084
Unrestricted (deficit)	<u>(875,829)</u>
Total Net Position	<u>38,652,192</u>
Total Liabilities and Net Position	<u>\$ 40,894,815</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2016**

	Governmental Activities
Expenses	
Legislative Program	<u>(11,029,060)</u>
Transfers	
Transfer in - State General Fund appropriations	10,384,500
Transfer in - from other state agency	158,692
Transfer in - donated capital assets	41,231
Reversions to State General Fund - fiscal year 2016	<u>(4,338,515)</u>
Total transfers	<u>6,245,908</u>
Change in net position	(4,783,152)
Net position, beginning of year	<u>43,435,344</u>
Net position, end of year	<u>\$ 38,652,192</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016**

	General Fund - All Accounts	Fund 07500 Legis.-Capitol Buildings Repair Special Revenue Fund	Total Governmental Funds
Assets			
Interest in the State Treasurer General Fund Investment Pool	\$ 1,366,644	\$ 1,795,084	\$ 3,161,728
Petty cash	<u>150</u>	<u>-</u>	<u>150</u>
 Total assets	 <u>\$ 1,366,794</u>	 <u>\$ 1,795,084</u>	 <u>\$ 3,161,878</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 157,901	\$ -	\$ 157,901
Accrued salaries payable	101,600	-	101,600
Payroll taxes payable	43,120	-	43,120
Payroll benefits payable	81,553	-	81,553
Due to State General Fund	<u>982,470</u>	<u>-</u>	<u>982,470</u>
 Total liabilities	 <u>1,366,644</u>	 <u>-</u>	 <u>1,366,644</u>
 Fund Balances			
Non-spendable:			
Petty cash	150	-	150
Restricted:			
Subsequent years' expenditures	<u>-</u>	<u>1,795,084</u>	<u>1,795,084</u>
 Total fund balances	 <u>150</u>	 <u>1,795,084</u>	 <u>1,795,234</u>
 Total liabilities and fund balances	 <u>\$ 1,366,794</u>	 <u>\$ 1,795,084</u>	 <u>\$ 3,161,878</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
June 30, 2016

Amounts reported for governmental activities in the Statement of Net Position is different because:

Fund Balances - Governmental Funds	<u>\$ 1,795,234</u>
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds</p>	
Cost of capital assets	76,267,609
Accumulated depreciation	(38,534,672)
<p>Compensated absences accrued in the government-wide financial statements, but not due and payable at fiscal year-end</p>	
	<u>(875,979)</u>
Net Position of Governmental Activities	<u><u>\$ 38,652,192</u></u>

See Notes to 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, 2016

	General Fund - All Accounts	Fund 07500 Legis.-Capitol Buildings Repair Special Revenue Fund	Total Governmental Funds
Expenditures			
Current			
Personal services and employee benefits	\$ 6,897,748	\$ -	\$ 6,897,748
Contractual services	348,369	-	348,369
Other costs	1,886,578	-	1,886,578
Capital outlay	<u>232,935</u>	<u>-</u>	<u>232,935</u>
 Total expenditures	 <u>9,365,630</u>	 <u>-</u>	 <u>9,365,630</u>
Other Financing Sources (uses):			
Transfers			
State General Fund appropriations	10,384,500	-	10,384,500
Other financing sources	-	158,692	158,692
Reversions - fiscal year 2016	<u>(4,338,515)</u>	<u>-</u>	<u>(4,338,515)</u>
 Total other financing sources (uses)	 <u>6,045,985</u>	 <u>158,692</u>	 <u>6,204,677</u>
 Net change in fund balances	 (3,319,645)	 158,692	 (3,160,953)
 Fund balance, beginning of year	 <u>3,319,795</u>	 <u>1,636,392</u>	 <u>4,956,187</u>
 Fund balance, end of year	 <u>\$ 150</u>	 <u>\$ 1,795,084</u>	 <u>\$ 1,795,234</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total net change in fund balances - governmental funds	<u>\$ (3,160,953)</u>
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Capital outlay reported as expenditures in governmental funds	232,935
Donated capital assets	41,231
Depreciation expense	(1,884,808)
Loss on disposal of capital assets	(9,427)

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.

Change in accrued compensated absences	<u>(2,130)</u>
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Change in Net Position - Governmental Activities	<u><u>\$ (4,783,152)</u></u>
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See Notes to Financial Statements.

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
MAJOR GOVERNMENTAL FUND
GENERAL FUND - ALL ACCOUNTS
COUNCIL SERVICE ACCOUNT FUND 12900 and BUILDING SERVICES ACCOUNT FUND 13200 (COMBINED)
For the year ended June 30, 2016

	Budgeted Amounts		Prior Years' Activity	Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues					
State General Fund appropriations	\$ 10,410,400	\$ 10,348,100	\$ -	\$ 10,348,100	\$ -
Other revenues	4,500,000	4,500,000	4,500,000	-	-
Total revenues	14,910,400	14,848,100	\$ 4,500,000	\$ 10,348,100	\$ -
Prior-year cash balance	-	-			
Total resources	\$ 14,910,400	\$ 14,848,100			
Expenditures:					
Personal services and employee benefits	\$ 7,556,500	\$ 7,494,200	\$ -	\$ 6,897,748	\$ 596,452
Contractual services	1,590,800	1,640,800	180,355	348,369	1,112,076
Other	5,763,100	4,713,100	-	2,119,513	2,593,587
Other financing uses	-	1,000,000	1,000,000	-	-
Total expenditures	\$ 14,910,400	\$ 14,848,100	\$ 1,180,355	\$ 9,365,630	\$ 4,302,115

Reconciliation of GAAP basis to budget basis	Revenues	Expenditures
GAAP basis	\$ 10,348,100	\$ 9,365,630
Adjustments:		
None	-	-
Budget basis	\$ 10,348,100	\$ 9,365,630

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
MAJOR GOVERNMENTAL FUND
LEGISLATIVE CAPITOL BUILDINGS REPAIR
SPECIAL REVENUE FUND 07500
For the year ended June 30, 2016

	Budgeted Amounts		Actual Budget Basis	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
State General Fund appropriations	\$ -	\$ -	\$ -	\$ -
Other financing sources	-	-	158,692	158,692
Reversions - fiscal year 2016	-	-	-	-
	-	-	-	-
Total revenues	-	-	\$ 158,692	\$ 158,692
Prior-year cash balance	-	-		
Total Resources	\$ -	\$ -		
Expenditures				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
	-	-	-	-
Total expenditures	\$ -	\$ -	\$ -	\$ -
Reconciliation of GAAP basis to budget basis			Revenues	Expenditures
GAAP basis			\$ 158,692	\$ -
Adjustments:				
None			-	-
Budget basis			\$ 158,692	\$ -

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 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, 2016, represent fiscal year 2016 of the Council Service. 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 General Fund

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Basic Financial Statements - Government-Wide Statements (Continued)

and the Legis.-Capitol Buildings Repair Special Revenue Fund are included as governmental activities.

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 Council Service net position are reported in three parts: invested in capital assets; restricted for capital projects; and unrestricted net position. 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 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 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 are used first, then unrestricted.

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.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basic Financial Statements - Fund Financial Statements (Continued)

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 Fund account (Fund 12900), and the Building Services Fund 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 Legis.-Capitol Buildings Repair Fund (Fund 07500) 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 Legis.-Capitol Buildings Repair Fund is a major fund of the Council Service and was created by Section 15-3B-17, NMSA 1978 as the "State Capitol Maintenance Fund". However, the fund is referred to by the Council Service as the "Legis.-Capitol Buildings Repair Fund". Revenue sources are derived into the fund from the GSD-Capitol Buildings Repair Fund and from the Capitol Kitchen Fund from the sale of food, food services and related concessions by the House of Representatives.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 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 funds of the Legislative Council Service follow GASB statements and interpretations.

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. Interest 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. Net Position/Fund Equity/Fund Balances

Net position represents the difference between assets and liabilities. In the government-wide financial statements, net position consist of three components: net investment in capital assets; restricted; and unrestricted.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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

The Council Service follows Governmental Accounting Standards Board 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.

Non-spendable is the most limited amounts and 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, constitutional provisions, 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 their 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 or the government's general fund, and could report a surplus or a deficit.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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, 5-12 years; computer equipment and software, 4 years; and maintenance equipment, various years.

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. 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.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 Legislative Council Service recognizes the liabilities for compensated absences meeting the requirements of accrual as of year-end. The compensated absences payable has been valued using current pay levels. All compensated absences are considered to be paid out of subsequent year resources. (See also Note 4.)

J. 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 submission of a budget adjustment request 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 Council's various funds is adopted on a modified accrual basis of

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

**NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

J. Budgetary Procedures and Accounting (Continued)

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 2017 budget. At June 30, 2016, there were none. Reconciling items between the budget basis to the GAAP basis of accounting are reflected in the various Statements of Revenue and Expenditures - Budget and Actual.

All of the unexpended and uncommitted appropriations made to the Council Service revert to the State General Fund, unless specifically excluded in the appropriation language, along with any unappropriated miscellaneous revenue.

NOTE 2. INTEREST IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL

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

Pooled cash and investments of \$3,161,728 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 June 30, 2016 State Treasurer's investment pool audited financial statements were not available as of November 29, 2016. 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 GASBS 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2. INTEREST IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL (CONTINUED)

Account Name	SHARE Fund #	Balance per Depository	Reconciling Items	Balance per Books
<u>General Fund:</u>				
Council Service Fund Account	12900	\$ 842,883	\$ -	\$ 842,883
Building Service Fund Account	13200	523,761	-	523,761
 <u>Special Revenue Fund:</u>				
Legis. Capitol Buildings Repair Fund	07500	<u>1,795,084</u>	<u>-</u>	<u>1,795,084</u>
		<u>\$ 3,161,728</u>	<u>\$ -</u>	<u>\$ 3,161,728</u>

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

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

For additional GASBS 40, Deposit and Investment Risk Disclosures, 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, 2016.

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.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2. INTEREST IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL (CONTINUED)

As communicated last year, the Financial Control Division (FCD) in collaboration with the State Treasurer's Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For FY 2016 the following assertions are provided:

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (<\$200K standard deviation) over the last twelve months.
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP.
3. All claims will be honored at face value.

The Legislative Council Service has cash reconciliation policies and procedures in place which 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, 2016.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3. CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	(Deletions)	Balance June 30, 2016
Non-depreciable assets				
Land	\$ 1,277,372	\$ -	\$ -	\$ 1,277,372
Artwork and books	<u>167,275</u>	<u>1,500</u>	<u>-</u>	<u>168,775</u>
Total	<u>1,444,647</u>	<u>1,500</u>	<u>-</u>	<u>1,446,147</u>
Depreciable assets				
Furniture and equipment	2,093,408	272,666	(11,795)	2,354,279
Buildings	22,779,208	-	-	22,779,208
Building improvements	<u>49,687,975</u>	<u>-</u>	<u>-</u>	<u>49,687,975</u>
Total	<u>74,560,591</u>	<u>272,666</u>	<u>(11,795)</u>	<u>74,821,462</u>
Total capital assets	<u>76,005,238</u>	<u>274,166</u>	<u>(11,795)</u>	<u>76,267,609</u>
Accumulated depreciation				
Furniture and equipment	(1,417,438)	(250,784)	2,368	(1,665,854)
Buildings	(9,160,934)	(390,028)	-	(9,550,962)
Building improvements	<u>(26,073,860)</u>	<u>(1,243,996)</u>	<u>-</u>	<u>(27,317,856)</u>
Total accumulated depreciation	<u>(36,652,232)</u>	<u>(1,884,808)</u>	<u>2,368</u>	<u>(38,534,672)</u>
Total capital assets, net	<u>\$39,353,006</u>	<u>\$ (1,610,642)</u>	<u>\$ (9,427)</u>	<u>\$37,732,937</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3. CAPITAL ASSETS (CONTINUED)

The following is a summary of capital assets activity by fund for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	(Deletions)	Balance June 30, 2016
Legislative Council Service (Fund 12900)				
Depreciable assets				
Furniture and equipment	1,672,659	39,731	(11,795)	1,700,595
Accumulated depreciation for:				
Furniture and equipment	<u>(1,102,574)</u>	<u>(221,813)</u>	<u>2,368</u>	<u>(1,322,019)</u>
Total capital assets, net	<u>\$ 570,085</u>	<u>\$ (182,082)</u>	<u>\$ (9,427)</u>	<u>\$ 378,576</u>
Building Services (Fund 13200)				
Non-depreciable assets				
Land	\$ 1,277,372	\$ -	\$ -	\$ 1,277,372
Artwork and books	<u>167,275</u>	<u>1,500</u>	<u>-</u>	<u>168,775</u>
Total	<u>1,444,647</u>	<u>1,500</u>	<u>-</u>	<u>1,446,147</u>
Depreciable assets				
Furniture and equipment	420,749	232,935	-	653,684
Buildings	22,779,208	-	-	22,779,208
Building improvements	<u>49,687,975</u>	<u>-</u>	<u>-</u>	<u>49,687,975</u>
Total	<u>72,887,932</u>	<u>232,935</u>	<u>-</u>	<u>73,120,867</u>
Total capital assets	<u>74,332,579</u>	<u>234,435</u>	<u>-</u>	<u>74,567,014</u>
Accumulated depreciation				
Furniture and equipment	(314,864)	(28,971)	-	(343,835)
Buildings	(9,160,934)	(390,028)	-	(9,550,962)
Building improvements	<u>(26,073,860)</u>	<u>(1,243,996)</u>	<u>-</u>	<u>(27,317,856)</u>
Total accumulated depreciation	<u>(35,549,658)</u>	<u>(1,662,995)</u>	<u>-</u>	<u>(37,212,653)</u>
Total capital assets, net	<u>\$38,782,921</u>	<u>\$ (1,428,560)</u>	<u>\$ -</u>	<u>\$37,354,361</u>

Depreciation expense for the year was charged to governmental activities, Legislative Program as follows:

Legislative Program:	
Legislative Council Service (Fund 12900)	\$ (221,813)
Legislative Building Services (Fund 13200)	<u>(1,662,995)</u>
	<u>\$ (1,884,808)</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4. 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.

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, 2016:

	Balance June 30, 2015	Additions	(Deletions)	Balance June 30, 2016	Amounts Due Within One Year	Long Term
<u>Compensated absences</u>						
Council Service	\$ 561,026	\$ 263,984	\$ (257,834)	\$ 567,176	\$ 215,977	\$ 351,199
Building Services	<u>312,823</u>	<u>136,798</u>	<u>(140,818)</u>	<u>308,803</u>	<u>94,988</u>	<u>213,815</u>
Total	<u>\$ 873,849</u>	<u>\$ 400,782</u>	<u>\$ (398,652)</u>	<u>\$ 875,979</u>	<u>\$ 310,965</u>	<u>\$ 565,014</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5. DUE TO STATE GENERAL FUND - REVERSIONS OF STATE GENERAL FUND APPROPRIATIONS

	Council Service	Building Services	Total
Cash Balance, June 30, 2016	\$ 842,883	\$ 523,761	\$ 1,366,644
Less:			
Accounts payable at June 30, 2016	(66,796)	(91,105)	(157,901)
Accrued payroll at June 30, 2016	(64,945)	(36,655)	(101,600)
Payroll taxes payable at June 30, 2016	(30,141)	(12,979)	(43,120)
Payroll benefits payable at June 30, 2016	<u>(49,052)</u>	<u>(32,501)</u>	<u>(81,553)</u>
Due to State General Fund, June 30, 2016	<u>\$ 631,949</u>	<u>\$ 350,521</u>	<u>\$ 982,470</u>

Reconciliation of Reversions to the amount Due to the State General Fund:

Total Reversions	\$ 668,349	\$ 3,670,166	\$ 4,338,515
Reverted during Fiscal Year 2016:			
Reversion to Capitol Buildings Repair Fund per Laws 2014, Ch. 64, Sec. 46	-	(3,319,645)	(3,319,645)
Budget reduction per Laws 2016, Ch. 11, Sec 10.A(3)	<u>(36,400)</u>	<u>-</u>	<u>(36,400)</u>
Due to State General Fund, June 30, 2016	<u>\$ 631,949</u>	<u>\$ 350,521</u>	<u>\$ 982,470</u>

Total reversions for the year for the Council Service Account, Fund 12900 amounted to \$668,349. Total reversions for the year for the Building Services Account Fund 13200 amounted to \$3,670,166. Total reversions for the two General Fund accounts amounted to \$4,338,515.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6. TRANSFERS

Inter-agency transfers for the 2016 fiscal year are as follows:

To		From		
Agency/Fund	Amount	Agency/Fund	Amount	Purpose
11100/12900	\$ 6,078,200	34101/85300	\$ 6,078,200	General Fund appropriation, Laws 2015, Ch. 1, Sec 3.A
11100/07500	5,650	11100/81100	5,650	FY 16 Regular Session Transfer of House Kitchen Receipts per Laws 2004, Ch. 1, Sec 10
11100/07500	153,042	35000/86300	153,042	2% transfer from GSD Capitol Building Repair Fund per Laws 2001, Ch. 319, Sec 17.A
11900/13200	<u>4,306,300</u>	34101/85300	<u>4,306,300</u>	General Fund appropriation, Laws 2015, Ch. 101, Sec 4.A.(1) and Sec 10; FY 2016 budget reductions, Laws 2016, Ch. 11, Sec 10.A.(1)
	<u>\$ 10,543,192</u>		<u>\$ 10,543,192</u>	

NOTE 7. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8. 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 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Legislative Council Service's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$93,023, \$91,227 and \$86,325, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9. 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, 2016, amounted to \$106,402.

NOTE 10. RISK MANAGEMENT AND LITIGATION

The Council Service obtains coverage through the Risk Management Division of the State of New Mexico 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 State Tort Claims Act. All Council Service 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 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.

Risk Management

The Council Service, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the state of New Mexico. The Council Service 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.
3. Fringe benefit coverage's for state of New Mexico employees.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10. RISK MANAGEMENT AND LITIGATION (CONTINUED)

The Council Services' 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 Council Service 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 Council Service. In addition, for the years ended June 30, 2016, 2015, and 2014, the Council Service had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Council Service.

NOTE 11. SPECIAL APPROPRIATION

The Legislative Council Service received the following special appropriation in previous years which lapsed at June 30, 2016 and was reverted to the Capitol Buildings Repair Fund.

Agency/Fund	Amount	Unexpended Balance	Appropriation End Date	Purpose
11900/13200	\$ 4,500,000	\$ 3,319,645	6/30/2016	Capitol Buildings Renovations Laws 2007, Ch. 192, Sec 1 (Extended by Laws 2014, Ch. 64, Sec 46)

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
GENERAL FUND DESCRIPTION
JUNE 30, 2016**

General Fund - Council Service Fund Account

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

General Fund - Building Services Fund Account

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
COMBINING BALANCE SHEET
GENERAL FUND - ALL ACCOUNTS
June 30, 2016**

	<u>General Fund</u>		
	<u>Fund 12900</u>	<u>Fund 13200</u>	
	Council Service Account	Building Service Account	Total General Fund
Assets			
Interest in the State Treasurer General Fund Investment Pool	\$ 842,883	\$ 523,761	\$ 1,366,644
Petty cash	<u>100</u>	<u>50</u>	<u>150</u>
 Total Assets	 <u>\$ 842,983</u>	 <u>\$ 523,811</u>	 <u>\$ 1,366,794</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 66,796	\$ 91,105	\$ 157,901
Accrued salaries payable	64,945	36,655	101,600
Payroll taxes payable	30,141	12,979	43,120
Payroll benefits payable	49,052	32,501	81,553
Due to State General Fund	<u>631,949</u>	<u>350,521</u>	<u>982,470</u>
 Total Liabilities	 <u>842,883</u>	 <u>523,761</u>	 <u>1,366,644</u>
 Fund Balances			
Non-spendable:			
Petty cash	100	50	150
Restricted:			
Subsequent years' expenditures	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>100</u>	 <u>50</u>	 <u>150</u>
 Total liabilities and fund balances	 <u>\$ 842,983</u>	 <u>\$ 523,811</u>	 <u>\$ 1,366,794</u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 LEGISLATIVE COUNCIL SERVICE
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GENERAL FUND - ALL ACCOUNTS
 For the year ended June 30, 2016

	General Fund		Total General Fund
	Fund 12900 Council Service Account	Fund 13200 Building Services Account	
Expenditures			
Current			
Personal services and employee benefits	\$ 4,251,943	\$ 2,645,805	\$ 6,897,748
Contractual services	258,941	89,428	348,369
Other costs	898,967	987,611	1,886,578
Capital outlay	-	232,935	232,935
Total expenditures	5,409,851	3,955,779	9,365,630
Other Financing Sources (uses)			
State General Fund appropriations	6,078,200	4,306,300	10,384,500
Other financing sources	-	-	-
Reversions - fiscal year 2016	(668,349)	(3,670,166)	(4,338,515)
Total other financing sources (uses)	5,409,851	636,134	6,045,985
Net change in fund balances	-	(3,319,645)	(3,319,645)
Fund balance, beginning of year	100	3,319,695	3,319,795
Fund balance, end of year	\$ 100	\$ 50	\$ 150

See Notes to Financial Statements.

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND - ALL ACCOUNTS
COUNCIL SERVICE ACCOUNT FUND 12900 and BUILDING SERVICES ACCOUNT FUND 13200
For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		Prior Years' Activity	Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund appropriations	\$ 10,410,400	\$ 10,348,100	\$ -	\$ 10,348,100	\$ -
Other revenues	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	-	-
Total revenues	14,910,400	14,848,100	<u>\$ 4,500,000</u>	<u>\$ 10,348,100</u>	<u>\$ -</u>
 Prior-year cash balance	<u>-</u>	<u>-</u>			
 Total Resources	<u>\$ 14,910,400</u>	<u>\$ 14,848,100</u>			
Expenditures:					
Personal services and employee benefits	\$ 7,556,500	\$ 7,494,200	\$ -	\$ 6,897,748	\$ 596,452
Contractual services	1,590,800	1,640,800	180,355	348,369	1,112,076
Other	5,763,100	4,713,100	-	2,119,513	2,593,587
Other financing uses	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>	-	-
Total expenditures	<u>\$ 14,910,400</u>	<u>\$ 14,848,100</u>	<u>\$ 1,180,355</u>	<u>\$ 9,365,630</u>	<u>\$ 4,302,115</u>

Reconciliation of GAAP basis to budget basis

	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 10,348,100	\$ 9,365,630
Adjustments:		
None	<u>-</u>	<u>-</u>
Budget basis	<u>\$ 10,348,100</u>	<u>\$ 9,365,630</u>

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
COUNCIL SERVICE ACCOUNT (FUND 12900) - ALL DEPARTMENTS
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		Prior Years' Activity	Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues					
State General Fund appropriations	\$ 6,078,200	\$ 6,041,800	\$ -	\$ 6,041,800	\$ -
Other revenues	-	-	-	-	-
Total revenues	<u>6,078,200</u>	<u>6,041,800</u>	<u>\$ -</u>	<u>\$ 6,041,800</u>	<u>\$ -</u>
Prior-year cash balance	-	-			
Total Resources	<u>\$ 6,078,200</u>	<u>\$ 6,041,800</u>			
Expenditures					
Personal services and employee benefits	\$ 4,673,700	\$ 4,637,300	\$ -	\$ 4,251,943	\$ 385,357
Contractual services	235,000	285,000	-	258,941	26,059
Other	1,169,500	1,119,500	-	898,967	220,533
Other financing uses	-	-	-	-	-
Total expenditures	<u>\$ 6,078,200</u>	<u>\$ 6,041,800</u>	<u>\$ -</u>	<u>\$ 5,409,851</u>	<u>\$ 631,949</u>
Reconciliation of GAAP basis to budget basis				<u>Revenues</u>	<u>Expenditures</u>
GAAP basis				\$ 6,041,800	\$ 5,409,851
Adjustments:					
None				-	-
Budget basis				<u>\$ 6,041,800</u>	<u>\$ 5,409,851</u>

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
COUNCIL SERVICE ACCOUNT (FUND 12900 - DEPARTMENT Z0000)
For the year ended June 30, 2016**

	<u>Budgeted Amounts</u>		Prior Years' Activity	Actual Budget Basis	Variance
	Original	Final			Favorable (Unfavorable)
Revenues					
State General Fund appropriations	\$ 5,536,200	\$ 5,499,800	\$ -	\$ 5,499,800	\$ -
Other revenues	-	-	-	-	-
Total revenues	<u>5,536,200</u>	<u>5,499,800</u>	<u>\$ -</u>	<u>\$ 5,499,800</u>	<u>\$ -</u>
Prior-year cash balance	-	-			
Total Resources	<u>\$ 5,536,200</u>	<u>\$ 5,499,800</u>			
Expenditures					
Personal services and employee benefits	\$ 4,673,700	\$ 4,637,300	\$ -	\$ 4,251,943	\$ 385,357
Contractual services	235,000	285,000	-	258,941	26,059
Other	627,500	577,500	-	488,305	89,195
Other Financing uses	-	-	-	-	-
Total expenditures	<u>\$ 5,536,200</u>	<u>\$ 5,499,800</u>	<u>\$ -</u>	<u>\$ 4,999,189</u>	<u>\$ 500,611</u>
Reconciliation of GAAP basis to budget basis				<u>Revenues</u>	<u>Expenditures</u>
GAAP basis				\$ 5,499,800	\$ 4,999,189
Adjustments:					
None				-	-
Budget basis				<u>\$ 5,499,800</u>	<u>\$ 4,999,189</u>

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
COUNCIL SERVICE ACCOUNT (FUND 12900 - DEPARTMENT Z0100)
For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		Prior Years' Activity	Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues					
State General Fund appropriations	\$ 542,000	\$ 542,000	\$ -	\$ 542,000	\$ -
Other revenues	-	-	-	-	-
Total revenues	<u>542,000</u>	<u>542,000</u>	<u>\$ -</u>	<u>\$ 542,000</u>	<u>\$ -</u>
Prior-year cash balance	<u>-</u>	<u>-</u>			
Total Resources	<u>\$ 542,000</u>	<u>\$ 542,000</u>			
Expenditures					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other	542,000	542,000	-	410,662	131,338
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 542,000</u>	<u>\$ 542,000</u>	<u>\$ -</u>	<u>\$ 410,662</u>	<u>\$ 131,338</u>

Reconciliation of GAAP basis to budget basis

	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 542,000	\$ 410,662
Adjustments:		
None	<u>-</u>	<u>-</u>
Budget basis	<u>\$ 542,000</u>	<u>\$ 410,662</u>

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

STATE OF NEW MEXICO
 LEGISLATIVE COUNCIL SERVICE
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (BUDGET BASIS)
 GENERAL FUND
 BUILDING SERVICES ACCOUNT (FUND 13200) - ALL DEPARTMENTS
 For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		Prior Years' Activity	Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues					
State General Fund appropriations	\$ 4,332,200	\$ 4,306,300	\$ -	\$ 4,306,300	\$ -
Other revenues	4,500,000	4,500,000	4,500,000	-	-
Total revenues	<u>8,832,200</u>	<u>8,806,300</u>	<u>\$ 4,500,000</u>	<u>\$ 4,306,300</u>	<u>\$ -</u>
Prior-year cash balance	-	-			
Total Resources	<u>\$ 8,832,200</u>	<u>\$ 8,806,300</u>			
Expenditures					
Personal services and employee benefits	\$ 2,882,800	\$ 2,856,900	\$ -	\$ 2,645,805	\$ 211,095
Contractual services	1,355,800	1,355,800	180,355	89,428	1,086,017
Other	4,593,600	3,593,600	-	1,220,546	2,373,054
Other financing uses	-	1,000,000	1,000,000	-	-
Total expenditures	<u>\$ 8,832,200</u>	<u>\$ 8,806,300</u>	<u>\$ 1,180,355</u>	<u>\$ 3,955,779</u>	<u>\$ 3,670,166</u>
Reconciliation of GAAP basis to budget basis				<u>Revenues</u>	<u>Expenditures</u>
GAAP basis				\$ 4,306,300	\$ 3,955,779
Adjustments:					
None				-	-
Budget basis				<u>\$ 4,306,300</u>	<u>\$ 3,955,779</u>

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

STATE OF NEW MEXICO
 LEGISLATIVE COUNCIL SERVICE
 STATEMENT OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (BUDGET BASIS)
 GENERAL FUND
 BUILDING SERVICES ACCOUNT (FUND 13200 - DEPARTMENT Z0000)
 For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		Prior Years' Activity	Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues					
State General Fund appropriations	\$ 4,332,200	\$ 4,306,300	\$ -	\$ 4,306,300	\$ -
Other revenues	-	-	-	-	-
Total revenues	<u>4,332,200</u>	<u>4,306,300</u>	<u>\$ -</u>	<u>\$ 4,306,300</u>	<u>\$ -</u>
Prior-year cash balance	-	-			
Total Resources	<u>\$ 4,332,200</u>	<u>\$ 4,306,300</u>			
 Expenditures					
Personal services and employee benefits	\$ 2,882,800	\$ 2,856,900	\$ -	\$ 2,645,805	\$ 211,095
Contractual services	97,600	97,600	-	89,428	8,172
Other	1,351,800	1,351,800	-	1,220,546	131,254
Other financing uses	-	-	-	-	-
Total expenditures	<u>\$ 4,332,200</u>	<u>\$ 4,306,300</u>	<u>\$ -</u>	<u>\$ 3,955,779</u>	<u>\$ 350,521</u>

Reconciliation of GAAP basis to budget basis

	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 4,306,300	\$ 3,955,779
Adjustments:		
None	-	-
Budget basis	<u>\$ 4,306,300</u>	<u>\$ 3,955,779</u>

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
BUILDING SERVICES ACCOUNT (FUND 13200 - DEPARTMENT Z1500)
MULTI-YEAR APPROPRIATION - RENOVATION AT CAPITOL NORTH (LAPSES JUNE 30, 2016)
For the year ended June 30, 2016

	Budgeted Amounts		Prior Years'	Actual Budget	Variance
	Original	Final	Activity	Basis	Favorable (Unfavorable)
Revenues					
State General Fund appropriations	\$ -	\$ -	\$ -	\$ -	\$ -
Other revenues	4,500,000	4,500,000	4,500,000	-	-
Total revenues	4,500,000	4,500,000	\$ 4,500,000	\$ -	\$ -
Prior-year cash balance	-	-			
Total Resources	\$ 4,500,000	\$ 4,500,000			
Expenditures					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	1,258,200	1,258,200	180,355	-	1,077,845
Other	3,241,800	2,241,800	-	-	2,241,800
Other financing uses	-	1,000,000	1,000,000	-	-
Total expenditures	\$ 4,500,000	\$ 4,500,000	\$ 1,180,355	\$ -	\$ 3,319,645
Reconciliation of GAAP basis to budget basis				Revenues	Expenditures
GAAP basis				\$ -	\$ -
Adjustments:					
None				-	-
Budget basis				\$ -	\$ -

Note:

The actual expenditures on the budget basis for FY 2016 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2017 budget.

See Notes to Financial Statements.

OTHER INFORMATION (UNAUDITED)

STATE OF NEW MEXICO
 LEGISLATIVE COUNCIL SERVICE
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
 EXCEEDING \$60,000 (EXCLUDING GROSS RECEIPTS TAX) (UNAUDITED)
 For the year ended June 30, 2016

RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
NONE										

See accompanying notes to the Schedule of Vendor Information for Purchases Exceeding \$60,000

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
NOTES TO SCHEDULE OF VENDOR INFORMATION FOR PURCHASES
EXCEEDING \$60,000 (EXCLUDING GROSS RECEIPTS TAX) (UNAUDITED)
For the year ended June 30, 2016**

This Schedule includes:

Competitive procurements in fiscal year (FY) 2016 that result in one or more contracts with a maximum contract price of over \$60,000 or more, excluding gross receipts tax, regardless of whether expenditures under that contract were over \$60,000 in FY 2016;

Sole-source procurements in FY 2016 that result in one or more contracts with a maximum contract price of over \$60,000 or more, excluding gross receipts tax, regardless of whether expenditures under that contract were over \$60,000 in FY 2016; and

Emergency procurements in FY 2016 that result in one or more contracts with a maximum contract price of over \$60,000 or more, excluding gross receipts tax, regardless of whether expenditures under that contract were over \$60,000 in FY 2016.

This Schedule does not include:

Information on a multi-year procurement that occurred in a prior year, even if it resulted in expenditures of \$60,000 or more in FY 2016, unless there was a contract amendment that occurred in the current fiscal year (i) of a contract with a maximum contract price of \$60,000 or more, or (ii) that increased the maximum contract price of an existing contract to equal or exceed \$60,000; and

Procurements based on statewide pricing agreements or other pricing agreements in FY 2016, unless agency entered into the pricing agreement on behalf of other agencies.

Purchases from federal agencies or other state agencies.

COMPLIANCE

**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**

Mr. Tim Keller, New Mexico State Auditor
Senator Mary Kay Papen, President Pro-Tempore of the Senate
Representative Don L. Tripp, Speaker of the House of Representatives
Legislative Council Service

We have audited, in accordance with the 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, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of the State of New Mexico's Legislative Council Service (Council Service), as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the Council Service's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Council Service, presented as supplementary information, and have issued our report thereon dated November 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council Service'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 Council Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council Service'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,

Mr. Tim Keller, New Mexico State Auditor
Senator Mary Kay Papen, President Pro-Tempore of the Senate
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Legislative Council Service

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.

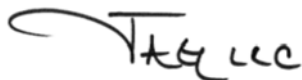
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 result 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 Council Service's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
November 29, 2016

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

NONE

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

NONE

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2016**

An exit conference was held at the Council Service on November 22, 2016 to discuss the audit report. In attendance were the following individuals:

Governance

Senator Mary Kay Papan, President Pro Tempore of the Senate

Representative Don L. Tripp, Speaker of the House of Representatives

Management

Raúl Burciaga, Director

Kathy Pacheco-Dofflemeyer, Assistant Director for Administration

Anesa Serna-Espinoza, Financial Assistant

Independent Auditor – Jaramillo Accounting Group LLC (JAG)

Audrey J. Jaramillo, CPA, CFE

Phillip Gonzales, CGFM

These financial statements and Management's Discussion and Analysis 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. Management and Governance has reviewed and approved the financial statements.