

**STATE OF NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON**

For the Fiscal Year Ended June 30, 2018

**JOSEPH M. SALAZAR, CPA
P.O. BOX 1744
ESPANOLA, NEW MEXICO 87532
505-747-2775 Phone/Fax**

**State of New Mexico
Legislative Finance Committee**

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State of New Mexico

**Legislative Finance Committee
Official Roster**

June 30, 2018

Committee Members

Representative Patricia A. Lundstrom	Chair
Senator John Arthur Smith	Vice Chair
Representative Paul C. Bandy	Member
Senator William F. Burt	Member
Senator Pete Campos	Member
Senator Carlos R. Cisneros	Member
Representative Randal S. Crowder	Member
Representative George Dodge Jr.	Member
Representative Jimmie C. Hall	Member
Representative Larry A. Larranaga	Member
Senator Carroll H. Leavell	Member
Senator Howie C. Morales	Member
Senator George K. Munoz	Member
Senator Steven Neville	Member
Representative Nick L. Salazar	Member
Representative Jim R. Trujillo	Member

Administrative

David Abbey	Director
Charles Sallee (Program Evaluation)	Deputy Director
David Lucero (Budget)	Deputy Director
Jeannae Leger	Administrator

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1744
Espanola, New Mexico 87532
Phone/Fax 505-747-2775

Independent Auditor's Report

Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

And

Legislative Finance Committee
Committee Members
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the respective budgetary comparison for the general fund of the State of New Mexico Legislative Finance Committee (Committee) as of and for the year ended June 30, 2018 and the related notes to the financial statements which collectively comprise the Committee's basic financial statements as listed in the table of contents.

Management Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 risk 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Committee as of June 30, 2018 and the respective changes in the financial position thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2018 on our consideration of the Committee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Committee's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Joseph M. Salazar CPA". The signature is written in a cursive style.

Joseph M. Salazar CPA
October 15, 2018

MANAGEMENT DISCUSSION & ANALYSIS

The Legislative Finance Committee is a single purpose government with only one fund (General Fund). The accompanying Government Wide financial statements differ from the Fund financial statements by reporting capital assets, related depreciation, and long term debt. The fund financial statements have a narrower focus than that of the government wide financial statements. The reader will better understand the long term impact of the committee's near term financing decisions with the following reports.

Government Wide Financial Statements

The government wide financial statements are designed to focus on the primary government as a whole. They are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange transactions and exchange like transactions are recognized when the exchange takes place. The Statement of Net Positions is prepared on an assets less liabilities resulting in net assets format. The Statement of Activities is presented in an expenses compared to revenues resulting in the change in net position for the period format.

Fund Financial Statements

The fund financial statements are designed to focus on major functions of the primary government. They are prepared on the modified accrual basis of accounting (see notes to the financial statements) and use the current financial resources measurement focus. Revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred if measurable. They reflect capital asset acquisitions as expenditures rather than assets of the acquiring fund, no depreciation is recognized. Similarly, long term debt is not recognized in the fund financial statements.

**STATE OF NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE
STATEMENT OF NET POSITION
6/30/2018**

	2018	2017	
ASSETS	Financial	Financial	Difference
Current	Statements	Statements	
Investment deposited with state treasurer	\$ 174,237	\$ 168,270	\$ 5,967
Prepaid expenses	42	524	(482)
Total current assets	<u>174,279</u>	<u>168,794</u>	<u>5,485</u>
Non Current Assets			
Equipment and furniture	43,161	65,531	(22,370)
Accumulated depreciation	(43,161)	(65,531)	22,370
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets net of depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 174,279</u>	<u>\$ 168,794</u>	<u>\$ 5,485</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$38,568	\$45,291	\$ (6,723)
Payroll taxes payable	27,673	26,783	890
Payroll benefits payable	42,838	39,605	3,233
Accrued payroll	65,158	56,591	8,567
Due to state general fund	-	-	-
Compensated absences-current	15,495	15,092	403
Total current liabilities	<u>189,732</u>	<u>183,362</u>	<u>6,370</u>
Long term compensated absences payable	205,856	200,506	5,350
NET POSITION			
Invested in capital assets	-	-	-
Restricted for prepaid expenses	42	524	(482)
Unrestricted	(221,351)	(215,074)	(6,277)
Total net position	<u>(221,309)</u>	<u>(215,074)</u>	<u>(6,235)</u>
Total liabilities and net position	<u>\$ 174,279</u>	<u>\$ 168,794</u>	<u>\$ 5,485</u>

**STATE OF NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

	2018 Financial Statements	2017 Financial Statements	Difference
Expenses:			
Current			
General government	\$4,065,409	\$3,886,663	\$178,746
Depreciation	-	790	(790)
Total program expenses	<u>4,065,409</u>	<u>3,887,453</u>	<u>177,956</u>
Revenues			
Miscellaneous	-	-	-
Net program expenses	<u>4,065,409</u>	<u>3,875,745</u>	<u>189,664</u>
General revenues and transfers:			
State general fund appropriation	4,100,300	4,100,300	-
Reversions to state general fund	(41,126)	(225,004)	183,878
State dated warrants	-	75	
LCS contribution	-	15,175	(15,175)
Total general revenues and transfers	<u>4,059,174</u>	<u>3,890,546</u>	<u>168,703</u>
Changes in net financial position	<u>(6,235)</u>	<u>3,093</u>	<u>(20,961)</u>
Net position-beginning of year	<u>(215,074)</u>	<u>(218,167)</u>	<u>(229,753)</u>
Restatement			
Restated net position			
Net position -ending of year	<u>(221,309)</u>	<u>(215,074)</u>	<u>(250,714)</u>

For FY18, just as the economy stabilized the committee's budget did so too. The total budget was flat compared to the prior fiscal year.

The committee made two budget adjustment requests moving \$77 thousand from personal services and employee benefits and \$17 thousand from contractual services to increase other costs by \$94 thousand. The departure of three senior staff contributed to a large personnel vacancy savings. The committee was able to invest in new software licenses, subscriptions, and upgraded travel equipment.

The committee has fully depreciated all of its assets.

The committee is in sound financial condition and returned \$41.1 thousand to the state general fund. Expenditures during the fiscal year maximized efforts to serve members of the committee and the general public.

Basic Financial Statements

**STATE OF NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE
STATEMENT OF NET POSITION
June 30,2018**

Exhibit 1

	Governmental Activities
ASSETS	
Current	
Investment in SGFIP	\$174,237
Prepaid expenses	42
Total current assets	<u>174,279</u>
Non current assets	
Furniture, fixtures and equipment	43,161
Less accumulated depreciation	<u>(43,161)</u>
Total capital assets net of depreciation	-
Total assets	<u><u>\$174,279</u></u>
 LIABILITIES	
Current liabilities	
Accounts payable	\$38,568
Payroll taxes payable	27,673
Payroll benefits payable	42,838
Accrued payroll	65,158
Compensated absences-current	<u>15,495</u>
Total current liabilities	<u>189,732</u>
Long term liabilities	
Compensated absences-long term	<u>205,856</u>
Total long term liabilities	<u>205,856</u>
Total liabilities	<u>395,588</u>
 NET POSITION	
Invested in capital assets	-
Restricted for prepaid expenses	42
Unrestricted	<u>(221,351)</u>
Total net position	<u>(221,309)</u>
Total liabilities and net position	<u><u>\$174,279</u></u>

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

**STATE OF NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Exhibit 2

	Governmental Activities
Expenses:	
Current	
General government	\$4,065,409
Depreciation	-
Total program expenses	<u>4,065,409</u>
Revenues	
Miscellaneous	-
Net program expenses	<u>4,065,409</u>
General revenues and transfers:	
State general fund appropriation	4,100,300
Reversions to state general fund	<u>(41,126)</u>
Total general revenues and transfers	<u>4,059,174</u>
Changes in net position	<u>(6,235)</u>
Net position-beginning of year	<u>(215,074)</u>
Net position -ending of year	<u><u>\$ (221,309)</u></u>

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

STATE OF NEW MEXICO Exhibit 3
LEGISLATIVE FINANCE COMMITTEE
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30,2018

ASSETS	General Fund
Investment in SGFIP	\$ 174,237
Prepaid expenses	42
Total Assets	<u>\$ 174,279</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Account payable	\$ 38,568
Payroll taxes payable	27,673
Payroll benefits payable	42,838
Accrued payroll	65,158
Total Liabilities	<u>174,237</u>
Fund Balances	
Nonspendable-prepaid expenses	42
Total Fund Balances	<u>42</u>
Total Liabilities and Fund Balances	<u><u>\$ 174,279</u></u>

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

STATE OF NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Exhibit 4

FOR THE YEAR ENDED JUNE 30, 2018

Total fund balances for governmental funds		\$ 42
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Equipment and Furniture	43,161	
Accumulated depreciation	<u>(43,161)</u>	
Total capital assets		-
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	\$ 221,351	
Total liabilities		<u>(221,351)</u>
Net Position of Governmental Activities		<u>\$ (221,309)</u>

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

STATE OF NEW MEXICO Exhibit 5
LEGISLATIVE FINANCE COMMITTEE
STATEMENT REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund
 EXPENDITURES	
Current	
General government-legislative	4,059,656
Total Expenditures	<u>4,059,656</u>
 Excess (Deficiency) of Revenue over Expenditures	 <u>(4,059,656)</u>
 OTHER FINANCING SOURCES (USES)	
Transfers out:	
Reversions to the State General Fund:	
FY 2018	(41,126)
Transfers in:	
State General Fund Appropriation-regular	4,100,300
 Total other Financing Sources (Uses)	 <u>4,059,174</u>
 Net Changes in Fund Balances	 (482)
 Fund Balances-Beginning of Year	 524
 Fund Balance-End of Year	 <u>\$ 42</u>

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

STATE OF NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE
RECONCILIATION OF THE CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Exhibit 6

FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balance – total governmental funds	\$ (482)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	\$ -	
Depreciation expense	-	
Excess of depreciation expense over capital outlay		-

Expenses recognized in the Statement of Activities.

Not reported in governmental funds-increase in compensated absences	(5,753)
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Changes in Net Position of Governmental Activities	<u>\$ (6,235)</u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO **Exhibit 7**
LEGISLATIVE FINANCE COMMITTEE
STATEMENT REVENUE AND EXPENDITURES- BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
For Year Ended June 30, 2018

	<u>GENERAL FUND</u>			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
State general fund appropriation	\$ 4,100,300	\$ 4,100,300	\$ 4,100,300	\$ -
Total Revenues	<u>\$ 4,100,300</u>	<u>\$ 4,100,300</u>	<u>\$ 4,100,300</u>	<u>\$ -</u>
Expenditures				
Administrative Services				
Personal services & employee benefits	\$ 3,585,100	\$ 3,508,100	\$ 3,487,120	\$ 20,980
Contractual services	220,000	203,000	190,162	12,838
Other costs	295,200	389,200	382,374	6,826
Total Expenditures	<u>\$ 4,100,300</u>	<u>\$ 4,100,300</u>	<u>\$ 4,059,656</u>	<u>\$ 40,644</u>

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

Notes to Financial Statements

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

(1) Summary of Significant Accounting Policies

Financial Reporting Entity

The Legislative Finance Committee (Committee) is a bipartisan, permanent interim committee of the legislature is comprised of sixteen members, eight from the House of Representatives and eight from the Senate. The Committee is governed by Section 2-5-1 through 2-5-7 NMSA, 1978. Those sections create the Committee as a permanent interim committee of the legislature and provides for the appointment of a director and staff to assist the Committee in its work.

The duties of the Committee are delineated in Section 2-5-3, 2-5-4 and 2-5-4.1 NMSA, 1978. Those sections provide that the committee shall:

- A. Direct the director of the Committee in his work.
- B. Examine the laws governing the finances and operations of departments, agencies and institutions of the state and all of its political subdivisions and the effect of laws on the proper functioning of these governmental units as related to the laws.
- C. Recommend changes in the law if any are deemed desirable and draft and present to the legislature and legislation necessary.
- D. Make a full report of its findings and recommendations for each legislature.
- E. Annually review budgets and appropriation requests and the operations and management of selected state agencies, departments and institutions and make recommendations to the legislature.
- F. Furnish a document of its budget recommendations to each member of the standing finance committee, the governor, department of finance and administration and other members of the legislature who request it.
- G. Cooperate with the office of the governor, department of finance and administration, and taxation and revenue department in providing fiscal impact reports and other pertinent information concerning pending legislation.

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

To carry out its duties, the Committee may hold hearings and require testimony from representatives of each state agency, department or institution. Section 2-5-7, NMSA, 1978, provides that the Committee has the power to administer oaths and the power to subpoena. Section 2-5-7 states that each agency or institution of the state and its political subdivisions shall, upon request, furnish such non-confidential documents, material or information as may be requested by the members, director or staff.

Accounting policies of the Committee conform to generally accepted accounting principles as applicable to governmental units. A summary of the Committee's significant accounting policies follows.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

The Legislative Finance Committee is a component unit of the State of New Mexico and these financial statements include all funds and activities over which the Committee has oversight responsibility. The Committee is part of the primary government of the State of New Mexico and its financial data of the State. The State of New Mexico will issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Committee has decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters, The Committee has no component units that are required to be reported in its financial statements.

The Committee applies Government Accounting Standards Committee (GASB) pronouncements as well as relevant pronouncements of the Financial Accounting Standards Committee (FASB), the Accounting Principles Committee (APB), or any Accounting Research Bulletins (ARB) unless these pronouncements conflict or contradict GASB Pronouncements.

The accounting policies of the Legislative Finance Committee conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Committee's significant accounting policies follow:

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

(1) **Summary of Significant Accounting Policies (continued)**

A. **Basis of Accounting-GASB Statement No. 34**

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

B. **Basis of Presentation-Fund Accounting**

Government –Wide Financial Statements

The statement of net position and the statement of activities display information about the Committee, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Committee has no business-type activities; therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. Grant revenue is recorded when all applicable eligibility or reimbursement requirements are met.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

(1) **Basis of Presentation – Fund Accounting (continued)**

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Committee’s actual experience conforms to the budget and fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented on the page following each fund statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The accounts of the Committee are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Committee:

Governmental Funds

General Funds (SHARE Fund 13000):

The General Fund is the general operating fund of the Committee. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the year reverts to the General Fund of the State of New Mexico. The General Fund is funded primarily through State General Fund appropriations. The SHARE number and description is #13000 – Legislative Finance Committee.

C. **Assets, Liabilities and Equity**

Investments with the State Treasurer

The Committee’s cash and cash equivalents are demand deposits with the State Treasurer.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2018 are recorded as prepaid expenses. Prepaid expenses are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources.

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

C. Assets, Liabilities and Equity (continued)

Capital Assets

In the government-wide financial statements, furniture, fixtures and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 and having a useful life in excess of one year are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated.

New Mexico Laws of 2005, Chapter 237 Section 1 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Equipment and Furniture	4-5 years
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In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

Compensated Absences

The Committee's policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

C. Assets, Liabilities and Equity (continued)

Deferred Outflows/Inflows of Resources

GASB 63 amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflows, which is the consumption of net position by the government which is applicable to a future reporting period and deferred inflow of resources, which is the acquisition of net position by the government which is applicable to a future reporting period. The Committee has no deferred outflows or inflows of resources at June 30, 2018.

Fund Balance

Government Wide-Statements

Fund balance is classified as net position and displayed in three component units:

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Committee has no outstanding debt relating to capital assets.
2. Restricted net position consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments: or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position are all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned depending on the constraints that control how the Committee can spend the amounts.

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

D. Budgetary Procedures and Budgetary Accounting

The State Legislature makes annual appropriations to the Committee. Legal compliance is monitored through the establishment of a budget and a financial control system which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation level.

Budgeted category amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

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

- (1) No later than September 1, the Committee submits to the Budget Division of the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- (2) The operating budget includes proposed expenditures and the means of financing them is approved by the Legislature of the State of New Mexico.
- (3) The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- (4) The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles (GAAP) and 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 (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget. Under the modified accrual basis of accounting, encumbrances are excluded from budgeted expenditures. Budgetary comparisons presented for these funds in this report are on that basis.

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

D. Budgetary Procedures and Budgetary Accounting (continued)

- (5) The Committee submits, not later than May 1, to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the opening budget which becomes effective on July 1. All subsequent budgetary adjustment must be approved by the Director of the DFA-Budget Division.
- (6) Legal budgetary control for expenditures and encumbrances is by appropriation unit.
- (7) Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.
- (8) Appropriations lapse at the end of the fiscal year.
- (9) The Committee's budget for the fiscal year ending June 30, 2018 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

E. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. In the case of retirement, the maximum cash payment is limited to 320 hours. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period.

Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay expected to be liquidated with current financial resources, if any, is recorded as a liability and as expenditure in the General Fund.

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

(1) Organization and Summary of Significant Accounting Policies (continued)

E. Compensated Absences Payable

Qualified employees accumulate annual leave as follow:

<u>Years Of Service</u>	<u>Hours Earned Per Month</u>
Less than 11 years	12 hours
11years but less than 15 years	14 hours
15 years and more	16 hours

There is no limit on the amount of annual leave that may be carried over from year to year. When employment terminates, they are compensated for accumulated unpaid annual leave as of the date of termination up to the maximum of 240 hours.

F. Use of Estimates

Management uses estimate and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates

G. Program Revenues

The Committee does not have Program revenue or grant revenue.

H. Expenditures

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

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

I. New Accounting Standard

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

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

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

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER

As provided for in Chapter 8-6 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 Office (STO) acts as the State’s bank. Agency cash receipts are deposited with STO and deposited in a State Investment Pool, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the STO is now in its third year. This process has been reviewed multiple times by the IPA’s during the audits of the General Fund, the Department of Finance and Administration and State of New Mexico Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department of Finance and Administration fully compliant with the requirements of the monthly process. As of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claim on those resources. All claims as recorded in SHARE shall be honored at face value.

All cash of the Committee is on deposit with the New Mexico State Treasurer. These monies are held on deposit with the State Treasurer and are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits. Cash on deposit with the State Treasurer at year end is as follows:

<u>Fund</u>	<u>SHARES</u> <u>Fund #</u>	<u>Book</u> <u>Balance</u>
Operating account	13000	\$ 174,237

The Committee has cash on deposit with the State Treasurer in the General Fund Investment Pool (GFIP). The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Section 6-10-10.I through O NMSA 1978 as amended. The State Treasurer, with the advice and consent of the state Board of Finance can invest money held in demand deposits and not immediately needed for the operations of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies that are either direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government.

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER (continued)

- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or its agencies or by other securities backed by the United States or its agencies or instrumentalities having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.

- (c) Contracts for the temporary exchange of state owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or cash equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required shall be delivered to the fiscal agent of New Mexico or the designee simultaneously with the transfer of funds, no later than the same day the state-owned securities are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.

- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated “prime” quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalents by a nationally recognized rating service.

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER (continued)

- (e) Shares of an open-ended diversified investment company that is registered with the United States Securities and Exchange Commission, complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, or the United States Securities and Exchange Commission applicable to money market mutual funds; and assesses no fees pursuant to Rule 12b-1, or any successor rule, on sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, provided that the state shall not, at any time, own more than five percent of a money market mutual fund's assets.
- (f) Individual common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For additional disclosures information regarding the investment in the State Treasurer's GFIP, the reader should see the separate audit report for the State Treasurer's for the fiscal year ended June 30, 2018, review the State Treasurer's Investment Policy at and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements and Custodial Bank Requirements.

(3) Accounts Payable

Accounts payable represent expenditures for goods and services received prior to June 30, 2018 and paid after June 30.

(4) Accrued Payroll

A portion of payroll expenditures pertaining to the year ended June 30, 2018 was accrued. Disbursement occurred subsequent to June 30, 2018. Accrued payroll, taxes payable and benefits payable totaling \$135,669 have been reflected in the balance sheet.

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

(5) Capital Assets

Governmental Activities

Capital assets activity for the year end June 30, 2018 was as follows:

<u>Cost</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Furniture, fixtures and equipment	\$ 65,531	-	22,370	\$ 43,161
Accumulated depreciation	<u>(65,531)</u>	<u>-</u>	<u>(22,370)</u>	<u>(43,161)</u>
Net capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

No current year depreciation expense charged to general government all capital assets fully depreciated.

(6) Compensated Absences Payable

A summary of changes in Compensated Absences Payable follows:

	<u>Balance June 30, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$215,598</u>	<u>\$ 188,027</u>	<u>\$182,274</u>	<u>\$221,351</u>	<u>\$15,495</u>

The Committee's general fund is used to pay compensated absences.

(7) Commitments-Operating Leases

The Committee maintained two operating leases. They include three printers/ copier/scanners and a mailing machine lease. The copier lease beginning September 23, 2015 calls for 48 monthly payments of \$743, \$483 and \$45 base lease plus usage in excess of contract amounts. The mailing machine lease begins on October 30, 2015 for 48 months calls for monthly payments of \$135 which will be billed quarterly. The Committee paid \$16,872 in rent of equipment during the year. The following are the cash requirements for the existing base leases.

	<u>Mailing Machine</u>	<u>Printer/ Scanners/ Copiers</u>	<u>Total</u>
June 30, 2019	1,620	15,252	16,872
June 30, 2020	<u>405</u>	<u>5,084</u>	<u>5,489</u>
Total	<u>\$3,645</u>	<u>\$ 35,588</u>	<u>\$39,233</u>

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

(8) PERA Retirement Plan

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Legislative Finance Committee is required to contribute 16.59% of their gross covered salary. The contribution requirements of plan members and the Committee are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Committee's contributions to PERA for the fiscal years ending June 30, 2018, 2017 and 2016 were \$ 433,187 and \$406,911 and \$444,924 respectively, which equal the amount of the required contributions for each fiscal year.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

The Committee as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501

State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018

(9) Deferred Compensations

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Committee nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Committee have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

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

Plan Description. Legislative Finance Committee (Committee) contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

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

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

The 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 plan 3,4 or 5; municipal fire member coverage plan 3,4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statute requires each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15 (G) NMSA 1978 at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Legislative Finance Committee's contributions to the RHCA for the years ended June 30, 2018, 2017 and 2016 were \$50,994, \$47,900 and \$52,374, respectively, which equal the required contributions for each year.

**State of New Mexico
Legislative Finance Committee
Notes to Financial Statements
June 30, 2018**

(11) Risk Management

The Legislative Finance Committee is exposed to various risks of loss. The Committee carries insurance with the Risk Management Division of New Mexico General Services Department. Coverage is provided for General Liability, Surety Bond, Property and Workers Compensation.

(12) Deficit Net Position

GASB #34 requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in unrestricted net position of (\$221,309). This deficit is created by compensated absences liabilities which will be paid from subsequent years State General Fund Appropriations.

(13) Operating Transfers

The Committee had operating transfers from the Department of Finance and Administration for the State General Fund Appropriation Laws of 2015 Chapter 1 Section 4 totaling \$4,100,300 from shares fund # 85300 to the Committee's shares fund #13000.

(14) Reversion to State General Fund

Reversion to the State General Fund at June 30, 2018 was \$41,126 from the Committee share fund #13000 to the State General Fund share fund # 85300.

(15) Government Service Agreement

The Legislative Finance Committee, Taxation and Revenue Department and the Department of Transportation entered into an agreement mutually agreed between the parties with the University of New Mexico to provide services of state and regional forecasting services. The agreement is for the time period of July 1, 2017 to June 30, 2019. The total compensation on the agreement is not to exceed \$90,083 for fiscal year 2018, \$91,560 for fiscal year 2019 including gross receipt taxes. The LFC share is \$37,367 for fiscal year 2018 and \$37,797 for fiscal year 2019.

JOSEPH M. SALAZAR, CPA
P.O. Box 1744
Espanola, New Mexico 87532
505-747-2775

**Report on Internal Control and Financial Reporting and on Compliance
And Other Matters Based on an
Audit of Financial Statements performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico
and
Committee Members
Santa Fe, New Mexico

We have audited in accordance with the auditing standard 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, major fund, and the respective budgetary comparison for the general fund of the State of New Mexico, Legislative Finance Committee (Committee) as of and for the year ended June 30, 2018 and the related notes to the financial statements which collectively comprise the Committee's basic financial statements and have issued our report thereon dated October 15, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Committee'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 that might be material weakness or significant and therefore material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

This report is intended 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 Committee'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 Committee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Joseph M. Salazar CPA". The signature is written in a cursive style.

Joseph M. Salazar, CPA
October 15, 2018

**State of New Mexico
Legislative Finance Committee
Prior Year Audit Findings
June 30, 2018**

No prior or current year audit findings

Financial Statement Preparation

The financial statements and notes to the financial statements were prepared by the Committee's Administrator. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. Committee has personnel that are knowledgeable and experienced in the preparation, review and approval of financial statements.

**State of New Mexico
Legislative Finance Committee
Exit Conference
June 30, 2018**

The contents of this report were discussed at an exit conference on October 15, 2018. Those attending were as follows:

Senator John Arthur Smith, Committee Vice Chair

David Abbey, Director

Jeannae Leger, Administrator

Independent Auditor

Joseph M. Salazar CPA