

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

**Financial Statements
June 30, 2016**

(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2016**

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**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2016**

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STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2016

Legislative Education Study Committee

Representative Dennis J. Roch.....	Chair
Senator John M. Sapien.....	Vice Chair
Representative James E. Smith	Member
Representative Tomas E. Salazar.....	Member
Representative Christine Trujillo.....	Member
Representative Sheryl M. Williams Stapleton.....	Member
Representative Monica Youngblood.....	Member
Senator Craig W. Brandt.....	Member
Senator Gay G. Kernan.....	Member
Senator Howie C. Morales.....	Member

Advisory

Representative Alonzo Baldonado	Senator Jacob R. Candelaria
Representative Jim Dines	Senator Carlos R. Cisneros
Representative David M. Gallegos	Senator Lee S. Cotter
Representative Stephanie Garcia Richard	Senator Daniel A. Ivey-Soto
Representative Jimmie C. Hall	Senator Linda M. Lopez
Representative D. Wonda Johnson	Senator Michael Padilla
Representative Timothy D. Lewis	Senator John Pinto
Representative G. Andrés Romero	Senator William P. Soules
Representative Patricia Roybal Caballero	Senator Mimi Stewart
Representative Nora Espinoza	Senator Pat Woods
Representative James G. Townsend	

Administrative Official

Rachel S. Gudgel.....	Director
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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Rachel S. Gudgel, Director
Legislative Education Study Committee and
Mr. Tim Keller
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each 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, 2016 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 judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of the 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, each major fund, and the aggregate remaining fund information of the State of New Mexico, Legislative Education Study Committee, as of June 30, 2016, 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 3 through 6 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 Information

The Schedule of Vendor Information (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2016, 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.

Zlotnick Laws & Sandoval, PC
Zlotnick Laws & Sandoval, PC
Santa Fe, New Mexico
November 22, 2016

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2016**

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 are 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 measureable. 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

<u>Government-Wide Financial Statements:</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>Change</u>
<u>Net Position</u>			
Current assets	\$ 168,946	\$ 160,675	\$ 8,271
Capital assets, net of accumulated depreciation	-	238	(238)
Total assets	<u>168,946</u>	<u>160,913</u>	<u>8,033</u>
Current liabilities	196,818	204,648	7,830
Long-term liabilities	12,662	133,943	121,281
Total liabilities	<u>209,480</u>	<u>338,591</u>	<u>129,111</u>
Net position	<u>\$ (40,534)</u>	<u>\$ (177,678)</u>	<u>137,144</u>
<u>Activities</u>			
Revenues and Transfers:			
General Fund appropriation	\$ 1,301,100	\$ 1,297,100	\$ 4,000
Reversions to the State General Fund	(124,670)	(116,618)	(8,052)
	<u>1,176,430</u>	<u>1,180,482</u>	<u>(4,052)</u>

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2016**

Government-Wide Financial Statement: (cont'd)

	FY 2016	FY 2015	Change
<u>Activities (Cont'd)</u>			
Expenses:			
Personal services and employee benefits	\$ 929,419	\$ 1,046,261	\$ (116,842)
Contractual services	15,598	32,963	(17,365)
Other costs	94,030	126,185	(32,155)
Depreciation	238	1,722	(1,484)
	<u>1,039,285</u>	<u>1,207,131</u>	<u>(167,846)</u>
Total expenses			
Change in net position	137,145	(26,649)	163,794
Net position, beginning	(177,679)	(151,030)	(26,649)
Net position, ending	<u>\$ (40,534)</u>	<u>\$ (177,679)</u>	<u>\$ 137,144</u>

Fund Financial Statements:

Balance Sheet

Total assets	<u>\$ 168,946</u>	<u>\$ 160,675</u>	<u>\$ 8,271</u>
Total liabilities	162,093	153,692	8,401
Total fund balances	<u>6,853</u>	<u>6,983</u>	<u>(130)</u>
Total liabilities and fund balances	<u>\$ 168,946</u>	<u>\$ 160,675</u>	<u>\$ 8,271</u>

Revenues, Expenditures and Changes in Fund Balance

Revenues

Miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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Expenditures

General government			
Personal services and employee benefits	1,066,931	1,021,472	45,459
Contractual services	15,598	32,963	(17,365)
Other costs	94,030	126,185	(32,155)
Total expenditures	<u>1,176,559</u>	<u>1,180,620</u>	<u>(4,061)</u>

Excess expenditures (over) revenue	<u>(1,176,559)</u>	<u>(1,180,620)</u>	<u>(4,061)</u>
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Other financing sources (uses):

State General Fund appropriation	1,301,100	1,297,100	4,000
Reversion to State General Fund	<u>(124,670)</u>	<u>(116,618)</u>	<u>(8,052)</u>

Total other financing sources (uses)	<u>1,176,430</u>	<u>1,180,482</u>	<u>(4,052)</u>
Net change in fund balance	(129)	(138)	9
Fund balance, beginning	<u>6,982</u>	<u>7,120</u>	<u>(138)</u>
Fund balance, ending	<u>\$ 6,853</u>	<u>\$ 6,982</u>	<u>\$ (129)</u>

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2016**

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 increased by \$8,033 or 4% from 2015 to 2016. Current assets consist primarily of \$162,093 in cash, or investment in the state general fund investment pool, and the remaining assets consist of prepaid postage of \$6,853 and capital assets (net of accumulated depreciation) of -0-. Current liabilities decreased \$7,830 or 3% from 2015 to 2016. Current liabilities consist primarily of the amount due to the state general fund \$124,670 representing unexpended state general fund appropriations for FY 2016. The balance of the current liabilities consist of accounts payable of \$10,613 accrued salaries payable, payroll tax and benefits payable totaling \$26,810, and the current portion of compensated absences payable totaling \$34,725.

There was an increase in net position of \$137,145 from the previous year, from a balance of (\$177,678) to a balance of (\$40,534). The decrease in net position of \$137,145 was primarily the result of a decrease of \$238 in net capital assets, and the current year decrease of \$137,512 in current and long-term compensated absences payable.

The Committee's governmental activities general revenue (net of reversions to the state general fund) decreased by \$4,052 from the previous year, from \$1,180,482 to \$1,176,430. This is primarily the result of an \$8,052 increase in reversions to the state general fund, and an increase of \$4,000 in state general fund appropriations from the previous year.

The cost of the Committee's governmental activities decreased by \$167,846 from the previous year, from \$1,207,131 to \$1,039,285. This is primarily the result of a decrease in personal services and employee benefits totaling \$116,842 due to a decrease in compensated absences liabilities, a decrease in contractual services of \$17,365, and a decrease in other costs of \$32,155 and a decrease of \$1,484 in depreciation expense.

Funds Activity

As the Committee completed the year, the governmental funds (as presented in the balance sheet, Exhibit C, page 9) reported a combined fund balance of \$6,853, which is below last year's combined fund balance of \$6,983 an insignificant decrease of \$129. The fund balance remaining at year-end of \$6,853 is the committed 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 \$1,308,863 was decreased by \$7,800 to a final budget of \$1,301,063.

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2016**

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, 2016, the Committee had \$64,580 invested in capital assets, accumulated depreciation of \$64,580, resulting in net capital assets of -0-. 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 \$9,676 in capital asset deletions. The items were transferred to the Legislative Information System.

Depreciation expense for the year was \$238.

Debt-Compensated Absences (Employee Leave)

At the end of the current year, the Committee had total debt outstanding of \$47,387, 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 2017 authorized budget is \$1,271,500 less a mandated reduction of \$38,100 for a net budget of \$1,233,400.

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:

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

Exhibit A

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Statement of Net Position
June 30, 2016**

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$ 162,093
Prepaid postage	6,853
Capital assets (net of accumulated depreciation) (note 3)	<u>-</u>
Total assets	<u>\$ 168,946</u>
LIABILITIES	
Accounts payable	\$ 10,613
Payroll benefits payable	7,494
Payroll taxes payable	7,288
Accrued payroll payable	12,028
Due to state general fund	124,670
Accrued compensated absences payable:	
Due within one year	\$34,725
Due after one year	<u>12,662</u>
Total liabilities	<u>209,480</u>
NET POSITION	
Net investment in capital assets (note 3)	-
Restricted	6,853
Unrestricted (note 12)	<u>(47,387)</u>
Total net position	<u>\$ (40,534)</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, 2016**

	Governmental Activities
Expenses:	
General Government:	
Personal services and employee benefits	\$ 929,419
Contractual services	15,598
Other costs	94,030
Depreciation	238
Total expenses	1,039,285
General revenues, transfers and special items:	
Miscellaneous revenue	-
Transfers in:	
State General Fund appropriation	1,301,100
Other financing sources – compensation appropriation	-
Reversion to State General Fund – FY 2016	(124,670)
Total general revenues, transfers and special items	1,176,430
Change in net position	137,145
Net position, beginning	(177,679)
Net position, ending	\$ (40,534)

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, 2016**

	General Fund
ASSETS	
Investment in State Treasurer General Fund Investment Pool (note 2)	\$ 162,093
Prepaid postage	6,853
	6,853
Total assets	\$ 168,946
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 10,613
Payroll benefits payable	7,494
Payroll taxes payable	7,288
Accrued payroll payable	12,028
Due to State General Fund (note 5)	124,670
	124,670
Total liabilities	162,093
 FUND BALANCES	
Fund balances:	
Non-spendable (prepaid expenses)	6,853
	6,853
Total fund balances	6,853
Total liabilities and fund balances	\$ 168,946
 Amounts reported in the Statement of Net Position (Exhibit A) differ because:	
Total fund balances (Exhibit C)	\$ 6,853
Capital assets reported in governmental activities are not financial resources and, therefore, are not reported in the funds	-
Compensated absences payable accrued in the government-wide financial statements are excluded from the governmental funds statement	(47,387)
Net position per Statement of Net Position (Exhibit A)	\$ (40,534)

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

Exhibit D

**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, 2016**

	<u>General Fund</u>
Revenues:	
Other state funds:	
Miscellaneous	\$ -
Total revenues	
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	1,066,931
Contractual services	15,598
Other costs	94,030
Total expenditures	1,176,559
Excess (deficiency) of revenues over expenditures	(1,176,559)
Other financing sources (uses):	
State General Fund appropriation (note 6)	1,301,100
Other financing sources – compensation appropriation (note 6)	-
Reversion to State General Fund – FY 2016 (note 5)	(124,670)
Total other financing sources (uses)	1,176,430
Net change in fund balance	(129)
Fund balances:	
Fund balance, beginning	6,982
Fund balance, ending	\$ 6,853
Amounts reported in the statement of Activities (Exhibit B) are different because:	
Net change in fund balance (Exhibit D)	\$ (129)
Net change in long-term and current portions of accrued compensated absences payable	137,512
Amount by which depreciation and loss on disposal of capital assets exceeds capital outlay expenditures for FY 2016	(238)
Change in net position (Exhibit B) of governmental activities	\$ 137,145

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

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Statement of Revenues, Expenditures – Budget and Actual
General Fund
For the Year Ended June 30, 2016**

	Budgeted	Amounts	Actual	Variance
	Original	Final	Budget	Favorable
			Basis	(Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ 1,308,863	1,301,063	\$ 1,301,100	\$ 37
Other financing sources	-	-	-	-
Total revenues	1,308,863	1,301,063	\$ 1,301,100	\$ 37
Cash balance budgeted	-	-		
Total resources	\$ 1,308,863	1,301,063		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 1,188,063	1,160,263	1,066,931	93,332
Contractual services	16,500	16,500	15,598	902
Other costs	104,300	124,300	93,901	30,399
Total expenditures	\$ 1,308,863	1,301,063	\$ 1,176,430	\$ 124,633
Reconciliation of GAAP basis to Budget basis:			Revenues	Expenditures
GAAP basis			\$ 1,301,100	\$ 1,176,559
Adjustments:				
Prepaid postage used			-	(129)
Budget basis			\$ 1,301,100	\$ 1,176,430

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 2017 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, 2016

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 finding 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.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

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

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

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.

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 fund, 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 GASBS 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.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016**

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

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

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.

Governmental Accounting Standards Board Statements (GASBS), GASBS 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, 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 FY 2015, the Committee adopted the following GASB statements:

GASBS 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 relate to pensions that are provided through pension plans administered as trusts. The requirements of GASBS 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.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

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

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 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. Deferred Inflows/Outflows of Resources

GASBS 65, *Items Previously Reported as Assets and Liabilities*, became effective for financial statements for periods 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

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

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

F. Deferred Inflows/Outflows of Resources (Cont'd)

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 GASBS 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, 2016.

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.

The Budget for the General Fund is adopted on a modified accrual basis of accounting. Per the General Appropriation Act, Chapter 63, Laws of 2015, Section 3, Paragraph L, the budgetary basis is modified accrual basis of accounting for governmental funds in accordance with the manual of accounting practices issued by DFA. However, there is statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable require approval to pay prior year bills out of the FY 2017 budget. At June 30, 2016, there were none.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

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

G. Budget and Budgetary Accounting (Cont'd)

In accordance with the requirements of Section 2.2.2 10.A (2) (b) of 2.2.2 NMAC, *Requirements for Contracting and Conducting Audits of Agencies*, and the allowance made by GASBS 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 employee's 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 the fiscal year.

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 of unused annual leave at the employee's hourly rate; (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; up to an additional 120 hours; 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. 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.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

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

H. Accrued Compensated Absences Payable

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 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, 2016, there was no compensation time owed to any employees.

In accordance with GASBS 16, *Accounting for Compensated Absences*, accrued compensated absences consist of accumulated annual leave up to 320 hours, sick leave between 600 and 720 hours, compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

I. Reversions

The Committee's State General Fund appropriation was authorized by Laws of 2015, Ch. 1, Sec. 5. The laws do not contain language pertaining to the reversion of any unexpended funds. However, pursuant to Chapter 63, Laws of 2015, Section 3E, unexpended balances in agency accounts remaining at the end of FY 2016 shall revert to the State General Fund by October 1, 2016, unless otherwise indicated in the General Appropriation Act of 2015 or otherwise provided by law. Accordingly, FY 2016 reversions due to the State General Fund of \$124,670 are included in the amount due to the state General Fund at June 30, 2016, totaling \$124,670.

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 restricted assets. Therefore, all remaining net position are reported as unrestricted.

As provided by Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definition, governmental fund balances are divided into five classifications based on the extent to which government is bound to honor constraints on the specific purposes for which amounts in that fund can be spent.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016**

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

J. Net Position/Fund Equity/Fund Balance (Cont'd)

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.

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, 2016, the Legislative Education Study Committee had the following 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	\$162,093	\$162,093

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

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

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. or 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 fund 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, 2016

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 GASBS 40, *Deposits and Investment Risk Disclosures*, 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, 2016.

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, 2016, review the State Treasurer’s Investment Policy at <http://www.stonm.org/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.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016**

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

General Fund Investment Pool Reconciliation

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

The Financial Control Division (FCD) in collaboration with the State Treasurer's Office (STO), implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For FY 2016 the following assertions are provided,

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (< \$200k standard deviation) over the last twelve months;
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP.
3. All claims will be honored at face value.

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, 2016.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016**

3. Changes in Capital Assets

	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Capital Assets:				
Furniture and fixtures	\$ 26,814	-	-	\$ 26,814
Data processing equipment	12,096		(9,676)	2,420
Equipment	35,346	-	-	35,346
Total capital assets	\$ 74,256	-	(9,676)	\$ 64,580
Accumulated Depreciation:				
Furniture and fixtures	\$ (26,576)	(238)	-	(26,814)
Data processing equipment	(12,096)	-	9,676	(2,420)
Equipment	(35,346)	-	-	(35,346)
Total accumulated depreciation	\$ (74,018)	(238)	9,676	\$ (64,580)
Net Capital Assets:	\$ 238	(238)	-	-
Furniture and fixtures	-	-	-	-
Data processing equipment	-	-	-	-
Equipment	-	-	-	-
Net capital assets	\$ 238	(238)	-	-

Current year depreciation expense was \$238.

4. Changes in Accrued Compensated Absences Payable

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

	Balance 6/30/2015	Increase	(Decrease)	Balance 06/30/2016
Current				
Accrued compensated absences payable	\$ 50,956	64,690	(80,921)	\$ 34,725
Long-Term				
Accrued compensated absences payable	133,943	40,178	(161,459)	12,662
Total				
Accrued compensated absences payable	\$ 184,899	104,868	(242,380)	\$ 47,387

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.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016**

5. Due to State General Fund – Reversions

The following is a summary of the amount due to the State General Fund at June 30, 2016, from the General Operating Account (Fund 13100)

Cash balance, June 30, 2016 (Fund 13100)	\$ 162,093
Less:	
Accounts payable, 6/30/2016	(10,613)
Payroll taxes payable, 6/30/2016	(7,288)
Accrued payroll, 6/30/2016	(12,028)
Payroll benefits payable, 6/30/2016	(7,494)
Due to State General Fund, June 30, 2016	\$ 124,670

Source of reversion amounts by budget fiscal years are:

FY 2016 – Unexpended budget balance	\$ 124,670
Due to the State General Fund, June 30, 2016	\$ 124,670

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 (Ch. 1, Laws 2015, Sec. 5)	11700	13100	\$1,301,100	
General Fund appropriation (Ch. 1, Laws 2015, Sec. 5)	34100	85300		\$1,301,100
Reversion of unused FY 16 General Fund appropriation	34101	85300	\$ 124,670	
Reversion of unused FY 16 General Fund appropriation	11700	13100		\$ 124,670
			\$1,425,770	\$1,425,770

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

7. Pension Plan – 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 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, 2016, 2015, and 2014 were \$122,271, \$126,159, and \$122,420, respectively, which equal the amount of the required contributions for each fiscal year.

Financial Reporting and Disclosure for Multiple-Employer Cost Sharing Pension Plans by Employers.

Compliant with the requirements of Government Accounting Standards Board statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2016.

The Committee, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the state Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
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June 30, 2016

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 prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

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

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 policy 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, 2016, 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, 2016, 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 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, 2016, 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, 2016, 2015 and 2014 were \$14,393, \$14,856 and \$14,784, 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.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016**

9. Risk Management and Litigation (Cont'd)

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 2016 reversion of unused appropriation	-	\$124,670

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. 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 October 18, 2013, 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, 2016, for each of the next five years and in the aggregate are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 1,860
June 30, 2018	620
June 30, 2019-2021	-
Total	<u>\$ 2,480</u>

Rental expense for the fiscal year ended June 30, 2016, was \$13,597.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2016

12. Net Position Deficit

GASBS 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, requires capital assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in an unrestricted net position deficit of (\$40,534). This deficit is created by compensated absences liabilities of (\$47,387) which will be paid from State General Fund appropriations in future years and prepaid postage of \$6,853.

13. Subsequent Events Review

A review of subsequent events through November 22, 2016, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require disclosure.

SUPPLEMENTAL SECTION

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
SCHEDULE OF VENDOR INFORMATION
for Purchases Exceeding \$60,000 (excluding GRT)**

Prepared by: Alice Madrid Title: Chief Financial Officer Date: October 24, 2016

The Legislative Education Study Committee did not have any vendor purchases exceeding \$60,000 (excluding GRT) for the fiscal year ended June 30, 2016

<i>RFB#/ RFP#</i>	<i>Type of Procure- ment</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procure- ment documenta- tion of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Defini- tion)</i>	<i>Was the vendor in- state and chose Veter- an's prefer- ence (Y or N) for federal funds answer N/A</i>	<i>Brief Descrip- tion of the Scope of Work</i>

See Independent Auditor's Report.

OTHER REPORTS



**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**

Rachel S. Gudgel, Director
Legislative Education Study Committee
and
Mr. Tim Keller
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, each major fund, the aggregate remaining fund information, the budgetary comparison statement of the general fund of the State of New Mexico, Legislative Education Study Committee, as of and for the year ended June 30, 2016, 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 November 22, 2016.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.



Zlotnick, Laws & Sandoval, P.C.
Santa Fe, New Mexico
November 22, 2016

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Schedule of Findings and Responses
June 30, 2016**

Schedule of Findings

I. PRIOR-YEAR AUDIT FINDINGS

None

**II. CURRENT-YEAR FINDING 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, 2016**

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 and take responsibility for them.

Exit Conference

An exit conference was held on November 22, 2016 to discuss the audit. The following individuals were in attendance:

State of New Mexico – Legislative Education Study Committee

Dennis Roch, Chairman
Rachel Gudgel, Director
Tim Hand, Deputy Director
Alice S. Madrid, Office Administrator

Audit Firm – Zlotnick Laws & Sandoval, PC

Richard D. Sandoval, CPA