

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

**Financial Statements  
June 30, 2014**

**(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, 2014

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**STATE OF NEW MEXICO  
LEGISLATIVE EDUCATION STUDY COMMITTEE  
June 30, 2014**

**Legislative Education Study Committee**

Senator John M. Sapien .....	Chair
Representative Mimi Stewart .....	Vice Chair
Senator Craig W. Brandt .....	Member
Senator Gay G. Kernan .....	Member
Senator Howie C. Morales .....	Member
Representative Nora Espinoza .....	Member
Representative Jimmie C. Hall .....	Member
Representative Dennis J. Roch .....	Member
Representative Sheryl M. Williams Stapleton .....	Member
Representative Rick Miera .....	Member

**Advisory**

Representative Alonzo Baldonado	Senator Jacob R. Candelaria
Representative Nathan "Nate" Cote	Senator Lee S. Cotter
Representative George Dodge, Jr.	Senator Daniel A. Ivey-Soto
Representative David M. Gallegos	Senator Linda M. Lopez
Representative Stephanie Garcia Richard	Senator John Pinto
Representative Timothy D. Lewis	Senator William P. Soules
Representative Tomás E. Salazar	Senator Pat Woods
Representative James E. Smith	
Representative Christine Trujillo	
Representative Bob Wooley	

**Administrative Official**

Frances Ramírez-Maestas .....	Director
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**FINANCIAL SECTION**

# Robert J. Rivera, CPA, PC

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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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (general fund), the aggregate remaining fund information, and the budgetary comparison for the general fund of the State of New Mexico, Legislative Education Study Committee (Committee), as of, and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the State of New Mexico, Legislative Education Study Committee's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the major fund of the Committee, and the aggregate remaining fund information of the State of New Mexico, Legislative Education Study Committee, as of June 30, 2014, and the respective changes in financial position thereof, and the respective budgetary comparison statement for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.


## Other Matters

### Required Supplementary Information

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

### Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated October 17, 2014, on our consideration of the State of New Mexico, Legislative Education Study 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**, in considering the State of New Mexico, Legislative Education Study Committee's internal control over financial reporting and compliance.

  
Robert J. Rivera, CPA, PC  
Santa Fe, New Mexico  
October 17, 2014

**New Mexico Legislative Education Study Committee  
Management's Discussion and Analysis  
For Audited Year Ending June 30, 2014**

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 Position is prepared on an asset less liabilities resulting in net position format. The Statement of Activities is presented in an expense compared to revenues resulting in the change in net position for the period format.

**Fund Financial Statements**

The fund financial statements are designed to focus on major functions of the primary government. They are prepared on the modified accrual basis of accounting (see notes to 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**

<b>Government-Wide Financial Statements:</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>Change</b>
<b><u>Net Position</u></b>			
Current assets	\$ 97,411	\$ 116,081	\$ (18,670)
Capital assets, net of accumulated depreciation	<u>1,960</u>	<u>3,816</u>	<u>(1,856)</u>
Total assets	<u>99,371</u>	<u>119,897</u>	<u>(20,526)</u>
Current liabilities	136,754	152,886	16,132
Long-term liabilities	<u>113,646</u>	<u>103,157</u>	<u>(10,489)</u>
Total liabilities	<u>250,400</u>	<u>256,043</u>	<u>(5,643)</u>
Net position	<u>\$ (151,029)</u>	<u>\$ (136,146)</u>	<u>\$ (14,883)</u>
<b><u>Activities</u></b>			
<b>Revenues and Transfers:</b>			
General Fund appropriation	\$ 1,221,700	\$ 1,194,000	\$ 27,700
Reversions to the State General Fund	(64,261)	(85,394)	21,133
Miscellaneous revenue	132	124	8
Miscellaneous - donated capital assets	-	-	-
Loss on disposal of capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and transfers	<u>1,157,571</u>	<u>1,108,730</u>	<u>48,841</u>



**New Mexico Legislative Education Study Committee  
Management's Discussion and Analysis  
For Audited Year Ending June 30, 2014**

**Government-Wide Financial Statements: (Cont'd)**

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Change</u>
<b><u>Activities (Cont'd)</u></b>			
<b>Expenses:</b>			
Personal services and employee benefits	1,026,926	966,368	60,558
Contractual services	25,483	31,456	(5,973)
Other costs	118,190	110,250	7,940
Depreciation	<u>1,856</u>	<u>2,190</u>	<u>(334)</u>
Total expenses	<u>1,172,455</u>	<u>1,110,264</u>	<u>62,191</u>
Change in net position	(14,884)	(1,534)	(13,350)
Net position, beginning	<u>(136,145)</u>	<u>(134,612)</u>	<u>(1,533)</u>
Net position, ending	<u>\$ (151,029)</u>	<u>\$ (136,146)</u>	<u>\$ (14,883)</u>
<b>Fund Financial Statements:</b>			
<b><u>Balance Sheet</u></b>			
Total assets	<u>\$ 97,411</u>	<u>\$ 116,081</u>	<u>\$ (18,670)</u>
Total liabilities	90,290	108,823	(18,533)
Total fund balances	<u>7,121</u>	<u>7,258</u>	<u>(137)</u>
Total liabilities and fund balances	<u>\$ 97,411</u>	<u>\$ 116,081</u>	<u>\$ (18,670)</u>
<b><u>Revenues, Expenditures and Changes in Fund Balance</u></b>			
<b>Revenues</b>			
Miscellaneous	<u>\$ 132</u>	<u>\$ 124</u>	<u>\$ 8</u>
<b>Expenditures</b>			
General government:			
Personal services and employee benefits	1,014,035	967,226	46,809
Contractual services	25,483	31,456	(5,973)
Other costs	<u>118,190</u>	<u>110,250</u>	<u>7,940</u>
Total expenditures	<u>1,157,708</u>	<u>1,108,932</u>	<u>48,776</u>
Excess expenditures (over) revenue	<u>(1,157,576)</u>	<u>(1,108,808)</u>	<u>(48,768)</u>
<b>Other financing sources (uses):</b>			
State General Fund appropriation	1,221,700	1,194,000	27,700
Reversion to State General Fund	<u>(64,261)</u>	<u>(85,394)</u>	<u>21,133</u>
Total other financing sources (uses)	<u>1,157,439</u>	<u>1,108,606</u>	<u>48,833</u>
Net change in fund balance	(137)	(202)	65
Fund balance, beginning	<u>7,258</u>	<u>7,460</u>	<u>(202)</u>
Fund balance, ending	<u>\$ 7,121</u>	<u>\$ 7,258</u>	<u>\$ (137)</u>

**New Mexico Legislative Education Study Committee  
Management's Discussion and Analysis  
For Audited Year Ending June 30, 2014**

As summarized in the tables, net position 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 (\$20,526) or 17% from \$119,897 to \$99,371. Current assets consist primarily of \$90,290 in cash, or investment in the state general fund investment pool, and the remaining assets consist of prepaid postage of \$7,121 and capital assets (net of accumulated depreciation) of \$1,960. Current liabilities decreased (\$16,132), or 10.5% from \$152,886 to \$136,754. Current liabilities consist primarily of the amount due to the state general fund \$64,261 representing unexpended state general fund appropriations for FY 2014. The balance of the current liabilities consist of accounts payable of \$1,944, accrued salaries payable, payroll tax and benefits payable totaling \$22,377, and the current portion of compensated absences payable totaling \$46,464.

There was a decrease in net position of (\$14,883) from the previous year, from a balance of (\$136,146) to a balance of (\$151,029). The decrease in net position of (\$14,883) was primarily the result of a decrease of (\$1,856) in net capital assets, and the current year increase of (\$12,890) in current and long-term compensated absences payable.

The Committee's governmental activities general revenue (net of reversions to the state general fund) increased by \$48,841 from the previous year, from \$1,108,730 to \$1,157,571. This is primarily the result of a (\$21,133) decrease in reversions to the state general fund, and an increase of (\$18,800) in state general fund appropriations from the previous year.

The cost of the Committee's governmental activities increased by \$62,191 from the previous year, from \$1,110,264 to \$1,172,455. This is primarily the result of an increase in personal services and employee benefits totaling \$60,558.

**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 \$7,121, which is below last year's combined fund balance of \$7,258, an insignificant decrease of (\$137). The fund balance remaining at year end of \$7,121 is the non-spendable prepaid postage balance.

**General Fund Budgetary Highlights**

The annual operating budget is monitored by the Department of Finance and Administration. The original approved budget of \$1,221,700 remained unchanged through the end of the year.

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, 2014, the Committee had \$79,652 invested in capital assets, accumulated depreciation of (\$77,693), resulting in net capital assets of \$1,960. 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 \$14,336 in capital asset deletions.

Depreciation expense for the year was \$1,856.

**New Mexico Legislative Education Study Committee  
Management's Discussion and Analysis  
For Audited Year Ending June 30, 2014**

**Debt-Compensated Absences (Employee Leave)**

At the end of the current year, the Committee had total debt outstanding of \$160,110, 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-H, Notes to Financial Statements).

**Economic Factors and Next Year's Budget**

There are no known facts, decisions, or conclusion that are expected to have a significant effect on financial position, results of operations, or other changes. The FY 2015 authorized budget is \$1,297,100.

The LESC has requested an expansion for FY 2016 of \$166,295 to support additional employee positions.

**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 Ramírez-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**

**STATE OF NEW MEXICO  
LEGISLATIVE EDUCATION STUDY COMMITTEE  
Statement of Net Position  
June 30, 2014**

		<u>Governmental Activities</u>
<b>ASSETS</b>		
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$	90,290
Prepaid postage		7,121
Capital assets (net of accumulated depreciation) (note 3)		<u>1,960</u>
Total assets		<u>99,371</u>
<b>LIABILITIES</b>		
Accounts payable		1,944
Payroll benefits payable		7,203
Payroll taxes payable		4,710
Accrued payroll payable		10,464
Due to other state agencies		1,708
Due to State General Fund (note 5)		64,261
Accrued compensated absences payable:		
Due within one year	\$ 46,464	
Due after one year	<u>113,646</u>	<u>160,110</u>
Total liabilities		<u>250,400</u>
<b>NET POSITION</b>		
Net investment in capital assets (note 3)		1,960
Restricted		-
Unrestricted (note 12)		<u>(152,989)</u>
Total net position	\$	<u><u>(151,029)</u></u>

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

**STATE OF NEW MEXICO**  
**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

	<u><b>Governmental Activities</b></u>
<b>Expenses:</b>	
General government:	
Personal services and employee benefits	\$ 1,026,926
Contractual services	25,483
Other costs	118,190
Depreciation	<u>1,856</u>
Total expenses	<u>1,172,455</u>
 <b>General revenues, transfers and special items:</b>	
Miscellaneous revenue	132
Transfers in:	
State General Fund appropriation	1,212,800
Other financing sources - compensation appropriation	8,900
Reversion to State General Fund - FY 2014	<u>(64,261)</u>
Total general revenues, transfers and special items	<u>1,157,571</u>
Change in net position	(14,884)
Net position, beginning	<u>(136,145)</u>
Net position, ending	<u>\$ (151,029)</u>

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

**STATE OF NEW MEXICO  
LEGISLATIVE EDUCATION STUDY COMMITTEE  
Balance Sheet  
Governmental Funds  
June 30, 2014**

	<u>General Fund</u>
<b>ASSETS</b>	
Investment in State Treasurer General Fund Investment Pool (note 2)	\$ 90,290
Prepaid postage	<u>7,121</u>
Total assets	<u>\$ 97,411</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 1,944
Payroll benefits payable	7,203
Payroll taxes payable	4,710
Accrued payroll payable	10,464
Due to other state agencies	1,708
Due to State General Fund (note 5)	<u>64,261</u>
Total liabilities	<u>90,290</u>
<b>FUND BALANCES</b>	
Fund balances:	
Committed for prepaid expenses	<u>7,121</u>
Total fund balances	<u>7,121</u>
Total liabilities and fund balances	<u>\$ 97,411</u>
<b>Amounts reported in the Statement of Net Position (Exhibit A) differ because:</b>	
Total fund balances (Exhibit C)	\$ 7,121
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the funds	1,960
Compensated absences payable accrued in the government-wide financial statements are excluded from the governmental funds statement	<u>(160,110)</u>
Net position per Statement of Net Position (Exhibit A)	<u>\$ (151,029)</u>

The accompanying notes are an integral part of these 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, 2014**

	<u>General Fund</u>
<b>Revenues:</b>	
Other state funds:	
Miscellaneous	\$ 132
Total revenues	132
<b>Expenditures:</b>	
General government:	
Current:	
Personal services and employee benefits	1,014,035
Contractual services	25,483
Other costs	118,190
Total expenditures	1,157,708
Excess (deficiency) of revenues over expenditures	(1,157,576)
<b>Other financing sources (uses):</b>	
State General Fund appropriation (note 6)	1,212,800
Other financing sources - compensation appropriation (note 6)	8,900
Reversion to State General Fund - FY 2014 (note 5)	(64,261)
Total other financing sources (uses)	1,157,439
Net change in fund balance	(137)
<b>Fund balances:</b>	
Fund balance, beginning	7,258
Fund balance, ending	\$ 7,121

**Amounts reported in the Statement of Activities (Exhibit B) are different because:**

Net change in fund balance (Exhibit D)	\$ (137)
Net change in long-term and current portions of accrued compensated absences payable	(12,890)
Amount by which depreciation and loss on disposal of capital assets exceeds capital outlay expenditures for FY 2014	(1,856)
Rounding	(1)
Change in net position (Exhibit B) of governmental activities	\$ (14,884)

The accompanying notes are an integral part of these 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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State General Fund:				
General Fund appropriation	\$ 1,212,800	\$ 1,212,800	\$ 1,212,800	\$ -
Other financing sources	8,900	8,900	8,900	-
Miscellaneous revenue	-	-	132	132
	<u>1,221,700</u>	<u>1,221,700</u>	<u>\$ 1,221,832</u>	<u>\$ 132</u>
Total revenues				
Cash balance budgeted	<u>-</u>	<u>-</u>		
Total resources	<u>\$ 1,221,700</u>	<u>\$ 1,221,700</u>		
<b>Expenditures:</b>				
General government:				
Personal services and employee benefits	\$ 1,100,900	\$ 1,058,900	\$ 1,014,035	\$ 44,865
Contractual services	16,500	25,500	25,483	17
Other costs	<u>104,300</u>	<u>137,300</u>	<u>118,053</u>	<u>19,247</u>
Total expenditures	<u>\$ 1,221,700</u>	<u>\$ 1,221,700</u>	<u>\$ 1,157,571</u>	<u>\$ 64,129</u>
<b>Reconciliation of GAAP basis to budget basis:</b>				
			<u>Revenues</u>	<u>Expenditures</u>
GAAP basis			\$ 1,121,832	\$ 1,157,708
Adjustments:				
Prepaid postage used			<u>-</u>	<u>(137)</u>
Budget basis			<u>\$ 1,121,832</u>	<u>\$ 1,157,571</u>

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 2015 budget.

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



**STATE OF NEW MEXICO**  
**LEGISLATIVE EDUCATION STUDY COMMITTEE**  
**Notes to Financial Statements**  
**June 30, 2014**

**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. 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 postsecondary 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 position 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, 2014

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. Unexpended balances revert to the state General Fund.

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 position 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 60 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.

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

*GASB 63* amended previous guidance on deferred revenue in the government-wide financial statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period.

During fiscal year 2014, the Committee adopted the following GASB statements:

- *GASB 66*, Technical Corrections: an amendment to GASB Statements No. 10 and No. 62, resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This Statement is effective for the year ended June 30, 2014.
- *GASB 67*, Financial Reporting for Pension Plans — an amendment of GASB Statement No. 25, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This Statement is effective for the year ended June 30, 2014.
- *GASB 70*, Accounting and Financial Reporting for Nonexchange Financial, the requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement is effective for the year ended June 30, 2014.

**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.

**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 Committee 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

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

**E. Capital Assets (Cont'd)**

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. Deferred Inflows/Outflows of Resources**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, became effective for financial statements for period beginning after December 15, 2012. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure of net position, rather than net assets. The Committee has made the change.

**G. 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, 2014.

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 30. 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 30. These transactions amounting to \$1,944 were recorded as accounts payable at June 30, 2014.

The budget for the General Fund is adopted on a modified accrual basis of accounting. Per the General Appropriation Act, Chapter 227, Laws of 2013, Section 3, Paragraph M, the budgetary basis is modified accrual basis of accounting for governmental funds in accordance with the manual of accounting practices issued by the Department of Finance and Administration. 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

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

**G. Budget and Budgetary Accounting (Cont'd)**

6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY 2013 budget. At June 30, 2014, 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.

**H. Accrued Compensated Absences Payable**

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 2014. It is an estimate management determined by applying a percentage to the June 30, 2014 liability. The percentage used was determined by comparing the amount actually paid out during FY 2014 compared to the liability balance at June 30, 2014.

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 Chair or Vice Chair 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 employee's 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 not 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, 2014, 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.

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

I. **Reversions**

The Committee's State General Fund appropriation was authorized by Laws of 2013, Ch. 1, Sec. 5. The laws do not contain language pertaining to the reversion of any unexpended funds. However, pursuant to Chapter 227, Laws of 2013, Section 3E, unexpended balances in agency accounts remaining at the end of fiscal year 2014 shall revert to the State General Fund by October 1, 2014, unless otherwise indicated in the General Appropriation Act of 2013 or otherwise provided by law. Accordingly, FY 2014 reversions due to the State General Fund of \$64,129 are included in the amount due to the state general fund at June 30, 2014, totaling \$64,261.

J. **Net Position/Fund Equity/Fund Balance**

In the government-wide financial statements, net position 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 position 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, 2014. 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** includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained 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.

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**2. Investment in the State Treasurer - General Fund Investment Pool**

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

At June 30, 2014, the Legislative Education Study Committee had the following invested in the 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	\$ 90,290	\$ 90,290

All cash of the Committee 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 U. S. of other securities backed by the U. S. having a market value of at least 102% 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;

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**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 5% 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 5% 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.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

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, 2014, 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.

**General Fund Investment Pool Not Reconciled**

In June 2012, an independent diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the "business unit/fund level" since the inception of the Statewide Human resources, Accounting, and management REporting system (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between pool bank balances and the corresponding general ledger balances and indicated that the effects of reconciling items were unknown. This report is available in the resources section of the cash control page of the New Mexico Department of Finance and Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx). The document title is Current State Diagnostic of Cash Control.



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

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool was not reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Legislative Education Study Committee's balances at the business unit/fund level is not possible. It is the DFA/FCD responsibility to perform the monthly reconciliation at the business unit/fund level to the General Fund Investment Pool.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance and Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project was February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance and Administration's website at: [http://www.nmdfa.state.nm.us/Cash\\_Control.aspx](http://www.nmdfa.state.nm.us/Cash_Control.aspx).

On July 11, 2014, DFA/FCD commenced Phase II - the Historical Cash Reconciliation Project in partnership with Deloitte & Touche, LLP. The scope of this project is July 1, 2006 (SHARE implementation) to January 31, 2013 (the point at which DFA/FCD began reconciling cash activity.) The final report has not been completed as of the date of this audit report.

The Legislative Education Study Committee has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in SHARE are correct and to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2014.

The Committee has an interest in the State General Fund Investment Pool allocated between one fund operating under the oversight of SHARE and the State Treasurer's Office. The cash transactions processed by the Committee flow through the State General Fund Investment Pool. Since SHARE was implemented, the Committee recognized the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Committee. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities and a review of outstanding warrants. The Committee conducts ongoing tracking of all cash deposits and financial

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

transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Committee's share of the State General Fund Investment Pool provides management assurance that the balance reflected in the State General Fund Investment Pool account is accurate as of the end of the reporting period.

**3. Changes in Capital Assets**

	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
<b>Capital Assets:</b>				
Furniture and fixtures	\$ 26,814	\$ -	\$ -	\$ 26,814
Data processing equipment	31,828	-	(14,336)	17,492
Equipment	<u>35,346</u>	<u>-</u>	<u>-</u>	<u>35,346</u>
Total capital assets	<u>\$ 93,988</u>	<u>\$ -</u>	<u>\$ (14,336)</u>	<u>\$ 79,652</u>
<b>Accumulated Depreciation:</b>				
Furniture and fixtures	\$ (25,887)	\$ (344)	\$ -	\$ (26,231)
Data processing equipment	(31,698)	(131)	14,336	(17,493)
Equipment	<u>(32,588)</u>	<u>(1,381)</u>	<u>-</u>	<u>(33,969)</u>
Total accumulated depreciation	<u>\$ (90,173)</u>	<u>\$ (1,856)</u>	<u>\$ 14,336</u>	<u>\$ (77,693)</u>
<b>Net Capital Assets:</b>				
Furniture and fixtures	\$ 927	\$ (344)	\$ -	\$ 583
Data processing equipment	130	(131)	-	(1)
Equipment	<u>2,758</u>	<u>(1,381)</u>	<u>-</u>	<u>1,377</u>
Net capital assets	<u>\$ 3,816</u>	<u>\$ (1,856)</u>	<u>\$ -</u>	<u>\$ 1,960</u>

Current year depreciation expense was \$1,856.

**4. Changes in Accrued Compensated Absences Payable**

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

	<u>Balance 06/30/2013</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance 06/30/2014</u>
<b>Current</b>				
Accrued compensated absences payable	\$ 44,063	\$ 16,950	\$ (14,549)	\$ 46,464
<b>Long-Term</b>				
Accrued compensated absences payable	<u>103,157</u>	<u>41,459</u>	<u>(30,970)</u>	<u>113,646</u>
<b>Total</b>				
Accrued compensated absences payable	<u>\$ 147,220</u>	<u>\$ 58,409</u>	<u>\$ (45,519)</u>	<u>\$ 160,110</u>

Compensated absences payable include an additional 7.65% of employer FICA taxes. Accrued compensated absences are paid with General Fund appropriations out of the SHARE Fund 13100.

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**5. Due to State General Fund - Reversions**

The following is a summary of the amount due to the State General Fund at June 30, 2014, from the General Operating Account (Fund 13100):

Cash balance, June 30, 2014 (Fund 13100)	\$	90,290
Less:		
Accounts payable, 6/30/2014		(1,944)
Payroll taxes payable, 6/30/2014		(4,710)
Accrued payroll, 6/30/2014		(10,464)
Payroll benefits payable, 6/30/2014		(7,203)
Due to other state agencies, 6/30/2014		<u>(1,708)</u>
Due to State General Fund, June 30, 2014	\$	<u>64,261</u>
Source of reversion amounts by budget fiscal years are:		
FY 2014 - Unexpended budget balance	\$	64,129
FY 2014 - Miscellaneous revenue		<u>132</u>
Due to the State General Fund, June 30, 2014	\$	<u>64,261</u>

**6. Operating Transfers**

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

Purpose of Transfer	Agency Number	Fund Number	Transfers	
			To	From
General Fund appropriation (Laws 2013, Ch. 1, Sec. 5)	11700	13100	\$ 1,212,800	
General Fund appropriation (Laws 2013, Ch. 1, Sec. 5)	34100	85300		\$ 1,212,800
General Fund Compensation Distribution (Laws 2013, Ch. 227, Sec. 8)				
1% increase compensation package	11700	13100	8,900	
General Fund Compensation Distribution (Laws 2013, Ch. 227, Sec. 8)				
1% increase compensation package	11700	85300		8,900
Reversion of unused FY 13 General Fund appropriation	34100	85300	85,270	
Reversion of unused FY 13 General Fund appropriation	11700	13100		85,270

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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](http://www.pera.state.nm.us).

**Funding Policy.** Plan members are required to contribute 8.92% (ranges from 6.28% to 18.15% 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 16.99% (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, 2014, 2013, and 2012 were \$122,420, \$104,068, and \$91,376, 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 healthcare insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

**Funding Policy.** The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired

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LEGISLATIVE EDUCATION STUDY COMMITTEE  
Notes to Financial Statements  
June 30, 2014**

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

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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Legislative Education Study Committee's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$14,784, \$13,802, and \$12,495, 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, 2014**

**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 2014 reversion of unused appropriation and miscellaneous revenue	None	\$64,261
Due to Department of Finance and Administration	Payroll taxes, liability error of prior years	None	\$ 1,708

**11. Operating Leases**

The Committee has the following leases which can be terminated with no penalty to the Committee if the Legislature does not appropriate funding to the Committee.

A lease for a No. 4112 Xerox copier/printer machine was entered into on November 16, 2010, which requires 60 monthly payments of \$576.

A lease for a No. 8860 Xerox copier/printer/fax machine was entered into on April 3, 2012, which requires 48 monthly payments of \$133.

A lease for a No. IM440 postage machine with Hasler Financial Services, Inc., was entered into on January 1, 2010, which requires 48 monthly payments of \$155.

Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2014, for each of the next five years and in the aggregate are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2015	\$ 8,518
June 30, 2016	4,216
June 30, 2017	-
June 30, 2018	-
June 30, 2019	-
<b>Total</b>	<b><u>\$12,734</u></b>

Rental expense for the fiscal year ended June 30, 2014, was \$14,741.

**12. Net Position Deficit**

GASB #34 requires capital assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in an unrestricted net position deficit of (\$152,989). This deficit is created by compensated absences liabilities of (\$160,110) which will be paid from State General Fund appropriations in future years and prepaid postage of \$7,121.

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June 30, 2014**

**13. Subsequent Events Review**

A review of subsequent events through October 17, 2014, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require disclosure.

**14. Subsequent Accounting Standard Pronouncements**

Statement No. 68, Accounting and Financial Reporting for Pensions. The statement replaces the requirements of GASBS 27, Accounting for Pensions by State and Local Governmental Employers, and the requirements of GASBS 50 Pension Disclosures, as they related to pensions that are provided through pension plans administered as trusts. The requirements of Statements 27 and 50 remain applicable for pensions that are covered by GASBS 68. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. This will require the Committee to recognize a liability for the proportionate share of the unfunded net pension liability for PERA.

Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 (year ended June 30, 2015) and should be applied on a prospective basis.

*GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (Amendment to GASB 68), improve accounting and financial reporting by addressing an issue in Statement No. 68, Accounting and Financial Reporting for Pensions, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. This Statement will be effective at the implementation of GASB 68.*

## 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*

### 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, the aggregate remaining fund information, the budgetary comparison statement for the general fund of the State of New Mexico, Legislative Education Study Committee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of New Mexico, Legislative Education Study Committee's basic financial statements, and have issued our report thereon dated October 17, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of New Mexico, Legislative Education Study Committee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of New Mexico, Legislative Education Study Committee's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of New Mexico, Legislative Education Study Committee's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Robert J. Rivera, CPA, PC  
Santa Fe, New Mexico  
October 17, 2014

**STATE OF NEW MEXICO  
LEGISLATIVE EDUCATION STUDY COMMITTEE  
Schedule of Findings  
June 30, 2014**

**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  
Financial Statement Preparation and Exit Conference  
June 30, 2014**

**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 19, 2014, to discuss the audit. The following individuals were in attendance:

**State of New Mexico - Legislative Education Study Committee**

Senator John M. Sapien, Chair  
Frances Ramirez-Maestas, Director  
Alice S. Madrid, Office Manager

**Audit Firm - Robert J. Rivera, CPA, PC**

Robert J. Rivera, CPA  
William J. Valdes