

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

**Financial Statements
June 30, 2011**

(With Independent Auditor's Report Thereon)

**ROBERT J. RIVERA, CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS
SANTA FE, NEW MEXICO 87505-4761**

INTRODUCTORY SECTION

STATE OF NEW MEXICO
 LEGISLATIVE EDUCATION STUDY COMMITTEE
 June 30, 2011

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**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2011**

Legislative Education Study Committee

Representative Rick Miera	Chair
Senator Cynthia Nava	Vice-Chair
Representative Nora Espinoza	Member
Representative Mary Helen Garcia	Member
Representative Jimmie C. Hall	Member
Representative Dennis J. Roch	Member
Representative Mimi Stewart	Member
Senator Mary Jane M. García	Member
Senator Gay G. Kernan	Member
Senator Lynda M. Lovejoy	Member

Advisory

Representative Alonzo Baldonado	Senator Vernon D. Asbill
Representative Ray Begaye	Senator Mark Boitano
Representative Eleanor Chávez	Senator Stephen H. Fischmann
Representative George Dodge, Jr.	Senator Howie C. Morales
Representative Roberto “Bobby” J. Gonzales	Senator John Pinto
Representative Tim Lewis	Senator Sander Rue
Representative Sheryl M. Williams Stapleton	
Representative Shirley A. Tyler	
Representative Bob Wooley	

Administrative Officials

Frances Ramírez-Maestas	Director
David Harrell, PhD	Deputy Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Frances Ramírez-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 (general fund), and the budgetary comparison statement of the general fund of the State of New Mexico, Legislative Education Study Committee (Committee), a component unit of the State of New Mexico, as of and for the year ended June 30, 2011, 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 Committee are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major fund (general 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, 2011, 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 (general fund) of the State of New Mexico, Legislative Education Study Committee, as of June 30, 2011, 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 October 21, 2011, 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 vix are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
October 21, 2011

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2011**

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>Net Assets</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>Change</u>
Current assets	\$ 232,289	\$ 467,944	\$ (235,655)
Capital assets, net	11,102	32,271	(21,169)
Total assets	243,391	500,215	(256,824)
Current liabilities	276,702	501,225	224,523
Long-term liabilities	117,164	12,604	(104,560)
Total Liabilities	393,866	513,829	(119,963)
Net assets	\$ (150,475)	\$ (13,614)	\$ (136,861)

Activities

Revenues and Transfers:

General Fund appropriation	\$ 1,192,400	\$ 1,282,300	\$ (89,900)
Reversions to the state general fund for FY11	(185,150)	(413,478)	228,328
Miscellaneous revenue	169	965	(796)
Miscellaneous - donated capital assets	-	990	(990)
Loss on disposal of capital assets	(13,526)	-	(13,526)
Total revenues and transfers	993,893	870,777	123,116

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2011**

Government-Wide Financial Statements: (Cont'd)

<u>Activities (Cont'd)</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>Change</u>
Expenses:			
Personal services & employee benefits	905,204	741,710	163,494
Contractual services	15,120	11,109	4,011
Other costs	106,526	112,542	(6,016)
Depreciation	7,643	13,260	(5,617)
	<u>1,034,493</u>	<u>878,621</u>	<u>155,872</u>
Total expenses			
Change in net assets	<u>(40,600)</u>	<u>(7,844)</u>	<u>(32,756)</u>
Net assets, beginning, as originally stated	(13,614)	(5,770)	(7,844)
Prior-period adjustments	<u>(96,261)</u>	<u>-</u>	<u>(96,261)</u>
Net assets, beginning, as restated	<u>(109,875)</u>	<u>(5,770)</u>	<u>(104,105)</u>
Net assets, ending	<u>\$ (150,475)</u>	<u>\$ (13,614)</u>	<u>\$ (136,861)</u>

Fund Financial Statements:

Balance Sheet

Total assets	<u>\$ 232,289</u>	<u>\$ 467,944</u>	<u>\$ (235,655)</u>
Total liabilities	224,710	460,174	(235,464)
Total fund balances	<u>7,579</u>	<u>7,770</u>	<u>(191)</u>
Total Liabilities and fund balances	<u>\$ 232,289</u>	<u>\$ 467,944</u>	<u>\$ (235,655)</u>

Revenues, Expenditures and Changes in Fund Balance

Revenues

Miscellaneous	<u>\$ 169</u>	<u>\$ 965</u>	<u>\$ (796)</u>
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Expenditures

General government:

Personal services and employee benefits	885,683	742,757	142,926
Contractual services	15,120	11,109	4,011
Other costs	106,526	111,942	(5,416)
Capital outlay	-	7,504	(7,504)

Total expenditures	<u>1,007,329</u>	<u>873,312</u>	<u>134,017</u>
Excess expenditures (over) revenue	<u>(1,007,160)</u>	<u>(872,347)</u>	<u>(134,813)</u>

Other financing sources (uses):

State General Fund appropriation	1,192,400	1,282,300	(89,900)
Reversion to State General Fund	<u>(185,150)</u>	<u>(413,478)</u>	<u>228,328</u>

Total other financing sources (uses)	<u>1,007,250</u>	<u>868,822</u>	<u>138,428</u>
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Net change in fund balance	<u>90</u>	<u>(3,525)</u>	<u>3,615</u>
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Fund balance, beginning (as reported)	7,770	11,295	(3,525)
Restatements: prior-period adjustments	<u>(281)</u>	<u>-</u>	<u>(281)</u>

Fund balance, beginning (as restated)	<u>7,489</u>	<u>11,295</u>	<u>(3,806)</u>
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Fund balance, ending	<u>\$ 7,579</u>	<u>\$ 7,770</u>	<u>\$ (191)</u>
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**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2011**

As summarized in the tables, net assets represents the differences between assets and liabilities of the Legislative Education Study Committee.

Government-Wide Activity

In the government-wide financial statement, total assets decreased by (\$256,824) or 51.3% from \$500,215 to \$243,391. Current assets consist primarily of \$224,650 in cash, or investment in the state general fund investment pool, and the remaining assets consist of capital assets (net of accumulated depreciation) of \$11,102. Current liabilities decreased (\$224,523), or 44.8% from \$501,225 to \$276,702. Current liabilities consist primarily of the amount due to the state general fund (\$186,214) representing unexpended state general fund appropriations for FY 2011. The balance of the current liabilities consist of accounts payable (\$6,527) and accrued salaries payable and payroll tax and benefits payable totaling (\$31,969), and the current portion of compensated absences payable totaling (\$51,992).

There was a decrease in net assets of (\$136,861) from the previous year, from a balance of (\$13,614) to a balance of (\$150,475). The decrease in net assets of (\$136,861) was primarily the result of an adjustment of (\$95,980) to the long-term portion of compensated absences payable at the beginning of the year, a decrease of (\$21,170) in net capital assets, and the current year decrease of (\$19,521) in compensated absences payable.

The Committee's governmental activities general revenue (net of reversions to the state general fund) increased by \$123,116 from the previous year, from \$870,777 to \$993,893. This is primarily the result of a (\$228,328) decrease in reversions to the state general fund, and a reduction of (\$89,900) in state general fund appropriations from the previous year.

The cost of the Committee's governmental activities increased by \$155,872 from the previous year, from \$878,621 to \$1,034,493. This is primarily the result of an increase in personal services and employee benefits totaling \$163,494.

Funds Activity

As the Committee completed the year, the governmental funds (as presented in the balance sheet, Exhibit C, page 3) reported a combined fund balance of \$7,579, which is below last year's combined fund balance of \$7,770, an insignificant decrease of \$191. The fund balance remaining at year end of \$7,579 is the non-spendable prepaid postage balance.

General Fund Budgetary Highlights

The annual operating budget is monitored by the Department of Finance and Administration. There was a \$40,000 change from the total of the original approved budget of \$1,232,400 to the final revised budget of \$1,192,400 which is due to a legislative mandated reduction in fiscal year 2011 appropriations enacted in January 2011.

The budget is projected for the appropriations process during the legislative session. Actual amounts will vary from the projection. Any unexpended appropriations revert to the state general fund.

Capital Assets

At June 30, 2011, the Committee had \$101,089 invested in capital assets, accumulated depreciation of (\$89,986), resulting in net capital assets of \$11,102. The Committee's capital assets are invested in furniture and fixtures, data processing equipment and other equipment. There were no current year capital asset additions, but there were \$39,657 in capital asset deletions, resulting in a book loss on disposal of capital assets of \$13,526.

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2011**

Debt-Compensated Absences (Employee Leave)

At the end of the current year, the Committee had total debt outstanding of \$169,156, comprising accumulated balances for terminal and sick leave eligible for payment to employees upon termination of their employment from the Committee. Employees can receive compensation based upon the Committee's approved policy (see note 1-G, Notes to Financial Statements).

Economic Factor's and Next Year's Budget

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. The FY 2012 authorized budget is \$1,192,400.

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 Ramirez-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, 2011**

		<u>Governmental Activities</u>
ASSETS		
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$	224,650
Petty cash		60
Prepaid postage		7,579
Capital assets (net of accumulated depreciation) (note 3)		<u>11,102</u>
Total assets		<u>243,391</u>
LIABILITIES		
Accounts payable		6,527
Payroll benefits payable		4,621
Payroll taxes payable		3,025
Accrued payroll payable		24,323
Due to State General Fund (note 5)		186,214
Compensated absences:		
Due within one year	\$	51,992
Due after one year		<u>117,164</u>
Total liabilities		<u>393,866</u>
NET ASSETS		
Invested in capital assets (note 3)		11,102
Restricted		-
Unrestricted (note 11)		<u>(161,577)</u>
Total net assets	\$	<u><u>(150,475)</u></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, 2011**

	<u>Governmental Activities</u>
Expenses:	
General government:	
Personal services and employee benefits	\$ 905,204
Contractual services	15,120
Other costs	106,526
Depreciation	<u>7,643</u>
Total expenses	<u>1,034,493</u>
General revenues, transfers and special items:	
Miscellaneous revenue	169
Transfers in:	
State General Fund appropriation	1,192,400
Reversion to State General Fund - FY 2011	(185,150)
Loss on disposal of capital assets	<u>(13,526)</u>
Total general revenues, transfers and special items	<u>993,893</u>
Change in net assets	<u>(40,600)</u>
Net assets, beginning (as reported)	(13,614)
Restatements:	
Prior-period adjustments (note 12)	<u>(96,261)</u>
Net assets, beginning (as restated)	<u>(109,875)</u>
Net assets, ending	<u>\$ (150,475)</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, 2011**

		<u>General Fund</u>
ASSETS		
Investment in State Treasurer General Fund Investment Pool (note 2)	\$	224,650
Petty cash		60
Prepaid postage		<u>7,579</u>
Total assets	\$	<u><u>232,289</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$	6,527
Payroll benefits payable		4,621
Payroll taxes payable		3,025
Accrued payroll payable		24,323
Due to State General Fund (note 5)		<u>186,214</u>
Total liabilities		<u>224,710</u>
FUND BALANCES		
Fund balances:		
Nonspendable - prepaid postage		<u>7,579</u>
Total fund balances		<u>7,579</u>
Total liabilities and fund balances	\$	<u><u>232,289</u></u>
Amounts reported in the Statement of Net Assets (Exhibit A) differ because:		
Total fund balances (Exhibit C)	\$	7,579
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the funds		11,102
Compensated absences accrued in the government-wide financial statements are excluded from the governmental funds statement		<u>(169,156)</u>
Net assets per Statement of Net Assets (Exhibit A)	\$	<u><u>(150,475)</u></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, 2011

	General Fund
Revenues:	
Other state funds:	
Miscellaneous	\$ 169
Total revenues	169
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	885,683
Contractual services	15,120
Other costs	106,526
Capital outlay	-
Total expenditures	1,007,329
Excess (deficiency) of revenues over expenditures	(1,007,160)
Other financing sources (uses):	
State General Fund appropriation (note 6)	1,192,400
Reversion to State General Fund - FY 2011 (note 5)	(185,150)
Total other financing sources (uses)	1,007,250
Net change in fund balance	90
Fund balances:	
Fund balance, beginning (as reported)	7,770
Restatements:	
Prior-period adjustments (note 12)	(281)
Fund balance, beginning (as restated)	7,489
Fund balance, ending	\$ 7,579
Amounts reported in the Statement of Activities (Exhibit B) are different because:	
Net change in fund balance (Exhibit D)	\$ 90
Net change in long-term and current portions of compensated absences	(19,522)
Amount by which depreciation and loss on disposal of capital assets exceeds capital outlay expenditures for FY 2011	(21,169)
Rounding	1
Change in net assets (Exhibit B) of governmental activities	\$ (40,600)

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, 2011

	<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	\$ 1,232,400	\$ 1,192,400	\$ 1,192,400	\$ -
Miscellaneous revenue	-	-	169	169
	<u>1,232,400</u>	<u>1,192,400</u>	<u>\$ 1,192,569</u>	<u>\$ 169</u>
Total revenues				
Cash balance budgeted	-	-		
Total resources	<u>\$ 1,232,400</u>	<u>\$ 1,192,400</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 1,107,500	\$ 1,046,600	\$ 885,683	\$ 160,917
Contractual services	17,100	21,500	15,120	6,380
Other costs	107,800	124,300	106,395	17,905
	<u>1,232,400</u>	<u>1,192,400</u>	<u>1,007,198</u>	<u>185,202</u>
Total expenditures				
Reconciliation of GAAP basis to budget basis:				
			<u>Revenues</u>	<u>Expenditures</u>
GAAP basis			\$ 1,192,569	\$ 1,034,493
Adjustments:				
Prepaid postage used			-	(131)
Depreciation expense			-	(7,643)
Compensated absences			-	(19,522)
Rounding			-	1
			<u>1,192,569</u>	<u>1,007,198</u>
Budget basis				

The "actual" expenditures on the budget basis do not include any accounts payable that required a request request to pay prior-year bills out of the FY 2012 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, 2011

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, 2011**

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 (Share Fund #13100). 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.

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

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

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011**

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

D. Receivables and Payables (Cont'd)

unexpended and unencumbered appropriations and stale dated warrant amounts for the current fiscal year.

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, 2011.

Budgets are controlled at the "appropriation unit" level. Appropriations lapse at the end of the fiscal year except for those goods and services provided to the Committee by June 30th. The accounting records are held open for approximately two additional months, per DFA directive, in order to record the transactions in the fiscal year ended June 30th. These transactions amounting to \$6,527 were recorded as accounts payable at June 30, 2011.

The budget for the General Fund is adopted on a modified accrual basis of accounting. Per the General Appropriation Act, Chapter 6, Laws of 2010, Section 3, Paragraph M, 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

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
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1. Summary of Significant Accounting Policies (Cont'd)

F. Budget and Budgetary Accounting (Cont'd)

the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY 2011 budget. At June 30, 2011, there were none.

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 2011. It is an estimate management determined by applying a percentage to the June 30, 2011 liability. The percentage used was determined by comparing the amount actually paid out during fiscal year 2011 compared to the liability balance at June 30, 2011.

Employees accumulate annual leave at a rate based on appointment date and length of continuous service. There is no limit to the amount of annual leave that a staff member may accrue. In addition, 1) upon termination or retirement, a staff member will receive up to thirty days of compensation for unused annual leave at the employee's hourly wage; 2) upon retirement a staff member may also receive compensation for unused annual leave in excess of thirty days at the employee's hourly wage; and 3) if there are sufficient funds in the budget at the end of a fiscal year, a supervisor may sell up to 120 hours of annual leave accrued in excess of 600 hours, at the supervisor's hourly wage. For the deputy director and the office manager, this payment is at the discretion and approval of the director; for the director, this payment is at the discretion and approval of the Chairs of the Committee.

Employees accumulate sick leave at a rate of 8 hours per month. There is no limit to the amount of sick leave that an employee may accumulate. State agencies are allowed to pay 50% 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. FLSA exempt employees do accumulate compensation time and are compensated at the discretion of the director. Exempt employees do not carry forward unused compensation time into January of the next calendar year. Payment of this liability can be made by compensated leave time only. At June 30, 2011, 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.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011

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

H. Reversions

The Committee's State General Fund appropriation was authorized by Laws of 2010 , Ch. 1, Sec. 5 and reduced by Laws 2010, Ch. 6, Sec. 10(B). The laws do not contain language pertaining to the reversion of any unexpended funds. However, pursuant to Chapter 6, Laws of 2010, Section 3(E), unexpended balances in agency accounts remaining at the end of fiscal year 2011 shall revert to the State General Fund by October 1, 2011, unless otherwise indicated in the General Appropriation Act of 2010 or otherwise provided by law. Accordingly, FY 2011 reversions due to the State General Fund of \$185,202 are included in the amount due to the state general fund at June 30, 2011, totaling \$186,214.

I. Net Assets/Fund Equity/Fund Balance

In the government-wide financial statements, net assets consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Committee has capital assets and no restricted assets. Therefore, all remaining net assets are reported as unrestricted.

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition, was implemented by the Committee for the year ending June 30, 2011. Statement No. 54 replaces the old fund balance terminology ("reserved", "unreserved", "designated", and "undesignated") with new financial reporting categories for fund balances of governmental funds.

Governmental fund balances are now divided into five classifications based on the extent to which government is bound to honor constraints on the specific purposes for which amounts in that fund can be spent.

Non-spendable is the most limited amounts and are legally or contractually required to stay intact.

The spendable fund categories can be depicted as follows:

Restricted are amounts that are so due to enabling legislation, constitutional provisions, externally imposed by grantors, contributors, laws or regulations of other governments, or by creditors, such as through debt covenants.

Committed are amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and removal of the constraint would require a formal action by the same authority.

Assigned consists of amounts that are intended to be used for a specific purpose established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the general fund, assigned fund balance represents the residual amount in the fund balance.

Unassigned represents the residual amount after all classifications have been considered for the government's general fund, and could report a surplus or a deficit.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011**

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 Committee	11700	13100	\$224,650	\$224,650

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:

- (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 102% 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 40% 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;

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011**

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

- (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.

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 disclosure information regarding the investment in the State Treasurer's SGFIP, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2011, review the State Treasurer's Investment Policy at <http://www.stonm.org/Investments/InvestmentPolicy>, 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. Changes in Capital Assets

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/11</u>
Capital Assets:				
Furniture and fixtures	\$ 26,814	\$ -	\$ -	\$ 26,814
Data processing equipment	47,109	-	(8,080)	39,029
Equipment	66,823	-	(31,577)	35,246
	<u>140,746</u>	<u>-</u>	<u>(39,657)</u>	<u>101,089</u>
Total capital assets	\$ 140,746	\$ -	\$ (39,657)	\$ 101,089
Accumulated Depreciation:				
Furniture and fixtures	\$ (24,852)	\$ (345)	\$ -	\$ (25,197)
Data processing equipment	(37,227)	(5,374)	7,185	(35,416)
Equipment	(46,396)	(1,924)	18,946	(29,374)
	<u>(108,474)</u>	<u>(7,643)</u>	<u>26,131</u>	<u>(89,986)</u>
Total accumulated depreciation	\$ (108,474)	\$ (7,643)	\$ 26,131	\$ (89,986)
Net Capital Assets:				
Furniture and fixtures	\$ 1,962	\$ (345)	\$ -	\$ 1,617
Data processing equipment	9,881	(5,374)	(895)	3,612
Equipment	20,428	(1,924)	(12,631)	5,873
	<u>32,271</u>	<u>(7,643)</u>	<u>(13,526)</u>	<u>11,102</u>
Net capital assets	\$ 32,271	\$ (7,643)	\$ (13,526)	\$ 11,102

Current year depreciation expense was \$7,643.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011**

4. Changes in Compensated Absences

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

	<u>Balance</u> <u>07/01/2010</u>	<u>Adj's</u>	<u>Adjusted</u> <u>Balance</u> <u>07/01/2010</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance</u> <u>06/30/2011</u>
Current						
Compensated Absences Payable	\$ 41,051	\$ -	\$ 41,051	\$ 18,246	\$ (7,305)	\$ 51,992
Long-Term						
Compensated Absences Payable	<u>12,604</u>	<u>95,980</u>	<u>108,584</u>	<u>42,573</u>	<u>(33,993)</u>	<u>117,164</u>
Total						
Compensated Absences Payable	<u>\$ 53,655</u>	<u>\$ 95,980</u>	<u>\$ 149,635</u>	<u>\$ 60,819</u>	<u>\$ (41,298)</u>	<u>\$ 169,156</u>

Compensated absences payable include an additional 7.65% of employer FICA taxes. 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, 2011, from the General Operating Account (Fund 13100):

Cash balance, June 30, 2011 (Fund 13100)	\$ 224,650
Add:	
Petty cash	60
Less:	
Accounts payable, 6/30/2011	(6,527)
Payroll taxes payable, 6/30/2011	(3,025)
Accrued payroll, 6/30/2011	(24,323)
Payroll benefits payable, 6/30/2011	<u>(4,621)</u>
Due to State General Fund, June 30, 2011	<u>\$ 186,214</u>

Source of reversion amounts by budget fiscal years are:

FY 2011 - Unexpended budget balance	\$ 185,202
FY 2011 - Miscellaneous revenue	169
FY 2010 - Petty cash account to be closed	60
FY 2010 - Stale dated warrants	782
Rounding	<u>1</u>
Due to the State General Fund, June 30, 2011	186,214
Less: Stale-dated warrants	(782)
Prior-period adjustment - due to other state agencies	(281)
Rounding	<u>(1)</u>
Reversions - current year (exhibit D)	<u>\$ 185,150</u>

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011**

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 2010, Ch. 1, Sec., 5) (Laws 2010, Ch. 6, Sec., 10(B))	11700	13100	\$1,192,400	
	34100	85300		\$1,192,400
Reversion of unused FY 10 General Fund Appropriation	34100	85300	413,477	
Reversion of unused FY 10 General Fund appropriation	11700	13100		413,477

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 8.92% (ranges from 4.0% to 16.65% of their gross salary, depending upon the plan they participate in: i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer). The Committee is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) of the 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, 2011, 2010, and 2009 were \$98,347, \$83,306, and \$115,910, 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.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011**

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

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

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

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on 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. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY2012	1.834%	.917%
FY2013	2.000%	1.000%

Also, employers joining the program after January 1, 1998, are 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, 2011, 2010, and 2009 were \$10,814, \$7,153, and \$13,623, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2011**

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.

10. 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 to State General Fund	FY 2011 reversion of unused appropriation and miscellaneous revenue	\$ -	\$ 186,214

11. Net Assets Deficit

GASB #34 requires capital assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in an unrestricted net assets deficit of (\$161,577). This deficit is created by compensated absences liabilities of (\$169,156) which will be paid from State General Fund appropriations in future years and prepaid postage of \$7,579.

12. Prior-Period Adjustments to Net Assets/Fund Balance

	<u>Net Assets</u>	<u>General Fund- Fund Balance</u>
A restatement of the June 30,2010, balance of the government-wide net assets and general fund - fund balance was required resulting from the following:		
Long-term portion - compensated absences payable	\$ 95,980	\$ -
Correction of amount due from other state agencies resulting from previous - year's payroll tax and payroll benefits liabilities	<u>281</u>	<u>281</u>
	<u>\$ 96,261</u>	<u>\$ 281</u>

OTHER REPORTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Frances Ramírez-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 (general fund), and the budgetary comparison statement for the general fund of the State of New Mexico, Legislative Education Study Committee (Committee), a component unit of the State of New Mexico, as of and for the year ended June 30, 2011, which collectively comprise the State of New Mexico, Legislative Education Study Committee's basic financial statements, and have issued our report thereon dated October 21, 2011. 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 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 controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 the internal control over financial reporting that might be deficiencies, 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
October 21, 2011

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2011**

Schedule of Findings

I. PRIOR-YEAR AUDIT FINDINGS

None

**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, 2011**

Financial Statement Preparation

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

Exit Conference

An exit conference was held on November 16, 2011, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Legislative Education Study Committee

Representative Rick Miera, Chair
Frances Ramírez-Maestas, Director
Alice S. Madrid, Office Manager

Audit Firm - Robert J. Rivera, CPA, PC

Robert J. Rivera, CPA
William J. Valdes