

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE**

**Financial Statements
June 30, 2008**

(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

STATE OF NEW MEXICO
 LEGISLATIVE EDUCATION STUDY COMMITTEE
 June 30, 2008

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**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2008**

Legislative Education Study Committee

Representative Rick Miera	Chair
Senator Cynthia Nava	Vice-Chair
Senator Vernon D. Asbill	Member
Senator Mary Jane M. Garcia	Member
Senator Gay G. Kernan	Member
Representative Roberto "Bobby" J. Gonzales	Member
Representative Jimmie C. Hall	Member
Representative Mimi Stewart	Member
Representative Thomas E. Swisstack	Member
Representative W. C. "Dub" Williams	Member

Advisory

Representative Andrew J. Barreras	Senator Mark Boitano
Representative Ray Begaye	Senator Carlos R. Cisneros
Representative Nathan P. Cote	Senator Dianna J. Duran
Representative Nora Espinoza	Senator Lynda M. Lovejoy
Representative Mary Helen Garcia	Senator Howie C. Morales
Representative Thomas A. Garcia	Senator John Pinto
Representative Dianne Miller Hamilton	Senator William E. Sharer
Representative John A. Heaton	
Representative Sheryl M. Williams Stapleton	
Representative Jim R. Trujillo	
Representative Teresa A. Zanetti	

Administrative Officials

D. Pauline Rindone, Ph.D.	Director
Frances R. Maestas	Deputy Director
Eloise S. Gonzales-Okada	Administrative Services Manager

FINANCIAL SECTION

ROBERT J. RIVERA, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS
6 CALLE MEDICO, SUITE 4
SANTA FE, NEW MEXICO 87505-4761

(505) 983-6002

FAX (505) 983-6474

INDEPENDENT AUDITOR'S REPORT

Frances R. Maestas, Director
Legislative Education Study Committee
and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison statement of the general fund of the State of New Mexico, Legislative Education Study Committee (Committee), as of and for the year ended June 30, 2008, which collectively comprise the State of New Mexico, Legislative Education Study Committee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Committee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1.A to the financial statements, the financial statements of the State of New Mexico, Legislative Education Study Committee are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund, and the budgetary comparison statement of the State of New Mexico that is attributable to the transactions of the Committee. They do not purport to, and do not present fairly the financial position of the State of New Mexico as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the State of New Mexico, Legislative Education Study Committee, as of June 30, 2008, and the respective changes in financial position, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial



reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

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



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
November 17, 2008

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2008**

Because the Legislative Education Study Committee is a single purpose government with only one fund, the accompanying government-wide financial statements differ from the fund financial statements by reporting capital assets, related depreciation and long-term debt. This is reflected in the fund financial statements in the accompanying Exhibits C and D, which indicates a narrower focus than that of the government-wide financial statements.

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 recognized when the exchange takes place. The Statement of Net Assets is prepared on an asset less liabilities resulting in net assets format. The Statement of Activities is presented in an expense compared to revenues resulting in the change in net assets 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 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.

Following is a narrative overview and analysis of the financial activities of the Legislative Education Study Committee's financial statements. The Legislative Education Study Committee is a single-purpose government entity with no component units.

Financial Highlights

Government-Wide Financial Statements:

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
Total assets	\$ 158,776	\$ 330,151	\$ (171,375)
Total Liabilities	<u>186,121</u>	<u>282,726</u>	<u>(96,605)</u>
Net assets	\$ <u>(27,345)</u>	\$ <u>47,425</u>	\$ <u>(74,770)</u>
Revenues and Transfers:			
General Fund appropriation	\$ 1,165,576	\$ 1,065,164	\$ 100,412
Other financing sources	40,900	41,300	(400)
Miscellaneous - donated capital assets	15,814	8,180	7,634
Loss on disposal of capital assets	<u>(6,882)</u>	<u>-</u>	<u>(6,882)</u>
Total revenues and transfers	<u>1,215,408</u>	<u>1,114,644</u>	<u>100,764</u>

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2008**

Government-Wide Financial Statements: (Cont'd)

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
Expenses:			
Personal services & employee benefits	1,041,780	884,806	156,974
Contractual services	79,303	41,123	38,180
Other costs	151,897	116,862	35,035
Depreciation	16,979	16,145	834
	<u>1,289,959</u>	<u>1,058,936</u>	<u>231,023</u>
Total expenses			
Change in net assets	<u>(74,551)</u>	<u>55,708</u>	<u>(130,259)</u>
Net assets, beginning, as originally stated	47,425	(8,203)	55,628
Prior period adjustments	<u>(219)</u>	<u>(80)</u>	<u>(139)</u>
Net assets, beginning, as restated	<u>47,206</u>	<u>(8,283)</u>	<u>55,489</u>
Net assets, ending	\$ <u>(27,345)</u>	\$ <u>47,425</u>	\$ <u>(74,770)</u>

Fund Financial Statements:

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
Total assets	\$ 111,753	\$ 274,862	\$ (163,109)
Total liabilities	<u>100,458</u>	<u>209,068</u>	<u>(108,610)</u>
Fund balances	\$ <u>11,295</u>	\$ <u>65,794</u>	\$ <u>(54,499)</u>

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Change</u>
Fund Balance:			
Reserved for petty cash	\$ 60	\$ 60	\$ -
Reserved for prepaid postage	11,235	15,734	(4,499)
Reserved for subsequent year expenditures	-	50,000	(50,000)
Unreserved, undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	\$ <u>11,295</u>	\$ <u>65,794</u>	\$ <u>(54,499)</u>

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2008**

The change in the government-wide total assets (decrease \$171,375), is attributable to a \$158,891 decrease in cash, a decrease of \$4,499 of prepaid postage, and a decrease in property and equipment of \$8,266. There was a decrease in liabilities of \$96,605 in the government-wide Statement of Net Assets, and a decrease of \$54,499 in the fund financial statements governmental funds balance sheet (see Exhibits A and C). The change in net assets reflects the results of operations. Appropriations (including the compensation package in the year ended June 30, 2008) increased by \$100,012 (see Exhibits B and D). Similarly, the total fund balance reflects a decrease over the prior-year attributable to a decrease in reserve for subsequent years' expenditure of \$50,000 (see Exhibits C and D).

The Committee is in sound financial condition and is returning \$30,023 of unused appropriations to the state General Fund. The Committee was budgeted \$1,236,500 for the year. There were expenditure category budget adjustments from the original approved budget during the year, however, the overall final approval budget was the same as the original approved budget.

The Committee has only one significant capital asset, (a large copier). Total assets above included \$47,023 of net capital assets.

The only debt the Committee has is in compensated absences of which \$66,359 is considered current and \$19,304 is long-term.

There are no known facts, decisions or conclusions that are expected to have a significant effect on financial position, results of operations or other changes. However, two developments that may impact the LESC's operations for FY 2008 are: (1) the slow implementation of SHARE will necessitate that our Financial Officer maintain two sets of records in order to produce monthly status reports of the LESC expenditures; and (2) the LESC was approved for two additional FTE's; however, it has been impossible to fill one of those positions due to a lack of space.

Requests for Information

The financial report is designed to provide a general overview of the State of New Mexico, Legislative Education Study Committee finances for all those interested in the Committee's finances. If you have any questions about this report or need additional information, contact:

**Frances R. Maestas, Director
State of New Mexico, Legislative Education Study Committee
State Capitol North, 325 Don Gaspar, Suite 200
Santa Fe, NM 87501 (505) 986-4591**

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Statement of Net Assets
June 30, 2008**

	<u>Governmental Activities</u>
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 100,177
Petty cash	60
Prepaid postage	11,235
Due from other state agencies	281
Capital assets (net of accumulated depreciation)	<u>47,023</u>
Total assets	<u>158,776</u>
LIABILITIES	
Accounts payable	4,393
Payroll benefits payable	14,379
Payroll taxes payable	19,936
Accrued payroll payable	31,530
Due to State General Fund (note 5)	30,220
Compensated absences:	
Due within one year	66,359
Due after one year	<u>19,304</u>
Total liabilities	<u>186,121</u>
NET ASSETS	
Invested in capital assets	47,023
Restricted	-
Unrestricted	<u>(74,368)</u>
Total net assets	<u>\$ (27,345)</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Statement of Activities
For the Year Ended June 30, 2008**

	<u>Governmental Activities</u>
Expenses:	
General government:	
Personal services and employee benefits	\$ 1,041,780
Contractual services	79,303
Other costs	151,897
Depreciation	<u>16,979</u>
Total expenses	<u>1,289,959</u>
General revenues and transfers:	
Miscellaneous-donated capital assets	15,814
Loss on disposal of capital assets	(6,882)
Transfers in:	
State General Fund appropriation (net of reversion)	1,165,576
Other appropriations	<u>40,900</u>
Total general revenues and transfers	<u>1,215,408</u>
Increase (decrease) in net assets	<u>(74,551)</u>
Net assets, beginning (as reported)	47,425
Restatement (note 10)	<u>(219)</u>
Net assets, beginning (as restated)	<u>47,206</u>
Net assets, ending	<u>\$ (27,345)</u>

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

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Balance Sheet
Governmental Funds
June 30, 2008**

	<u>General Fund</u>
ASSETS	
Investment in State Treasurer General Fund Investment Pool	\$ 100,177
Petty cash	60
Due from other state agencies	281
Prepaid postage	<u>11,235</u>
Total assets	<u>\$ 111,753</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 4,393
Payroll benefits payable	14,379
Payroll taxes payable	19,936
Accrued payroll payable	31,530
Due to State General Fund (note 5)	<u>30,220</u>
Total liabilities	<u>100,458</u>
FUND BALANCES	
Fund balances:	
Reserved for petty cash	60
Reserved for prepaid postage	<u>11,235</u>
Total fund balances	<u>11,295</u>
Total liabilities and fund balances	<u>\$ 111,753</u>
Amounts reported in the Statement of Net Assets (Exhibit A) differ because:	
Total fund balances	\$ 11,295
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the funds	47,023
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement	<u>(85,663)</u>
Net assets per Statement of Net Assets (Exhibit A)	<u>\$ (27,345)</u>

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

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

	<u>General Fund</u>
Revenues:	
Other state funds:	
Miscellaneous	\$ -
Total revenues	-
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	1,029,775
Contractual services	79,303
Other costs	150,718
Capital outlay	1,180
Total expenditures	1,260,976
Excess (deficiency) of revenues over expenditures	(1,260,976)
Other financing sources (uses):	
Transfers in:	
State General Fund appropriation	1,195,600
Other financing sources - other appropriations	40,900
Transfers out:	
Reversion to State General Fund - FY 2008	(30,023)
Total other financing sources (uses)	1,206,477
Net change in fund balance	(54,499)
Fund balances:	
Fund balance, beginning	65,794
Fund balance, ending	\$ 11,295
Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Net change in fund balance	\$ (54,499)
Net change in long-term and current portions of compensated absences	(12,005)
Capital asset purchases, not capitalized	(1,180)
Capital assets value of donated assets included in miscellaneous revenue in the Statement of Activities	15,814
Amount by which depreciation and loss on disposal of capital assets exceeds capital outlay expenditures for FY08	(22,682)
Rounding	1
Change in net assets (Exhibit B) of governmental activities	\$ (74,551)

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

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Statement of Revenues and Expenditures - Budget and Actual
General Fund
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ 1,195,600	\$ 1,195,600	\$ 1,195,600	\$ -
Other financing sources - other appropriations	<u>40,900</u>	<u>40,900</u>	<u>40,900</u>	<u>-</u>
Total revenues	1,236,500	1,236,500	<u>\$ 1,236,500</u>	<u>\$ -</u>
Cash balance budgeted	<u>50,000</u>	<u>50,000</u>		
Total resources	<u>\$ 1,286,500</u>	<u>\$ 1,286,500</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 1,052,500	\$ 1,052,500	\$ 1,029,775	\$ 22,725
Contractual services	80,000	80,000	79,303	697
Other costs	<u>154,000</u>	<u>154,000</u>	<u>151,898</u>	<u>2,102</u>
Total expenditures	<u>\$ 1,286,500</u>	<u>\$ 1,286,500</u>	<u>\$ 1,260,976</u>	<u>\$ 25,524</u>

Reconciliation of GAAP basis to budget basis expenditures:

GAAP basis expenditures	\$ <u>1,260,976</u>
Budget basis expenditures	\$ <u>1,260,976</u>

Note:

The "actual" expenditures on the budget basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2008 budget.

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

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008**

1. Summary of Significant Accounting Policies

The financial statements of the State of New Mexico, Legislative Education Study Committee (Committee) 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. In addition, applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 apply, unless they conflict with GASB pronouncements. The more significant of the Committee's accounting policies are described below:

A. Reporting Entity and Component Units

The State of New Mexico, Legislative Education Study Committee is a permanent joint interim committee of the legislature composed of ten members, four from the senate and six from the house of representatives. The house education committee and the senate education committee shall be represented. The Committee members shall be appointed for two-year terms which shall expire on the first day of each odd-year session. The Legislative Education Study Committee is governed by Sections 2-10-1 through 2-10-5 NMSA 1978. That section provides that the Committee shall:

1. direct the director in his/her work for the committee;
2. conduct a continuing study of all education in New Mexico, the laws governing such education and the policies and costs of the New Mexico educational system; provided that such studies shall not duplicate studies of the board of educational finance, nor shall such studies, related to higher education, deal with any subject other than the training of certified teaching personnel in post-secondary institutions;
3. recommend changes in laws relating to education, if any are deemed desirable, and draft and present to the legislature any legislation necessary; and
4. make a full report of its findings and recommendation for the consideration of each odd-year session on or before the tenth day thereof, and make additional reports as it deems necessary.

The Committee is a component unit of the primary government, the State of New Mexico. The Committee has no component units. These financial statements present the financial position and results of operation of only those Statewide Human Resources, Accounting and Management Reporting System (SHARE) funds over which the Committee has oversight responsibility. 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 is a user organization of the SHARE system. The service organization is the Department of Finance and Administration (DFA). The SHARE system was implemented July 1, 2006.

B. Government-Wide and Fund Financial Statements

The **government-wide financial statements**, the statement of net assets and the statement of activities, report information on all of the non-fiduciary activities. The Committee does not have any fiduciary activities. The Committee does not have any business-type activities; therefore, only governmental activities are shown. Governmental activities are normally supported by taxes and intergovernmental revenues.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008

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

B. Government-Wide and Fund Financial Statements (Cont'd)

The **fund financial statements**, the balance sheet and the statement of revenues, expenditures and changes in fund balances, are presented to report additional and detailed information about the Committee. The Committee has only one type of fund financial statements, a governmental fund; and it has only one type of governmental funds, its general fund. The general fund is the Committee's operating fund and includes all financial transactions conducted to fulfill its general government function. It accounts for all financial resources of the Committee.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which was adopted by the Committee as of July 1, 2000. The Committee has no program revenue and the Committee has no indirect costs which would need to be allocated to an expenditure function in the Statement of Activities. Capital assets are reported at historical cost and depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and current liabilities are included on the balance sheet. The reported fund balance is considered a measure of available spendable resources.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Revenues are recognized as soon as they are both measurable and available. Revenues are available if collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Committee considers revenues to be available if collected within sixty days of the end of the fiscal year. Expenditures are recorded when a liability is incurred, as under accrual accounting. The Committee does not have any debt service expenditures. The current portion of the compensated absences liability is not included in the fund financial statements because the State of New Mexico does not budget for any compensated absences in the current year.

D. Receivables and Payables

Any amounts "due to/from other state agencies" shown in the general fund reflect outstanding balances of the receivables and payables between the Committee and other departments of the State of New Mexico. Amounts shown as "due to the state general fund" reflect current year reversions for unexpended and unencumbered appropriations and stale dated warrant amounts for the current fiscal year.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008**

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

E. Capital Assets

Capital assets of the Committee include furniture and fixtures, and equipment. The Committee does not have any infrastructure. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,000 to items costing more than \$5,000. The Department has adopted this change in an accounting estimate, per Accounting Principles Board (APB) 20. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, will be added to the inventory only if they meet the new capitalization policy. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment data processing in accordance with 2.20.1.9 C (5). The cost of maintenance and repairs that do not add to the asset value or materially extend assets lives are not capitalized. The Committee does not undertake major capital projects involving interest costs during the construction phase. There is no debt related to the capital assets. Capital assets of the Committee are depreciated using zero salvage value and the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and fixtures	7
Data processing equipment	4
Equipment	5

F. Budget and Budgetary Accounting

The Committee prepares and submits an annual budget for the General Fund to the Department of Finance and Administration (DFA) for approval based upon the appropriations made by the State Legislature. This budget must be submitted by September 1 for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them and is approved by the Legislature of the State of New Mexico. Subsequent amendments affecting a category must be approved by the Director of the State Budget Division of DFA. There were changes made during the fiscal year ended June 30, 2008.

Budgets are controlled at the "appropriation unit" level . Appropriations lapse at the end of the fiscal year except fore those goods and services provided to the Committee by June 30th. The accounting records are held open for approximately one additional month, per DFA directive, in order to record the transactions in the fiscal year ended June 30th. These transactions amounting to \$4,393 were recorded as accounts payable at June 30, 2008.

The budget for the General Fund is adopted on a modified accrual basis of accounting. Per the General Appropriations Act, Laws of 2007, Chapter 28, Section 3, Subsection N, the budgetary basis is modified accrual. However, there is statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY 2008 budget. At June 30, 2008, there were none.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008**

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

F. Budget and Budgetary Accounting (Cont'd)

In accordance with the requirements of Section 2.2.2 10.A (2) (b) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies* and the allowance made by GASB 34 footnote 53, the budgetary comparison statement has been included as part of the basic financial statements.

G. Accrued Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and, it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

Where applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and long-term portion. The current portion is the amount expected to be expended during fiscal year 2008. It is an estimate management determined by applying a percentage to the June 30, 2008 liability. The percentage used was determined by comparing the amount actually paid out during fiscal year 2008 compared to the liability balance at June 30, 2008.

Employees accumulate annual leave at a rate based on appointment date and length of continuous service. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

Employees accumulate sick leave at a rate of 3.69 hours per pay period. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay fifty percent of each employees hourly rate for accumulated sick leave over 600 hours, up to 120 hours. Payment may be made only once per fiscal year at a specified pay period in either January or July. Additionally, upon retirement, those employees with over 600 hours of accumulated sick leave have the option to convert 400 hours of such leave to cash, at one half of their hourly rate.

Fair Labor Standards Act (FLSA) states that nonexempt employees accumulate compensation time at a rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Exempt employees could not carry forward unused compensation time into January of the 2008 calendar year. Overtime must be preapproved by management. Payment of this liability can be made by compensated leave time or cash payment. At June 30, 2008, there was no compensation time owed to any employees.

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

H. Reversions

The Committee's State General Fund appropriation was authorized by Laws of 2007, Ch. 1, Sec. 5. The law does not contain language pertaining to the reversion of any unexpended funds. However,

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008**

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

H. Reversions (Cont'd)

pursuant to Chapter 28, Laws of 2007, unexpended balances in agency accounts remaining at the end of fiscal year 2008 shall revert to the State General Fund by October 1, 2008, unless otherwise indicated in the General Appropriation Act of 2006 or otherwise provided by law. A special appropriation for \$50,000 was authorized by the Laws of 2006, Ch. 28, Sec. 5 for the American Diploma project costs. Any unexpended balance of the appropriation at the end of fiscal year 2008 shall revert. This special appropriation was expended in FY 2008. Accordingly, reversions due to the State General Fund of \$30,220 have been recorded at June 30, 2008.

I. Net Assets/Fund Equity

In the **government-wide financial statements**, net assets consist of three components: invested in capital assets, restricted, and unrestricted. The Committee's Net Assets-Invested in Capital Assets equals the capital assets, net of related accumulated depreciation. The Committee's financial statement does not show any net assets restricted because it does not have any resources remaining in the net assets that were received or earned with the explicit understanding between the Committee and the resource provider (grantor, contributor, other government, or enabling legislation) that the funds would be used for a specific purpose. Therefore, all remaining net assets that are not related to capital assets are shown as unrestricted.

In the **fund financial statements**, reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated, or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance account are summarized below:

Reserve for petty cash	\$	60
Reserve for prepaid postage	\$	11,235

2. Investment in the State Treasurer General Fund Investment Pool

<u>Name of Depository</u>	<u>Account Name</u>	<u>Agency Number</u>	<u>SHARE Fund #</u>	<u>Balance per Depository Investment Pool</u>	<u>Balance per Books</u>
State Treasurer	State of NM Legislative Education Study	11700	13100	\$100,177	\$100,177

All cash of the Committee, except for petty cash, is held in the State Treasurer General Fund Investment Pool. The State Treasurer has the power 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 investments not immediately needed for the operation of state government in:

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Notes to Financial Statements
June 30, 2008

2. Investment in the State Treasurer General Fund Investment Pool (Cont'd)

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and 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;
- (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 other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (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 equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee **contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits**, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has 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 equivalent by a nationally recognized rating service;
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment company has total 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 investment company; or
- (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.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008**

2. Investment in the State Treasurer General Fund Investment Pool (Cont'd)

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall 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 third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

The Committee is not subject to interest rate risk, credit risk, or the involuntary participation in the pool.

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2008.

3. Changes in Capital Assets

	Balance 06/30/07	Adjustments	Adjusted Balance 06/30/2007	Additions	Deletions	Balance 06/30/08
Capital Assets:						
Furniture and fixtures	\$ 22,021	\$ -	\$ 22,021	\$ -	\$ -	\$ 22,021
Data processing equipment	69,751	-	69,751	14,260	(19,275)	64,736
Equipment	59,364	-	59,364	1,554	(461)	60,457
Total capital assets	<u>\$ 151,136</u>	<u>\$ -</u>	<u>\$ 151,136</u>	<u>\$ 15,814</u>	<u>\$ (19,736)</u>	<u>\$ 147,214</u>
Accumulated Depreciation:						
Furniture and fixtures	\$ (22,021)	\$ -	\$ (22,021)	\$ -	\$ -	\$ (22,021)
Data processing equipment	(52,298)	(219)	(52,517)	(16,979)	12,393	(57,103)
Equipment	(21,529)	-	(21,529)	-	461	(21,068)
Total accumulated depreciation	<u>\$ (95,847)</u>	<u>\$ (219)</u>	<u>\$ (96,066)</u>	<u>\$ (16,979)</u>	<u>\$ 12,854</u>	<u>\$ (100,191)</u>
Net Capital Assets:						
Furniture and fixtures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Data processing equipment	17,453	(219)	17,234	(2,719)	(6,882)	7,633
Equipment	37,836	-	37,836	1,554	-	39,390
Net capital assets	<u>\$ 55,289</u>	<u>\$ (219)</u>	<u>\$ 55,070</u>	<u>\$ (1,165)</u>	<u>\$ (6,882)</u>	<u>\$ 47,023</u>

Current year depreciation expense was \$16,979.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008**

4. Changes in Compensated Absences

A summary of changes in the current and long-term portion of compensated absences follows:

	<u>Balance July 1, 2007</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance June 30, 2008</u>
Current compensated absences payable	\$ 54,816	\$62,554	\$(51,011)	\$66,359
Long-term compensated absences payable	<u>18,842</u>	<u>462</u>	<u>-</u>	<u>19,304</u>
Total compensated absences payable	<u>\$ 73,658</u>	<u>\$63,016</u>	<u>\$(51,011)</u>	<u>\$85,663</u>

Compensated absences are paid with General Fund appropriations out of the SHARE Fund 13100.

5. Due to State General Fund - Reversions

The following is a summary of the amount due to the State General Fund at June 30, 2008, from the General Operating Account (Fund 13100):

Cash Balance - June 30, 2008 (Fund 13100)	\$100,177
Add:	
Due from other state agencies	281
Less:	
Accounts payable, June 30, 2008	(4,393)
Payroll taxes payable, June 30, 2008	(19,936)
Accrued payroll, June 30, 2008	(31,530)
Payroll benefits, June 30, 2008	<u>(14,379)</u>
Due to State General Fund, June 30, 2008	<u>\$ 30,220</u>

Source of reversion amounts by budget fiscal years are:

FY 2008 - Unexpended budget balance	\$ 30,023
FY 2007 - Miscellaneous	<u>197</u>
Total reversion due to the State General Fund, June 30, 2008	<u>\$ 30,220</u>

**STATE OF NEW MEXICO
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Notes to Financial Statements
June 30, 2008**

6. Operating Transfers

Following is a schedule of non-exchange operating transfers occurring during the year.

<u>Purpose of Transfer</u>	<u>Agency Number</u>	<u>Fund Number</u>	<u>Transfers</u>	
			<u>To</u>	<u>From</u>
General Fund appropriation (Laws 2007, Chapter 1)	11700 34100	13100 85300	\$1,195,600	\$1,195,600
Reversion of FY 07	34100 11700	85300 13100	139,136	139,136
Compensation adjustment (Laws 2007, Chp. 28, Sec. 8)	11700 34100	13100 62000	40,900	40,900

7. Pension Plan - Public Employees Retirement Association

Plan Description. Substantially all of the Legislative Education Study 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 7.42% of their gross salary. The Legislative Education Study Committee is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Legislative Education Study 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, 2008, 2007 and 2006 were \$123,549, \$108,058, and \$92,162, respectively, which equal the amount of the required contributions for each fiscal year.

8. Post Employment Benefits - State Retiree Health Care Plan

Plan Description. The Legislative Education Study 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

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Notes to Financial Statements
June 30, 2008**

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

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

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

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

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

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Legislative Education Study Committee's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$14,522, \$12,701 and \$10,833, respectively, which equal the required contributions for each year.

9. Risk Management and Litigation

The Committee is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and, natural disasters. Section 15-7-2, NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. For the past several years, the RMD has elected to self-insure, and has not obtained liability coverage from commercial insurance companies. The RMD has effectively managed risk through various employee education and prevention programs. Risk management expenditures for the Committee are accounted for in the General Fund. Any claims are processed through RMD.

There are no pending or known threatened legal proceedings involving material matters to which the Committee is a party.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2008**

10. Restatements - Prior-Period Adjustment

The beginning net asset balance in the Statement of Activities required was adjustment of \$219 to reflect depreciation of capital assets not reported in fiscal year 2007.

11. Due To/Due From Other State Agencies

<u>Fund 13100-General Fund</u>	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
Due from Department of Finance and Administration (Central Payroll Account)	Payroll tax and payroll benefit liability errors - SHARE	\$281	\$ -
Due to State General Fund	FY 2008 reversion of unused appropriation	-	30,220

OTHER REPORTS

ROBERT J. RIVERA, CPA, PC

CERTIFIED PUBLIC ACCOUNTANTS
6 CALLE MEDICO, SUITE 4
SANTA FE, NEW MEXICO 87505-4761

(505) 983-6002

FAX (505) 983-6474

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*

Frances R. Maestas, Director
Legislative Education Study Committee
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, the major fund, and the budgetary comparison statement for the general fund of the State of New Mexico, Legislative Education Study Committee, (Committee) as of and for the year ended June 30, 2008, which collectively comprise the State of New Mexico, Legislative Education Study Committee's basic financial statements, and have issued our report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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



Compliance and Other Matters

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

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



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
November 17, 2008

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2008**

Schedule of Findings

I. PRIOR-YEAR AUDIT FINDINGS

2007-1 Accounting System - SHARE - Resolved

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

None

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2008**

Financial Statement Preparation

The financial statements were prepared by the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

Exit Conference

An exit conference was held on November 20, 2008, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Legislative Education Study Committee

Representative Rick Miera
Frances R. Maestas, Director
Eloise Gonzales-Okada, Administrative Services Manager

Audit Firm - Robert J. Rivera, CPA, PC

Robert J. Rivera, CPA