

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE**

**Financial Statements
For the Year Ended June 30, 2017**

(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Table of Contents
June 30, 2017**

Introductory Section	<u>Page</u>
Title Page	i
Table of Contents	ii-iv
Official Roster	v

Financial Section	
Independent Auditor’s Report	vi-viii
Management’s Discussion and Analysis	ix-xvi

Basic Financial Statements:

<u>Government-Wide Financial Statements</u>	<u>Exhibit</u>	
Statement of Net Position	A	1
Statement of Activities.	B	2
 <u>Fund Financial Statements</u>		
Balance Sheet – Governmental Funds	C	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	D	5
Statement of Revenues and Expenditures Budget and Actual (Budget Basis) - Major Governmental Funds General Fund - All Accounts	E	7
Statement of Revenues and Expenditures Budget, and Actual (Budget Basis) - Major Governmental Funds Capitol Buildings Repair Special Revenue Fund (Fund 07500)	F	8
Notes to the Financial Statements		9-23

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Table of Contents
June 30, 2017**

Supplementary Information

Combining and Individual Fund Financial Statements

	<u>Statement</u>	<u>Page</u>
Combining Balance Sheet – General Fund - All Accounts.	1.	27
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund - All Accounts.	2.	28
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).	3.	29
Statement of Revenues and Expenditures Budget and Actual (Budget Basis) - General Fund - Council Service Account (Fund 12900) - All Departments.	4.	30
Statement of Revenues and Expenditures Budget and Actual (Budget Basis) - General Fund - Council Service Account (Fund 12900 - Dept. Z0000)	5.	31
Statement of Revenues and Expenditures Budget and Actual (Budget Basis) - General Fund - Council Service Account (Fund 12900 - Dept. Z0100)	6.	32
Statement of Revenues and Expenditures Budget and Actual (Budget Basis) - General Fund - Council Service Account (Fund 12900 - Dept. ZB0544) Multi-Year Appropriation - Tax Study	7.	33
Statement of Revenues and Expenditures Budget and Actual (Budget Basis) - General Fund - Building Services Account (Fund 13200).	8.	34

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Table of Contents
June 30, 2017**

Compliance

Page

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 <i>Government Auditing Standards</i>	36-38
Schedule of Findings and Responses	39
Financial Statement Preparation and Exit Conference	40

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Official Roster
June 30, 2017**

Legislative Council Members

Representative	Brian Egolf	Co-Chair
Senator	Mary Kay Papan	Co-Chair
Senator	Carlos R. Cisneros	Member
Representative	Zachary J. Cook	Member
Representative	Candy Spence Ezzell	Member
Representative	Doreen Y. Gallegos	Member
Representative	Nate Gentry	Member
Representative	Roberto "Bobby" J. Gonzales	Member
Senator	Stuart Ingle	Member
Representative	Rod Montoya	Member
Senator	William H. Payne	Member
Senator	Clemente Sanchez	Member
Senator	John Arthur Smith	Member
Representative	Sheryl Williams Stapleton	Member
Senator	James P. White	Member
Senator	Peter Wirth	Member

Administrative Officials

Raúl E. 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
Anesa Serna-Espinoza	Chief Financial Officer

FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the general fund and the major special revenue fund of the State of New Mexico Legislative Council Service (Council Service), as of and for the year ended June 30, 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (general fund), and the budgetary comparison for the general fund and major special revenue fund of the Council Service, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and on pages ix - xvi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

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

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council Service's basic financial statements. The schedules listed as Supplementary Information and information listed as Other Supplementary Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules listed as supplementary information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules listed as supplementary information in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The information listed in the table of contents as other supplementary information have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report October 23, 2017 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 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.

Morton Accounting Services, LLC

Santa Fe, New Mexico
October 23, 2017

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2017**

OVERVIEW

Our discussion and analysis of the State of New Mexico, Legislative Council Service financial performance provide an overview of its financial activities for the fiscal year ended June 30, 2017. 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 represent the State of New Mexico as a whole.

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

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

Reporting on the Council Service as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Council Service 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 (Exhibit A).

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2017**

Reporting on the Council Service as a Whole (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities (Exhibit B) 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

Governmental Activities - 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 is reconciled.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented by governmental activities in the government-wide financial statements. By

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2017**

Fund Financial Statements (Continued)

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 9 through 23 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 Exhibits E and F, and Statements 3 through 7. 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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2017**

THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Continued)

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 \$951,306 from a year ago, decreasing from \$38,652,192 to \$37,700,886. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Council Service governmental activities.

Table 1

Condensed Statement of Net Position

	<u>FY 2017</u>	<u>FY 2016</u>	<u>Change</u>
Assets			
Current	\$ 2,778,948	\$ 3,161,878	\$ (382,930)
Capital assets (net of accumulated depreciation)	<u>36,047,808</u>	<u>37,732,937</u>	<u>(1,685,129)</u>
Total assets	<u>\$ 38,826,756</u>	<u>\$ 40,894,815</u>	<u>\$ (2,068,059)</u>
Liabilities			
Current	\$ 723,478	\$ 1,677,609	\$ (954,131)
Long-term	<u>402,392</u>	<u>565,014</u>	<u>(162,622)</u>
Total liabilities	<u>1,125,870</u>	<u>2,242,623</u>	<u>(1,116,753)</u>
Net Position			
Net investment in capital assets Restricted for subsequent years' expenditure	36,047,808	37,732,937	(1,685,129)
Unrestricted	<u>2,355,054</u> <u>(701,976)</u>	<u>1,795,084</u> <u>(875,829)</u>	<u>559,970</u> <u>173,853</u>
Total net position	<u>37,700,886</u>	<u>38,652,192</u>	<u>(951,306)</u>
Total liabilities and net position	<u>\$ 38,826,756</u>	<u>\$ 40,894,815</u>	<u>\$ (2,068,059)</u>

As summarized in the above table, Net Position represents the differences 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, 2017**

THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Continued)

Current assets decreased by \$382,930, or 12.11% from a year ago. Current assets consist of cash, \$2,378,948, and a due from other state agencies of \$400,000. Current liabilities decreased by \$954,131, or 56.87% from a year ago. This decrease is attributable to the decrease in compensated absences of \$173,853, and a decrease in due to the State General Fund of \$982,470 due to reversions recorded as a transfer at June 30, 2017, not requiring a due to the State General Fund to be recorded at year-end. Additional changes include an increase in accounts payable of \$44,847, and a decrease in payroll related liabilities of \$5,277.

Liabilities of \$1,125,870 constitute 3.02% of total net position and consist primarily of accounts payable (\$202,748), i.e., money that the Council Service is obligated to pay, but has not yet been transformed into warrants or wire transfers as of the close of the fiscal year; accrued salaries payable (\$107,427); payroll taxes payable (\$29,826); payroll benefits payable (\$83,743); and compensated absences payable (\$702,126).

Table 2

Condensed Statement of Activities

This table shows the components that decreased, in the aggregate, the Council Service net position.

	FY 2017	FY 2016	Change
Expenses:			
Legislative Program	\$ 10,669,588	\$ 11,029,060	\$ (359,472)
Transfers:			
State General Fund appropriations (net of reversions)	9,359,790	6,045,985	3,313,805
Operating transfers in	159,970	158,692	1,278
Transfers in - donated capital assets	198,522	41,231	157,291
Total transfers	<u>9,718,282</u>	<u>6,245,908</u>	<u>3,472,374</u>
Change in net position	(951,306)	(4,783,152)	3,831,846
Net position, beginning of year	<u>38,652,192</u>	<u>43,435,344</u>	<u>(4,783,152)</u>
Net position, end of year	<u>\$ 37,700,886</u>	<u>\$ 38,652,192</u>	<u>\$ (951,306)</u>

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.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2017**

THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Continued)

The Council Service reports balances in the following three categories of net position: (1) investment in capital assets; (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 \$2,355,054 restricted for subsequent years' expenditures.

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

The decrease in net position of (\$951,306) was the result of the (\$1,685,129) of a decrease in net capital assets, an increase of \$559,970 in funds restricted for subsequent years' expenditures, and an increase of \$173,853 in compensated absences payable.

The Council Service governmental activities revenues and operating transfers-in increased by \$3,472,374 from a year ago. The significant change was the result of an increase in net State General Fund appropriations of \$3,313,805, an increase in donated capital assets of \$157,291, and an increase in operating transfers-in of \$1,278.

The cost of governmental activities was \$10,669,588, compared to \$11,029,060 last year, or a decrease of (\$359,472) (3.26%). The decrease was primarily the result of expenditures associated with the decrease of \$633,200 in State General Fund appropriations.

THE COUNCIL SERVICE'S FUNDS

As the Council Service completed the year, the governmental funds (as presented in the Balance Sheet, Exhibit C, page 3) reported a combined fund balance of \$2,355,204, which is above last year's combined fund balance of \$1,795,234, an increase of \$559,970 (31.19%). The Council Service's fund balance increased due to a special multi-year appropriation of \$400,000 available for expenditure in fiscal year 2018. The fund balance of the Capitol Buildings Repair Special Revenue Fund increased as a result of transfers in of \$159,970 from the Capitol Kitchen Fund and the Capitol Buildings Repair Fund. The combined fund balance of \$2,355,204 remaining at year-end includes \$2,355,054 restricted for expenditure in the subsequent fiscal year and \$150 in petty cash funds.

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 and reduced budget of \$9,890,000 had a second budget reduction resulting in a change to the final revised budget of \$9,714,900. Comparison of actual expenditures on a budgetary basis to approved budget amounts is presented on the following page.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2017**

THE LEGISLATIVE COUNCIL SERVICE AS A WHOLE (Continued)

	<u>Original Budget</u>	<u>BAR Adjustments</u>	<u>Final Budget</u>	<u>Actual Amount</u>
Personal services/employee benefits	\$ 7,396,700	\$ (255,100)	\$ 7,141,600	\$ 6,695,115
Contractual services	322,600	100,350	422,950	364,686
Other	<u>2,170,700</u>	<u>(20,350)</u>	<u>2,150,350</u>	<u>1,899,989</u>
Total	<u>\$ 9,890,000</u>	<u>\$ (175,100)</u>	<u>\$ 9,714,900</u>	<u>\$ 8,959,790</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

As of June 30, 2017, the Council Service had \$76,489,265 of capital assets, accumulated depreciation of (\$40,441,457), resulting in net capital assets of \$36,047,808. The majority of the Council Service's capital assets are invested in land of \$1,277,372, and buildings and building improvements of \$72,467,183.

There were current year additions of capital assets totaling \$221,656, of which \$198,522 was donated to the Council Service.

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

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<u>Non-Depreciable</u>		
Land	\$ 1,277,372	\$ 1,277,372
Artwork and books	168,775	168,775
Total non-depreciable capital assets	<u>1,446,147</u>	<u>1,446,147</u>
<u>Depreciable</u>		
Furniture and equipment	637,321	688,425
Buildings	12,838,218	13,228,246
Building improvements	<u>21,126,122</u>	<u>22,370,119</u>
Total depreciable capital assets	<u>34,601,661</u>	<u>36,286,790</u>
Total capital assets, net	<u>\$ 36,047,808</u>	<u>\$ 37,732,937</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Management's Discussion and Analysis
(Required Supplementary Information)
June 30, 2017**

Debt - Compensated Absences Payable

At the end of the current fiscal year, the Council Service had total debt outstanding of \$702,126, 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 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The appropriations made for FY 2018 from the General Fund in Laws 2017, 1st Special Session, Chapter 2, Section 4 reflect a flat budget from the fiscal year-end 2017 twice reduced budget with no compensation package provided for in the 2018 fiscal year.

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, 2017**

	Governmental Activities
Assets:	
Interest in the State Treasurer General Fund Investment Pool (note 2)	\$ 2,378,798
Petty cash	150
Due from other agencies (note 3)	400,000
Capital assets, net (note 4)	<u>36,047,808</u>
 Total assets	 <u>\$ 38,826,756</u>
 Liabilities:	
Accounts payable	\$ 202,718
Accrued salaries payable	107,427
Payroll taxes payable	29,826
Payroll benefits payable	83,743
Accounts payable year-end	30
Due to State General Fund (note 6)	-
Compensated absences payable: (note 5)	
Due within one year - current	299,734
Due after one year - long-term	<u>402,392</u>
 Total liabilities	 <u>1,125,870</u>
 Net Position:	
Net investment in capital assets	36,047,808
Restricted	2,355,054
Unrestricted	<u>(701,976)</u>
 Total net position	 <u>37,700,886</u>
 Total liabilities and net position	 <u>\$ 38,826,756</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Activities
For the Year Ended June 30, 2017**

	<u>Governmental Activities</u>
Expenses:	
Legislative Program	\$ <u>10,669,588</u>
 General revenues and transfers:	
Transfers in (note 7):	
State General Fund appropriations	9,890,000
Other financing sources	159,970
Donated capital assets	198,522
Due from other state agencies (note 3):	
State General Fund appropriations	400,000
Reversions to State General Fund - Fiscal Year 2017 (note 6)	<u>(930,210)</u>
Total revenues and transfers	<u>9,718,282</u>
 Change in net position	 (951,306)
 Net position, beginning of the year	 <u>38,652,192</u>
 Net position, end of year	 \$ <u><u>37,700,886</u></u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Balance Sheet
Governmental Funds
June 30, 2017**

	<u>Major Funds</u>		
	<u>General Fund - All Accounts</u>	<u>Fund 07500 Legis.-Capitol Buildings Repair Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Interest in the State Treasurer General Fund Investment Pool (note 2)	\$ 423,744	\$ 1,955,054	\$ 2,378,798
Petty cash	150	-	150
Due from other agencies (note 3)	400,000	-	400,000
	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total assets	<u>\$ 823,894</u>	<u>\$ 1,955,054</u>	<u>\$ 2,778,948</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 202,718	\$ -	\$ 202,718
Accrued salaries payable	107,427	-	107,427
Payroll taxes payable	29,826	-	29,826
Payroll benefits payable	83,743	-	83,743
Accounts payable year-end	30	-	30
Due to State General Fund (note 6)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>423,744</u>	<u>-</u>	<u>423,744</u>
Fund Balances:			
Committed:			
Petty Cash	150	-	150
Restricted:			
Subsequent years' expenditures	400,000	1,955,054	2,355,054
	<u>400,000</u>	<u>1,955,054</u>	<u>2,355,054</u>
Total fund balances	<u>400,150</u>	<u>1,955,054</u>	<u>2,355,204</u>
Total liabilities and fund balances	<u>\$ 823,894</u>	<u>\$ 1,955,054</u>	<u>\$ 2,778,948</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Reconciliation of the Balance Sheet
Governmental Funds
June 30, 2017**

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

Fund Balances - Governmental Funds (Exhibit C)	\$ 2,355,204
<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	76,489,265
Accumulated depreciation	(40,441,457)
<p>Compensated absences accrued in the government-wide financial statements, but not due and payable at fiscal year end</p>	
	<u>(702,126)</u>
Net Position of Governmental Activities	\$ <u><u>37,700,886</u></u>

The accompanying notes are an integral part of these 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, 2017**

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund - All Accounts</u>	<u>Fund 07500 Legis.-Capitol Buildings Repair Special Revenue Fund</u>	
Expenditures:			
Current:			
Personal services and employee benefits	\$ 6,695,115	\$ -	\$ 6,695,115
Contractual services	364,686	-	364,686
Other costs	1,876,855	-	1,876,855
Capital Outlay	23,134	-	23,134
Total expenditures	<u>8,959,790</u>	<u>-</u>	<u>8,959,790</u>
Other Financing Sources (uses):			
Transfers:			
State General Fund appropriations	10,290,000	-	10,290,000
Other Financing Sources	-	159,970	159,970
Reversions - Fiscal Year 2017	(930,210)	-	(930,210)
Total other financing sources (uses)	<u>9,359,790</u>	<u>159,970</u>	<u>9,519,760</u>
Net change in fund balances	400,000	159,970	559,970
Fund Balances:			
Fund balance, beginning of year	<u>150</u>	<u>1,795,084</u>	<u>1,795,234</u>
Fund balance, end of year	<u>\$ 400,150</u>	<u>\$ 1,955,054</u>	<u>\$ 2,355,204</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Reconciliation of the
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

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

Total Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 559,970
---------------------------------------------------------------------------	-------------------

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	23,134
Donated capital assets	198,522
Depreciation expense and disposal of capital assets - FY 2017	(1,906,785)

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>173,853</u>
----------------------------------------	----------------

Change in Net Position - Governmental Activities (Exhibit B)	\$ <u>(951,306)</u>
---------------------------------------------------------------------	----------------------------

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE**
Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)
Major Governmental Funds
General Fund - All Accounts
Council Service Account Fund 12900 and Building Services Account Fund 13200 (Combined)
For the Year Ended June 30, 2017

(From Statement 3)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund appropriations	\$ 9,890,000	\$ 9,714,900	\$ 10,290,000	\$ 575,100
Other financing resources	-	-	-	-
Total revenues	9,890,000	9,714,900	<u>\$ 10,290,000</u>	<u>\$ 575,100</u>
Prior-year cash balance	-	-		
Total resources	<u>\$ 9,890,000</u>	<u>\$ 9,714,900</u>		
Expenditures:				
Personal services and employee benefits	\$ 7,396,700	\$ 7,141,600	\$ 6,695,115	\$ 446,485
Contractual services	322,600	422,950	364,686	58,264
Other	2,170,700	2,150,350	1,899,989	250,361
Other financing uses	-	-	-	-
Total expenditures	<u>\$ 9,890,000</u>	<u>\$ 9,714,900</u>	<u>\$ 8,959,790</u>	<u>\$ 755,110</u>

Reconciliation of GAAP basis to budget basis:

	Revenues	Expenditures
GAAP basis	\$ 10,290,000	\$ 8,959,790
Adjustments:		
(Fund 12900 - Dept. Z0000) Mid-year reduction transferred to General Fund as a reversion. Budget was reduced accordingly.	(175,100)	-
(Fund 12900 - Dept. ZB0544) No budget was established in FY 2017 for this multi-year appropriation.	<u>(400,000)</u>	<u>-</u>
Budget basis	<u>\$ 9,714,900</u>	<u>\$ 8,959,790</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

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

STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Statement of Revenues and Expenditures - Budget and Actual (Budget Basis)
Major Governmental Funds
Legis.-Capitol Buildings Repair Special Revenue (Fund 07500)
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund appropriations	\$ -	\$ -	\$ -	\$ -
Other financing resources	-	-	159,970	159,970
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159,970</u>	<u>\$ 159,970</u>
Expenditures:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Reconciliation of GAAP basis to budget basis:

	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 159,970	\$ -
Adjustments:		
None	-	-
	<u> </u>	<u> </u>
Budget basis	<u>\$ 159,970</u>	<u>\$ -</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

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, 2017, represent fiscal year 2017 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 Service's 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 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 is 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 is 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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

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

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

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 is 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. The following funds are utilized by the Council Service:

Governmental Funds

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

General Fund - The General Fund is the general operating fund of the Council Service. The General Fund is comprised of two accounts, the Council Service 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, 2017**

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 Balances

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

The 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.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

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

F. Net Position/Fund Balances (Continued)

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 considered for the government's general fund, and could report a surplus or a deficit.

G. Capital Assets

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

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

H. Use of Estimates

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

I. Compensated Absences Payable

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

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 5.)

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 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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

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

J. Budgetary Procedures and Accounting (Continued)

1978. Those accounts payable require approval to pay prior year bills out of the FY 2018 budget. At June 30, 2017, 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.

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.

Pooled cash and investments of \$2,378,798 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, 2017 State Treasurer's investment pool audited financial statements were not available as of October 23, 2017. 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*.

<u>Account Name</u>	<u>SHARE Fund #</u>	<u>Balance per Depository</u>	<u>Reconciling Items</u>	<u>Balance per Books</u>
<u>General Fund:</u>				
Council Service Fund Account	12900	\$ 195,689	\$ -	\$ 195,689
Building Service Fund Account	13200	228,055	-	228,055
<u>Special Revenue Fund:</u>				
Legis.-Capitol Buildings Repair Fund	07500	1,955,054	-	1,955,054
		<u>\$ 2,378,798</u>	<u>\$ -</u>	<u>\$ 2,378,798</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

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

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, 2017.

State General Fund Investment Pool

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

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

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

The following assertions are provided:

1. As of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

The 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 and 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, 2017.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

3. Due From Other State Agencies

At the end of the fiscal year, the special appropriation of \$400,000 from the General Fund in Laws 2017, 1st Special Session, Chapter 2, Section 5, Item 3, had not been transferred to the Council Service. Budget was not established or expenditures incurred in FY 2017. The revenue of the multi-year allotment was recognized in FY 2017 and a due from other agencies recorded as of June 30, 2017.

<u>To</u>		<u>From</u>		<u>Purpose</u>
<u>Agency/Fund</u>	<u>Amount</u>	<u>Agency/Fund</u>	<u>Amount</u>	
11100/12900	\$ 400,000	34101/85300	\$ 400,000	General Fund appropriation, Laws 2017, 1 st Special Session, Chapter 2, Section 5, Item 3.

4. Capital Assets

The following is a summary of capital assets activity for the year ended June 30, 2017:

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 6/30/2017</u>
Governmental activities:				
Nondepreciable assets:				
Land	\$ 1,277,372	\$ -	\$ -	\$ 1,277,372
Artwork and books	168,775	-	-	168,775
Total	<u>1,446,147</u>	<u>-</u>	<u>-</u>	<u>1,446,147</u>
Depreciable assets:				
Furniture & equipment	2,354,279	221,656	-	2,575,935
Buildings	22,779,208	-	-	22,779,208
Building improvements	49,687,975	-	-	49,687,975
Total	<u>74,821,462</u>	<u>221,656</u>	<u>-</u>	<u>75,043,118</u>
Total capital assets	<u>76,267,609</u>	<u>221,656</u>	<u>-</u>	<u>76,489,265</u>
Less accumulated depreciation for:				
Furniture & equipment	(1,665,854)	(272,760)	-	(1,938,614)
Buildings	(9,550,962)	(390,028)	-	(9,940,990)
Building improvements	(27,317,856)	(1,243,997)	-	(28,561,853)
Total accumulated depreciation	<u>(38,534,672)</u>	<u>(1,906,785)</u>	<u>-</u>	<u>(40,441,457)</u>
Total governmental activities Capital assets, net	<u>\$ 37,732,937</u>	<u>\$ (1,685,129)</u>	<u>\$ -</u>	<u>\$ 36,047,808</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

4. Capital Assets (Continued)

The following is a summary of capital assets activity by fund for the year ended June 30, 2017:

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 6/30/2017</u>
Legislative Council Service (Fund 12900)				
Governmental activities:				
Depreciable assets:				
Furniture & equipment	\$ 1,700,595	\$ 221,656	\$ -	\$ 1,922,251
Less accumulated depreciation for:				
Furniture & equipment	<u>(1,322,019)</u>	<u>(233,750)</u>	<u>-</u>	<u>(1,555,769)</u>
Total governmental activities				
Capital assets, net	<u>\$ 378,576</u>	<u>\$ (12,094)</u>	<u>\$ -</u>	<u>\$ 366,482</u>
Building Services (Fund 13200)				
Governmental activities:				
Nondepreciable assets:				
Land	\$ 1,277,372	\$ -	\$ -	\$ 1,277,372
Artwork and books	<u>168,775</u>	<u>-</u>	<u>-</u>	<u>168,775</u>
Total	<u>1,446,147</u>	<u>-</u>	<u>-</u>	<u>1,446,147</u>
Depreciable assets:				
Furniture & equipment	653,684	-	-	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>73,120,867</u>	<u>-</u>	<u>-</u>	<u>73,120,867</u>
Total capital assets	<u>74,567,014</u>	<u>-</u>	<u>-</u>	<u>74,567,014</u>
Less accumulated depreciation for:				
Furniture & equipment	(343,835)	(39,010)	-	(382,845)
Buildings	(9,550,962)	(390,028)	-	(9,940,990)
Building improvements	<u>(27,317,856)</u>	<u>(1,243,997)</u>	<u>-</u>	<u>(28,561,853)</u>
Total accumulated depreciation	<u>(37,212,653)</u>	<u>(1,673,035)</u>	<u>-</u>	<u>(38,885,688)</u>
Total governmental activities				
Capital assets, net	<u>\$ 37,354,361</u>	<u>\$ (1,673,035)</u>	<u>\$ -</u>	<u>\$ 35,681,326</u>

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

Legislative Program:	
Legislative Council Service (Fund 12900)	\$ 233,750
Legislative Building Services (Fund 13200)	<u>1,673,035</u>
	<u>\$ 1,906,785</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

5. Long-Term Liabilities

Qualified employees are entitled to accumulate annual leave as follows: Unlimited accumulated annual leave may be carried forward into the beginning of the calendar year. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, 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.

Below is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance 6/30/2017</u>	<u>Amounts Due Within One Year</u>	<u>Long Term</u>
Compensated absences						
Council Service	\$ 567,176	\$ 253,757	\$ (291,364)	\$ 529,569	\$ 211,246	\$ 318,323
Building Services	<u>308,803</u>	<u>134,446</u>	<u>(270,692)</u>	<u>172,557</u>	<u>88,488</u>	<u>84,069</u>
Total	<u>\$ 875,979</u>	<u>\$ 388,203</u>	<u>\$ (562,056)</u>	<u>\$ 702,126</u>	<u>\$ 299,734</u>	<u>\$ 402,392</u>

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

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

	General Fund		Total
	Council Service	Building Services	
Cash balance, June 30, 2017	\$ 195,689	\$ 228,055	\$ 423,744
Add:			
Due from other state agencies at 6/30/17	400,000	-	400,000
Less:			
Accounts payable at 6/30/17	(68,477)	(134,241)	(202,718)
Accrued payroll at 6/30/17	(63,711)	(43,716)	(107,427)
Payroll taxes payable, 6/30/17	(15,069)	(14,757)	(29,826)
Payroll benefits payable, 6/30/17	(48,432)	(35,311)	(83,743)
Accounts payable year-end at 6/30/17	-	(30)	(30)
Restricted for subsequent expenditure - multi-year	(400,000)	-	(400,000)
Due to State General Fund, June 30, 2017	\$ -	\$ -	\$ -

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

Total Reversions	\$ 682,914	\$ 247,296	\$ 930,210
Reverted during FY 2017:			
Budget reduction per Laws 2016, 2 nd Special Session, Chapter 6, Section 1	(175,100)	-	(175,100)
Operating budget balance at 2017 fiscal year-end	(507,814)	(247,296)	(755,110)
Due to State General Fund, June 30, 2017	\$ -	\$ -	\$ -

Total reversions for the year for the Council Service Account, Fund 12900 amounted to \$682,914.
Total reversions for the year for the Building Services Account Fund 13200 amounted to \$247,296.
Total reversions for the two General Fund accounts amounted to \$930,210.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

7. Transfers

Inter-agency transfers for the 2017 fiscal year are as follows:

<u>To</u>		<u>From</u>		<u>Purpose</u>
<u>Agency/Fund</u>	<u>Amount</u>	<u>Agency/Fund</u>	<u>Amount</u>	
11100/12900	\$ 5,835,100	34101/85300	\$ 5,835,100	General Fund appropriation, Laws 2016, Chapter 1, Section 3.A (Reduction, Laws 2016, Chapter 11, Section 11)
11100/07500	27,805	11100/81100	27,805	FY17 Regular Session transfer of House Kitchen Receipts per Laws 2004, Chapter 1, Section 10
11100/07500	132,165	35000/86300	132,165	2% transfer from GSD Capitol Building Repair Fund per Laws 2001, Chapter 319, Section 17.A
11900/13200	4,054,900	34101/85300	4,054,900	General Fund appropriation, Laws 2016, Ch. 11, Sec. 4.A.(1); Budget reductions, Laws 2016, 2 nd Special Session, Chapter 6, Section 2.D.(1)
11100/12900	<u>198,522</u>	13100/13300	<u>198,522</u>	Transfer in of furniture, equipment and software
	<u>\$ 10,248,492</u>		<u>\$ 10,248,492</u>	

8. Pension Plan - Public Employees Retirement Association

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

9. Post Employment Benefits - State Retiree Health Care Plan

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

9. Post Employment Benefits - State Retiree Health Care Plan (Continued)

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on its 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, 2017, 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 the employee's salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, 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 the employee's

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

9. Post Employment Benefits - State Retiree Health Care Plan (Continued)

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, 2017, 2016 and 2015 were \$88,806, \$93,023 and \$91,227, respectively, which equal the required contributions for each year.

10. 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, 2017, amounted to \$100,391.

11. 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 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 coverages for State of New Mexico employees.

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Notes to the Financial Statements
June 30, 2017**

11. Risk Management and Litigation (Continued)

Risk Management (Continued)

The Council Service's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, there are no known or threatened legal proceedings involving material matters to which the 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, 2017, 2016, and 2015, 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.

12. Special Appropriations

The Legislative Council Service received the following special appropriation during the current fiscal year which is still available to expend in fiscal year 2018.

<u>Agency/Fund</u>	<u>Amount</u>	<u>Unexpended Balance</u>	<u>Appropriation Lapses</u>	<u>Purpose</u>
11100/12900	\$ 400,000	\$ 400,000	06/30/2018	Tax Study Laws 2017, 1 st Special Session, Chapter 2, Section 5, Item 3

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements

General Fund - Council Service Fund Account

To account for activities of the Legislative Council Service, except for the maintenance of the State Capitol. (Share 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. (Share Fund #13200)

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Combining Balance Sheet
General Fund - All Accounts
June 30, 2017**

	<u>General Fund</u>		<u>Total General Fund</u>
	<u>Fund 12900 Council Service Account</u>	<u>Fund 13200 Building Service Account</u>	
<u>Assets</u>			
Interest in the State Treasurer General Fund Investment Pool (note 2)	\$ 195,689	\$ 228,055	\$ 423,744
Petty cash	100	50	150
Due from other state agencies (note 3)	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total assets	<u>\$ 595,789</u>	<u>\$ 228,105</u>	<u>\$ 823,894</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 68,477	\$ 134,241	\$ 202,718
Accrued salaries payable	63,711	43,716	107,427
Payroll taxes payable	15,069	14,757	29,826
Payroll benefits payable	48,432	35,311	83,743
Accounts payable year-end	-	30	30
Due to State General Fund (note 6)	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>195,689</u>	<u>228,055</u>	<u>423,744</u>
Fund Balance:			
Committed:			
Petty cash	100	50	150
Restricted:			
Subsequent years' expenditures (note 12)	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total fund balance	<u>400,100</u>	<u>50</u>	<u>400,150</u>
Total liabilities and fund balances	<u>\$ 595,789</u>	<u>\$ 228,105</u>	<u>\$ 823,894</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
General Fund - All Accounts
Year Ended June 30, 2017**

	<u>General Fund</u>		<u>Total General Fund</u>
	<u>Fund 12900 Council Service Account</u>	<u>Fund 13200 Building Services Account</u>	
Expenditures:			
Current:			
Personal services and employee benefits	\$ 4,122,957	\$ 2,572,158	\$ 6,695,115
Contractual services	237,739	126,947	364,686
Other costs	768,356	1,108,499	1,876,855
Capital outlay	23,134	-	23,134
Total expenditures	<u>5,152,186</u>	<u>3,807,604</u>	<u>8,959,790</u>
Other financing sources (uses):			
State General Fund appropriations	6,235,100	4,054,900	10,290,000
Other financing sources	-	-	-
Reversions - fiscal year 2017 (note 6)	<u>(682,914)</u>	<u>(247,296)</u>	<u>(930,210)</u>
Total other financing sources (uses)	<u>5,552,186</u>	<u>3,807,604</u>	<u>9,359,790</u>
Net change in fund balances	400,000	-	400,000
Fund Balances:			
Fund balance, beginning of year	<u>100</u>	<u>50</u>	<u>150</u>
Fund balance, end of year	<u>\$ 400,100</u>	<u>\$ 50</u>	<u>\$ 400,150</u>

The accompanying notes are an integral part of these 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, 2017**

(From Statements 4 and 8)
(To Exhibit E)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund appropriations	\$ 9,890,000	\$ 9,714,900	\$ 10,290,000	\$ 575,100
Total revenues	9,890,000	9,714,900	<u>\$ 10,290,000</u>	<u>\$ 575,100</u>
Prior-year cash balance	-	-		
Total resources	<u>\$ 9,890,000</u>	<u>\$ 9,714,900</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services and employee benefits	\$ 7,396,700	\$ 7,141,600	\$ 6,695,115	\$ 446,485
Contractual services	322,600	422,950	364,686	58,264
Other	<u>2,170,700</u>	<u>2,150,350</u>	<u>1,899,989</u>	<u>250,361</u>
Total expenditures	<u>\$ 9,890,000</u>	<u>\$ 9,714,900</u>	<u>\$ 8,959,790</u>	<u>\$ 755,110</u>

Reconciliation of GAAP basis to budget basis:	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 10,290,000	\$ 8,959,790
Adjustments:		
(Fund 12900 - Dept. Z0000) Mid-year budget reduction reverted to the State General Fund.	(175,100)	
(Fund 12900 - Dept. ZB0544) No budget was established in FY 2017 for this multi-year appropriation.	<u>(400,000)</u>	-
Budget basis	<u>\$ 9,714,900</u>	<u>\$ 8,959,790</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

The accompanying notes are an integral part of these 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, 2017**

(From Statements 5 through 7)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund appropriations	\$ 5,835,100	\$ 5,660,000	\$ 6,235,100	\$ 575,100
Total revenues	5,835,100	5,660,000	<u>\$ 6,235,100</u>	<u>\$ 575,100</u>
Prior-year cash balance	-	-		
Total resources	<u>\$ 5,835,100</u>	<u>\$ 5,660,000</u>		

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services and employee benefits	\$ 4,610,100	\$ 4,380,000	\$ 4,122,957	\$ 257,043
Contractual services	225,000	280,000	237,739	42,261
Other	<u>1,000,000</u>	<u>1,000,000</u>	<u>791,490</u>	<u>208,510</u>
Total expenditures	<u>\$ 5,835,100</u>	<u>\$ 5,660,000</u>	<u>\$ 5,152,186</u>	<u>\$ 507,814</u>

Reconciliation of GAAP basis to budget basis:	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 6,235,100	\$ 5,152,186
Adjustments:		
(Dept. Z0000) Mid-year budget reduction reverted to the State General Fund.	(175,100)	-
(Dept. ZB0544) No budget was established in FY 2017 for this multi-year appropriation.	<u>(400,000)</u>	<u>-</u>
Budget basis	<u>\$ 5,660,000</u>	<u>\$ 5,152,186</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

The accompanying notes are an integral part of these 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 - Dept. Z0000)
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund appropriations	\$ 5,357,100	\$ 5,182,000	\$ 5,357,100	\$ 175,100
Total revenues	5,357,100	5,182,000	<u>\$ 5,357,100</u>	<u>\$ 175,100</u>
Prior-year cash balance	-	-		
Total resources	<u>\$ 5,357,100</u>	<u>\$ 5,182,000</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services and employee benefits	\$ 4,610,100	\$ 4,380,000	\$ 4,122,957	\$ 257,043
Contractual services	225,000	280,000	237,739	42,261
Other	<u>522,000</u>	<u>522,000</u>	<u>456,061</u>	<u>65,939</u>
Total expenditures	<u>\$ 5,357,100</u>	<u>\$ 5,182,000</u>	<u>\$ 4,816,757</u>	<u>\$ 365,243</u>

Reconciliation of GAAP basis to budget basis:	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 5,357,100	\$ 4,816,757
Adjustments:		
(Dept. Z0000) Mid-year budget reduction reverted to the State General Fund.	<u>(175,100)</u>	<u>-</u>
Budget basis	<u>\$ 5,182,000</u>	<u>\$ 4,816,757</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

The accompanying notes are an integral part of these 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 - Dept. Z0100)
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund appropriations	\$ 478,000	\$ 478,000	\$ 478,000	\$ -
Total revenues	478,000	478,000	<u>478,000</u>	<u>-</u>
Prior-year cash balance	-	-		
Total resources	<u>\$ 478,000</u>	<u>\$ 478,000</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services and employee benefits	\$ -	\$ -	\$ -	-
Contractual services	-	-	-	-
Other	478,000	478,000	335,429	142,571
Total expenditures	<u>\$ 478,000</u>	<u>\$ 478,000</u>	<u>335,429</u>	<u>142,571</u>

Reconciliation of GAAP basis to budget basis:		<u>Revenues</u>	<u>Expenditures</u>
GAAP basis		\$ 478,000	\$ 335,429
Adjustments:			
None		-	-
Budget basis		<u>\$ 478,000</u>	<u>\$ 335,429</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

The accompanying notes are an integral part of these 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 - Dept. ZB0544)
Multi-Year Appropriation - Tax Study (Lapses 6/30/2018)
For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund appropriations	\$ -	\$ -	\$ 400,000	\$ 400,000
Total revenues	-	-	<u>- \$ 400,000</u>	<u>\$ 400,000</u>
Prior-year cash balance	-	-		
Total resources	<u>\$ -</u>	<u>\$ -</u>		

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services and employee benefits	\$ -	\$ -	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>- \$ -</u>	<u>-</u>

Reconciliation of GAAP basis to budget basis:	<u>Revenues</u>	<u>Expenditures</u>
GAAP basis	\$ 400,000	\$ -
Adjustments:		
No budget was established in FY 2017 for this multi-year appropriation.	<u>(400,000)</u>	<u>-</u>
Budget basis	<u>\$ -</u>	<u>\$ -</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

The accompanying notes are an integral part of these 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)
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
State General Fund appropriations	\$ 4,054,900	\$ 4,054,900	\$ 4,054,900	\$ -
Total revenues	4,054,900	4,054,900	<u>\$ 4,054,900</u>	<u>\$ -</u>
Prior-year cash balance	-	-		
Total resources	<u>\$ 4,054,900</u>	<u>\$ 4,054,900</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:				
Personal services and employee benefits	\$ 2,786,600	\$ 2,761,600	\$ 2,572,158	\$ 189,442
Contractual services	97,600	142,950	126,947	16,003
Other	<u>1,170,700</u>	<u>1,150,350</u>	<u>1,108,499</u>	<u>41,851</u>
Total expenditures	<u>\$ 4,054,900</u>	<u>\$ 4,054,900</u>	<u>\$ 3,807,604</u>	<u>\$ 247,296</u>
Reconciliation of GAAP basis to budget basis:			<u>Revenues</u>	<u>Expenditures</u>
GAAP basis			\$ 4,054,900	\$ 3,807,604
Adjustments:				
None			-	-
Budget basis			<u>\$ 4,054,900</u>	<u>\$ 3,807,604</u>

Note:

The actual expenditures on the budget basis for FY 2017 do not include any accounts payable that required a request to pay prior-year bills out of the FY 2018 budget.

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

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 Brian Egolf, Speaker of the House of Representatives
State of New Mexico Legislative Council Service

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparison of the general fund and major special revenue fund of the State of New Mexico Legislative Council Service (Council Service) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council Service's basic financial statements, and have issued our report thereon dated October 23, 2017.

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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Morton Accounting Services, LLC

Santa Fe, New Mexico
October 23, 2017

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Schedule of Findings and Responses
June 30, 2017**

I. PRIOR-YEAR AUDIT FINDINGS

a. Repeated in current-year

None

b. Resolved and not included in current-year

None

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

None

**STATE OF NEW MEXICO
LEGISLATIVE COUNCIL SERVICE
Financial Statement Preparation and Exit Conference
June 30, 2017**

Financial Statement Preparation

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

The Legislative Council Service staff has prepared the Management's Discussion and Analysis.

Exit Conference

An exit conference was held on October 23, 2017, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Legislative Council Service

Senator Mary Kay Papen, President Pro Tempore of the Senate, Legislative Council
Co-Chair

Representative Brian Egolf, Speaker of the House of Representatives, Legislative Council
Co-Chair

Raúl E. Burciaga, Director, Legislative Council Service (LCS)

Kathy Pacheco-Dofflemeyer, Assistant Director for Administration and CFO, LCS

Anesa Serna-Espinoza, Accounting and CFO, LCS

Audit Firm (Morton Accounting Services, LLC)

Janet Pacheco-Morton, CPA, CGFM