

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

**Financial Statements
June 30, 2018**

(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2018**

Table of Contents

INTRODUCTORY SECTION	<u>Page</u>
Title Page.....	i
Table of Contents.....	ii-iii
Official Roster.....	iv
 FINANCIAL SECTION	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
 <u>Basic Financial Statements:</u>	 <u>Exhibit</u>
 Government-Wide Financial Statements	
Statement of Net Position.....A.....	7
Statement of Activities.....B.....	8
 Fund Financial Statements	
Balance Sheet – Governmental Funds.....C.....	9
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds.....D.....	10
 Budget Comparison Statement	
Statement of Revenues and Expenditures- Budget and Actual – General Fund.....E.....	11
Notes to Financial Statements.....	12-27

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2018**

Table of Contents

OTHER REPORTS

Independent Auditor’s 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	28-29
Schedule of Findings and Responses.....	30
Financial Statement Preparation and Exit Conference.....	31

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
June 30, 2018

Legislative Education Study Committee

Senator Mimi Stewart.....Chair
Representative G. Andrés Romero.....Vice Chair
Representative Alonzo BaldonadoMember
Senator Craig W. Brandt.....Member
Senator Candace Gould.....Member
Representative Dennis J. Roch.....Member
Senator William P. Soules.....Member
Representative Christine Trujillo.....Member
Representative Sheryl Williams Stapleton.....Member
Representative Monica Youngblood.....Member

Advisory

Representative Kelly K. Fajardo	Senator Carlos R. Cisneros
Representative Joann J. Ferray	Senator Daniel A. Ivey-Soto
Representative David M. Gallegos	Senator Gay G. Kernan
Representative Jimmie C. Hall	Senator Linda M. Lopez
Representative D. Wonda Johnson	Senator Howie C. Morales
Representative Timothy D. Lewis	Senator Michael Padilla
Representative Rick Little	Senator John Pinto
Representative Stephanie Garcia Richard	
Representative Patricia Roybal Caballero	
Representative Angelica Rubio	
Representative Patricio Ruiloba	
Representative Tomas E. Salazar	
Representative Debra M. Sarinana	
Representative Gregg Schmedes	
Representative Elizabeth “Liz” Thomson	
Representative Jim R. Trujillo	
Representative Linda M. Trujillo	

Administrative Official

Rachel S. Gudgel.....Director

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Rachel S. Gudgel, Director
Legislative Education Study Committee and
Mr. Wayne Johnson
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, 2018 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 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 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1A, the financial statements of the Committee are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Committee. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2018, and the changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United State of America. Our opinion is not modified with respect to this matter.

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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2018, 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, Lewis & Sandoval, PC

Zlotnick Laws & Sandoval, PC
Santa Fe, New Mexico
October 26, 2018

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2018**

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 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

<u>Government-Wide Financial Statements:</u>	<u>FY 2018</u>	<u>FY 2017</u>	<u>Change</u>
<u>Net Position</u>			
Current assets	\$ 63,678	\$ 67,984	\$ (4,306)
Capital assets, net of accumulated depreciation	-	-	-
Total assets	<u>63,678</u>	<u>67,984</u>	<u>(4,306)</u>
Current liabilities	88,539	102,970	(14,431)
Long-term liabilities	11,859	14,171	(2,312)
Total liabilities	<u>100,398</u>	<u>117,141</u>	<u>(16,743)</u>
Net position	<u>(36,720)</u>	<u>\$ (49,157)</u>	<u>\$ 12,437</u>
<u>Activities</u>			
Revenues and Transfers:			
General Fund appropriation	\$ 1,233,400	\$ 1,233,400	\$ (-)
Reversions to the State General Fund	(35,487)	(53,132)	17,645
	<u>1,197,913</u>	<u>1,180,268</u>	<u>17,645</u>

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2018**

Government-Wide Financial Statements: (cont'd)

	FY 2018	FY 2017	Change
<u>Activities (Cont'd)</u>			
Expenses:			
Personal services and employee benefits	\$1,013,285	\$ 1,089,983	\$ (76,698)
Contractual services	36,902	19,409	17,493
Other costs	135,289	79,499	55,790
	<u>1,185,476</u>	<u>1,188,891</u>	<u>3,415</u>
Total expenses			
Change in net position	12,437	(8,623)	21,060
Net position, beginning	(49,157)	(40,534)	(8,623)
Net position, ending	<u>\$ (36,720)</u>	<u>\$ (49,157)</u>	<u>\$ 12,437</u>

Fund Financial Statements:

Balance Sheet

Total assets	<u>\$ 63,678</u>	<u>\$ 67,984</u>	<u>\$ (4,306)</u>
Total liabilities	63,678	61,309	2,369
Total fund balances	<u>-</u>	<u>6,675</u>	<u>(6,675)</u>
Total liabilities and fund balances	<u>\$ 63,678</u>	<u>\$ 67,984</u>	<u>\$ (4,306)</u>

Revenues, Expenditures and Changes in Fund Balance

Revenues

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

Expenditures

General government			
Personal services and employee benefits	1,032,397	1,081,538	(49,141)
Contractual services	36,902	19,409	17,493
Other costs	135,289	79,499	55,790
Total expenditures	<u>1,204,588</u>	<u>1,180,446</u>	<u>24,142</u>

Excess expenditures (over) revenue	<u>(1,204,588)</u>	<u>(1,180,446)</u>	<u>24,142</u>
------------------------------------	--------------------	--------------------	---------------

Other financing sources (uses):

State General Fund appropriation	1,233,400	1,233,400	(-)
Reversion to State General Fund	(35,487)	(53,132)	17,645

Total other financing sources (uses)	<u>1,197,913</u>	<u>1,180,268</u>	<u>17,645</u>
Net change in fund balance	(6,675)	(178)	(6,497)
Fund balance, beginning	<u>6,675</u>	<u>6,853</u>	<u>(178)</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 6,675</u>	<u>\$ (6,675)</u>

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2018**

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 statements, total assets decreased by \$4,306 or 6% from 2017 to 2018. Current assets consist of \$63,678 in cash, or investment in the state general fund investment pool, and capital assets (net of accumulated depreciation) of \$-0-. Current liabilities decreased by \$14,431 or 14% from 2017 to 2018. Current liabilities consist primarily of accounts payable of \$15,244 accrued salaries payable, payroll tax and benefits payable totaling \$48,434, and the current portion of compensated absences payable totaling \$24,861.

There was an increase in net position of \$12,437 from the previous year, from a balance of (\$49,157) to a balance of (\$36,720). The increase in net position of \$12,437 was primarily the result of a decrease of \$6,675 in non-spendable fund balance, and the current year decrease of \$19,112 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 \$17,645 from the previous year, from \$1,180,268 to \$1,197,913. This is primarily the result of a \$17,645 decrease in reversions to the state general fund.

The cost of the Committee's governmental activities decreased by \$3,415 from the previous year, from \$1,188,891 to \$1,185,476. This is primarily the result of a decrease in personal services and employee benefits totaling \$76,698 due to a decrease in compensated absences liabilities, an increase in contractual services of \$17,493, and an increase in other costs of \$55,790.

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 \$-0-, which is below last year's combined fund balance of \$6,675. The fund balance was for prepaid postage that was refunded in the current year.

General Fund Budgetary Highlights

The annual operating budget is monitored by the Department of Finance and Administration. The original approved budget of \$1,232,600 was increased by \$800 to a final budget of \$1,233,400.

**New Mexico Legislative Education Study Committee
Management's Discussion and Analysis
For Audited Year Ending June 30, 2018**

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

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. The Committee removed assets with a cost under \$5,000 from the capital asset listing per 2.2.210W NMAC. See Note 3.

Depreciation expense for the year was \$-0-.

Debt-Compensated Absences (Employee Leave)

At the end of the current year, the Committee had total debt outstanding of \$36,720, 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 conclusions that are expected to have a significant effect on financial position, results of operations, or other changes. The FY 2019 authorized budget is \$1,332,200.

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, 2018**

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool (note 2)	\$ 63,678
Capital assets (net of accumulated depreciation) (note 3)	-
Total assets	<u>\$ 63,678</u>
LIABILITIES	
Accounts payable	\$ 15,244
Payroll benefits payable	21,990
Payroll taxes payable	9,220
Accrued payroll payable	17,224
Accrued compensated absences payable:	
Due within one year	\$24,861
Due after one year	<u>11,859</u>
Total liabilities	<u>100,398</u>
NET POSITION	
Net investment in capital assets (note 3)	-
Restricted	-
Unrestricted (note 11)	<u>(36,720)</u>
Total net position	<u>\$ (36,720)</u>

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

Exhibit B

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Statement of Activities
For the Year Ended June 30, 2018**

	Governmental Activities
Expenses:	
General Government:	
Personal services and employee benefits	\$ 1,013,285
Contractual services	36,902
Other costs	135,289
Depreciation	-
	<hr/>
Total expenses	1,185,476
	<hr/>
General revenues, transfers and special items:	
Miscellaneous revenue	-
Transfers in:	
State General Fund appropriation	1,233,400
Other financing sources – compensation appropriation	-
Reversion to State General Fund – FY 2018 (Note 5)	(35,487)
	<hr/>
Total general revenues, transfers and special items	1,197,913
	<hr/>
Change in net position	12,437
Net position, beginning	(49,157)
	<hr/>
Net position, ending	\$ (36,720)
	<hr/>

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, 2018**

	General Fund (SHARE 13100)
ASSETS	
Investment in State Treasurer General Fund Investment Pool (note 2)	\$ 63,678
Total assets	\$ 63,678
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 15,244
Payroll benefits payable	21,990
Payroll taxes payable	9,220
Accrued payroll payable	17,224
Total liabilities	63,678
FUND BALANCES	
Fund balances:	
Unassigned	-
Total fund balances	-
Total liabilities and fund balances	\$ 63,678
Amounts reported in the Statement of Net Position (Exhibit A) differ because:	
Total fund balances (Exhibit C)	\$ -
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	(36,720)
Net position per Statement of Net Position (Exhibit A)	\$ (36,720)

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, 2018**

	<u>General Fund (SHARE 13100)</u>
Revenues:	
Other state funds:	
Miscellaneous	\$ -
Total revenues	<hr/>
Expenditures:	
General government:	
Current:	
Personal services and employee benefits	1,032,397
Contractual services	36,902
Other costs	135,289
Total expenditures	<hr/> 1,204,588
Excess (deficiency) of revenues over expenditures	<hr/> (1,204,588)
Other financing sources (uses):	
State General Fund appropriation (note 6)	1,233,400
Other financing sources – compensation appropriation (note 6)	-
Reversion to State General Fund – FY 2018 (note 5)	(35,487)
Total other financing sources (uses)	<hr/> 1,197,913
Net change in fund balance	(6,675)
Fund balances:	
Fund balance, beginning	6,675
Fund balance, ending	<hr/> <u>\$ -</u>
Amounts reported in the statement of Activities (Exhibit B) are different because:	
Net change in fund balance (Exhibit D)	\$ (6,675)
Net change in long-term and current portions of accrued compensated absences payable	19,112
Amount by which depreciation and loss on disposal of capital assets exceeds capital outlay expenditures for FY 2018	<hr/> -
Change in net position (Exhibit B) of governmental activities	<hr/> <u>\$ 12,437</u>

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 (SHARE 13100)
For the Year Ended June 30, 2018**

	Budgeted	Amounts	Actual	Variance
	Original	Final	Budget	Favorable
			Basis	(Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ 1,232,600	\$ 1,233,400	\$ 1,233,400	\$ -
Other financing sources	-	-	-	-
Total revenues	1,232,600	1,233,400	\$ 1,233,400	\$ -
Cash balance budgeted	-	-		
Total resources	\$ 1,232,600	\$ 1,233,400		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 1,112,600	\$ 1,042,600	\$ 1,032,397	\$ 10,203
Contractual services	20,000	38,000	36,902	1,098
Other costs	100,000	152,800	135,289	17,511
Total expenditures	\$ 1,232,600	\$ 1,233,400	\$ 1,204,588	\$ 28,812
Reconciliation of GAAP basis to Budget basis:			Revenues	Expenditures
GAAP basis			\$ 1,233,400	\$ 1,204,588
Adjustments:				
Prepaid postage used			-	-
Budget basis			\$ 1,233,400	\$ 1,204,588

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 2019 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, 2018

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 Department 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, 2018

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, 2018

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, 2018

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 assets. 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. 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, 2018

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, 2018.

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 2017, Section 4. 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 2019 budget. At June 30, 2018, there were none.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2018

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 a 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 forty 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, 2018

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, 2018, 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 2017, Ch. 1, Sec. 4. The laws do not contain language pertaining to the reversion of any unexpended funds. However, pursuant to Chapter 63, Laws of 2017, Section 3E, unexpended balances in agency accounts remaining at the end of FY 2018 shall revert to the State General Fund by October 1, 2018, unless otherwise indicated in the General Appropriation Act of 2017 or otherwise provided by law. Accordingly, FY 2018 reversions due to the State General Fund of \$35,487 were reverted as of June 30, 2018.

J. Net Position/Fund Equity/Fund Balance

In the government-wide financial statements, net position consists 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, 2018**

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, 2018, 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	\$ 63,678	\$ 63,678

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2018

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, 2018

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, 2018.

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, 2018, 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, 2018**

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 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, 2018.

3. Changes in Capital Assets

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Capital Assets:				
Furniture and fixtures	\$ 26,814	-	(26,814)	\$ -
Data processing equipment	2,420	-	(2,420)	-
Equipment	35,346	-	(35,346)	-
Total capital assets	<u>\$ 64,580</u>	<u>-</u>	<u>(64,580)</u>	<u>\$ -</u>
Accumulated Depreciation:				
Furniture and fixtures	\$ (26,814)	-	26,814	-
Data processing equipment	(2,420)	-	2,420	-
Equipment	(35,346)	-	35,346	-
Total accumulated depreciation	<u>\$ (64,580)</u>	<u>-</u>	<u>64,580</u>	<u>\$ -</u>
Net Capital Assets:	\$ -	-	-	\$ -
Furniture and fixtures	-	-	-	-
Data processing equipment	-	-	-	-
Equipment	-	-	-	-
Net capital assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>

Current year depreciation expense was \$-0-. The Committee removed capital assets with a value of under \$5,000 per 2.2.210W NMAC. That total is \$64,580.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2018**

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 6/30/2017</u>	<u>Increase</u>	<u>(Decrease)</u>	<u>Balance 6/30/2018</u>
Current				
Accrued compensated absences payable	\$ 41,661	\$ 46,277	\$ (63,077)	\$ 24,861
Long-Term				
Accrued compensated absences payable	<u>14,171</u>	<u>6,452</u>	<u>(8,764)</u>	<u>11,859</u>
Total				
Accrued compensated absences payable	<u>\$ 55,832</u>	<u>52,729</u>	<u>(71,841)</u>	<u>\$ 36,720</u>

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

5. Due to State General Fund – Reversions

The following is a summary of the amount due to the State General Fund at June 30, 2018, from the General Operating Account (Fund 13100). Amounts were considered paid at year end.

Cash balance, June 30, 2018 (Fund 13100)	\$ 63,678
Less:	
Accounts payable, 6/30/2018	(15,244)
Payroll taxes payable, 6/30/2018	(9,220)
Accrued payroll, 6/30/2018	(17,224)
Payroll benefits payable, 6/30/2018	(21,990)
Due to State General Fund, June 30, 2018	<u>\$ -0-</u>

Source of reversion amounts by budget fiscal years are:

FY 2018 - Unexpended budget balance (See Exhibit E)	\$ 28,812
Refund of prepaid postage	<u>6,675</u>
Amount reverted	<u>\$ 35,487</u>

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2018**

6. Operating Transfers

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

<u>Purpose of Transfer</u>	<u>Agency Number</u>	<u>Fund Number</u>	<u>Transfers</u>	
			<u>To</u>	<u>From</u>
General Fund appropriation (Ch. 1, Laws 2017, Sec. 4)	11700	13100	\$1,233,400	
General Fund appropriation (Ch. 1, Laws 2017, Sec. 4)	34100	85300		\$1,233,400
Reversion of unused FY 18 funds	34101	85300	\$ 35,487	
Reversion of unused FY 18 funds	11700	13100		\$ 35,487
			<u>\$1,268,887</u>	<u>\$1,268,532</u>

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, 33 Plaza La Prensa, Santa Fe, NM 87507. 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, 2018, 2017, and 2016 were \$126,561, \$129,720 and \$122,271 respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2018

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, NM 87501.

8. Post Employment Benefits – State Retiree Health Care Plan

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

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2018

ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

9. Risk Management and Litigation

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

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

10. Operating Leases

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

A lease for a Canon copier/printer/fax machine was entered into on May 24, 2018, which requires 48 monthly payments of \$379.

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Notes to Financial Statements
June 30, 2018**

Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2018, for each of the next five years and in the aggregate, are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2019	\$ 4,548
June 30, 2020	4,548
June 30, 2021	4,548
June 30, 2022	4,548
Thereafter	-0-
Total	<u>\$ 18,192</u>

Rental expense for the fiscal year ended June 30, 2018, was \$7,815.

11. 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 (\$36,720). This deficit is created by compensated absences liabilities of \$36,720 which will be paid from State General Fund appropriations in future years.

12. Subsequent Events Review

A review of subsequent events through November 1, 2018, which is the date the financial statements were available for issuance, revealed no significant subsequent events which require disclosure.

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. Wayne Johnson
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, 2018, 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 26, 2018.

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
October 26, 2018

**STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Schedule of Findings and Responses
June 30, 2018**

Schedule of Findings

I. PRIOR-YEAR AUDIT FINDINGS

STATUS

2017-001 Untimely Reversion (Other Noncompliance)

Resolved

2017-002 Purchase Orders (Other Noncompliance)

Resolved

II. CURRENT-YEAR FINDINGS

Financial Statement Findings Required by Government Auditing Standards

None

Findings in Accordance with 2.2.2. NMAC

None

STATE OF NEW MEXICO
LEGISLATIVE EDUCATION STUDY COMMITTEE
Financial Statement Preparation and Exit Conference
June 30, 2018

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 1, 2018 to discuss the audit. The following individuals were in attendance:

State of New Mexico – Legislative Education Study Committee

Senator Mimi S. Stewart, Chair
Rachel Gudgel, Director
Marissa Ynigez, Office Administrator

Audit Firm – Zlotnick Laws & Sandoval, PC

Richard D. Sandoval, CPA