



**STATE OF NEW MEXICO
FUND 20030 SENATE**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

**STATE OF NEW MEXICO
FUND 20030 SENATE
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June 30, 2018

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**STATE OF NEW MEXICO
FUND 20030 SENATE
Official Roster**

June 30, 2018

FIFTY-THIRD LEGISLATURE, SECOND SESSION

Mary Kay Papen	President Pro-Tempore
Peter Wirth	Majority Floor Leader
Stuart Ingle	Minority Floor Leader
Lenore Naranjo	Senate Chief Clerk

COMMITTEES' COMMITTEE

Mary Kay Papen	Chair
Peter Wirth	Vice-Chair
Pete Campos	Member
Carlos R. Cisneros	Member
Stuart Ingle	Member
George K. Munoz	Member
Michael Padilla	Member
William H. Payne	Member
Clemente Sanchez	Member
William E. Sharer	Member
John Arthur Smith	Member

LEGISLATIVE COUNCIL SERVICE

Raúl Burciaga	Director
Kathy Pacheco-Dofflemeyer	Assistant Director For Administration
Anesa Serna-Espinoza	Chief Financial Officer



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Suite D-204
Santa Fe, NM 87505
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Independent Auditor's Report

State of New Mexico,
Fund 20030 Senate
Mr. Wayne Johnson, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (general fund), and the budgetary comparison for the general fund of the State of New Mexico, Fund 20030 Senate, 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, Fund 20030 Senate'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 misstatement, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund (general fund), and the budgetary comparison for the general fund of the State of New Mexico, Fund 20030 Senate, as of June 30, 2018, and the respective changes in financial position 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 A, the financial statements of the State of New Mexico, Fund 20030 Senate are intended to present the financial position and changes in financial position of only that portion of the governmental activities and the major fund that is attributable to the transactions of the Fund. 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 its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the State of New Mexico, Fund 20030 Senate'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 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, Fund 20030 Senate's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Morton Accounting Services, LLC". The signature is written in a cursive, flowing style.

Morton Accounting Services, LLC
Santa Fe, New Mexico
October 15, 2018

STATE OF NEW MEXICO
FUND 20030 SENATE
Statement of Net Position

June 30, 2018

Assets:

Investment in the State General Fund Investment Pool, Note B
Capital assets, net of accumulated depreciation, Note C

\$	-
	168,812
\$	<u>168,812</u>

Net Position:

Net Investment in Capital Assets

\$	<u>168,812</u>
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STATE OF NEW MEXICO
 FUND 20030 SENATE
 Statement of Activities

For The Year Ended June 30, 2018

Expenses:

Legislative Program	\$ 1,524,537
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General Revenues:

State general fund appropriations, Note D	2,155,200
Transfers out, Note F	<u>(658,013)</u>
	<u>1,497,187</u>

Change in Net Position

(27,350)

Net Position:

Beginning of year	<u>196,162</u>
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End of year	<u>\$ <u>168,812</u></u>
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The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20030 SENATE
 Balance Sheet - Governmental Funds

June 30, 2018

Assets:

Investment in State General Fund Investment Pool, Note B	\$ <u> </u> -
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Fund Balance:

Unassigned	\$ <u> </u> -
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund Balance - Governmental Funds	\$ <u> </u> -
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Capital Assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported in the funds.	<u> </u> 168,812
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Net Position of Governmental Activities	\$ <u> </u> 168,812
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The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20030 SENATE
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For The Year Ended June 30, 2018

Current Expenditures:

Personal services/employee benefits	\$ 1,096,956
Contractual services	39,678
Other	360,553
	<u>1,497,187</u>

Other Financing Sources (Uses):

State general fund appropriations, Note D	2,155,200
Transfers out, Note E	(658,013)
	<u>1,497,187</u>

Net Change in Fund Balance

-

Fund Balance:

Beginning of year	<u>-</u>
End of year	<u>\$ -</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20030 SENATE
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to
 Statement of Activities

For The Year Ended June 30, 2018

Amounts reported for governmental activities in the Statement of Net
 Position are different because:

Net Change in Fund Balance - Total Governmental Funds	\$	-
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense, Note C		<u>(27,350)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(27,350)</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 20030 SENATE
 Statement of Revenues and Expenditures - Budgeted and Actual (Budget Basis)

For The Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budget Basis)	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
State General Fund Appropriations:				
53rd Legislature, 2nd Session				
Laws 2018				
Chapter 2, Section 1.B (1)	\$ 202,860	\$ 202,860	\$ 202,860	\$ -
Chapter 2, Section 4.B (3)	6,418	6,418	6,418	-
Chapter 2, Section 1.B (5)	1,550,200	1,550,200	1,550,200	-
Chapter 2, Section 1.B (7)	395,722	395,722	395,722	-
	<u>\$ 2,155,200</u>	<u>\$ 2,155,200</u>	<u>\$ 2,155,200</u>	<u>\$ -</u>
53rd Legislature, 2nd Session				
Expenditures:				
Personal services, employee benefits	\$ 1,550,200	\$ 1,550,200	\$ 1,096,956	\$ 453,244
Contractual services and other	605,000	605,000	400,231	204,769
	<u>605,000</u>	<u>605,000</u>	<u>400,231</u>	<u>204,769</u>
Total Expenditures	<u>\$ 2,155,200</u>	<u>\$ 2,155,200</u>	<u>\$ 1,497,187</u>	<u>\$ 658,013</u>
Reconciliation of GAAP basis to budget basis:			Revenues	Expenditures
GAAP basis			\$ 2,155,200	\$ 1,497,187
Adjustments:				
None			-	
Budget basis			<u>\$ 2,155,200</u>	<u>\$ 1,497,187</u>

Note:

The actual expenditures on the budget basis for FY 2018 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
FUND 20030 SENATE
Notes to Financial Statements**

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A primary government is any state or general purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The State of New Mexico, Fund 20030 Senate, therefore, is part of the primary government of the State of New Mexico and its financial data should be included in the financial data of the State.

The financial statements of the State of New Mexico, Senate, Fifty-Second Legislature, Second Session has been prepared in conformity with accounting principles generally accepted in the United State 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 Fund does not have any component units. The financial statements for the period ended June 30, 2018 represent activity in Fund 20030 from July 1, 2017 to June 30, 2018. The more significant accounting policies of the Fund are described below.

1. Basic Financial Statements - Government-Wide Statements

Fund 20030's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental. Fund 20030 is classified as a governmental activity.

The government-wide Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports the cost of the Fund 20030's function. The function is supported by general government revenues (intergovernmental revenues). This government-wide focus is on the change in net position resulting from activities from the period July 1, 2017 through June 30, 2018.

2. Basic Financial Statements - Fund Financial Statements

The financial transactions of Fund 20030 are reported in an individual fund in the financial statements. The operations of Fund 20030 are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in this individual fund based on the appropriate state statutes and the purposes for which they are spent and the means by which pending activities are controlled. The following fund type is utilized by Fund 20030:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund:

General Fund - Fund 20030 is used to administer and account for the activity of the Senate during the regular and special sessions. Money in the Fund may be expended for Senate per diem and mileage, employee salaries and other expenses.

STATE OF NEW MEXICO
FUND 20030 SENATE
Notes to Financial Statements

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. This governmental Fund 20030 presents its financial statements in accordance with U.S. generally accepted accounting principles as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

4. Investment in the State General Fund Investment Pool

The State of New Mexico, Office of the State Treasurer's scope of authority for the types of investments which may be made with state funds is statutorily defined and governed by the State Treasurer's Investment Policy approved by the State Board of Finance.

5. Capital Assets

Capital assets are recorded as expenditures in the governmental funds and capitalized at cost in the Statement of Activities. The valuation basis for capital assets are historical cost, or when historical cost is not available, estimated historical cost based on replacement. Donated capital assets are capitalized at fair market value at the date of donation.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: furniture and equipment, 5-12 years. During the 2005 Regular Legislative Session, HB 1074 amended Section 12-6-10 NMSA 1978 changing the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to items costing more than \$5,000 effective June 17, 2005.

6. Nature and Purposes of Classifications of Net Position and Fund Balance

Net position represents the difference between assets and liabilities. In the government-wide financial statements, net position consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted.

When an expense is incurred that can be paid using either restricted resources or unrestricted resources, the Fund's policy is to first apply the expense toward restricted, and then toward unrestricted resources.

STATE OF NEW MEXICO
 FUND 20030 SENATE
 Notes to Financial Statements

NOTE A - SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Nature and Purposes of Classifications of Net Position and Fund Balance (Continued)

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

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

Spendable fund categories can be depicted as follows:

Restricted are amounts that are 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.

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.

7. Budgetary Procedures and Accounting

Fund 20030 consists of several activities appropriated by law and are budgeted based on generally accepted accounting principles using the modified accrual method. The appropriations do not revert to the State of New Mexico General Fund.

NOTE B - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Fund's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Fund consist of an interest in State General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2018 the Fund had the following invested in the General Fund Investment Pool:

SHARE BU 13101, Fund 20030 Senate	\$ <u> </u> -
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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 a 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.

**STATE OF NEW MEXICO
FUND 20030 SENATE
Notes to Financial Statements**

NOTE B - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL (Continued)

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), 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.

Statewide Cash Reconciliation Update

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its fourth year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

For FY 2018 the following assertions are provided,

1. As of June 30, 2018, resources held in the pool were equivalent to the corresponding business unit claims on those resources.
2. All claims as recorded in SHARE shall be honored at face value.

Fund 20030 Senate 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 not be misstated as of June 30, 2018.

**STATE OF NEW MEXICO
FUND 20030 SENATE
Notes to Financial Statements**

NOTE C - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018.

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Furniture and equipment	\$ 304,148	\$ -	\$ -	\$ 304,148
Accumulated depreciation	<u>(107,986)</u>	<u>(27,350)</u>	-	<u>(135,336)</u>
	<u>\$ 196,162</u>	<u>\$ (27,350)</u>	<u>\$ -</u>	<u>\$ 168,812</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ <u>27,350</u>
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NOTE D - STATE GENERAL FUND APPROPRIATIONS

State General Fund Appropriations consist of the following:

53rd Legislature, 2nd Session, Laws 2018, Chapter 2, Section 1.B (1)	\$ 202,860
53rd Legislature, 2nd Session, Laws 2018, Chapter 2, Section 1.B (3)	6,418
53rd Legislature, 2nd Session, Laws 2018, Chapter 2, Section 1.B (5)	1,550,200
53rd Legislature, 2nd Session, Laws 2018, Chapter 2, Section 1.B (7)	<u>395,722</u>
	<u>\$ 2,155,200</u>

NOTE E - TRANSFERS

Transfers out:

At the end of the Regular or Special Legislative Session, any remaining cash balance in Fund 20030 reverts to the Legislature's cash balance in Fund 13300. The following total amount is recorded as a transfer out in the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance.

Transfers from BU 13101, Fund 20030 to BU 13100, Fund 13300

53rd Legislature, 2nd Session, Laws 2018, Chapter 2, Sections 1.B.(1,3,5,7)	\$ <u>658,013</u>
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**STATE OF NEW MEXICO
FUND 20030 SENATE
Notes to Financial Statements**

NOTE F - RISK MANAGEMENT AND LITIGATION

The Senate obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All Senate employees are covered by a blanket fidelity bond with a \$5,000,000 coverage limit with a \$1,000 deductible per occurrence by the State of New Mexico.

The Senate is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the agency carries insurance (workers' compensation, unemployment compensation, employee liability, and transportation property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

Risk Management

The Senate, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the state of New Mexico. The Senate pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico
2. Coverage to protect the State of New Mexico's property and assets.
3. Fringe benefit coverage's for State of New Mexico employees.

The Senate's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible. After conferring with legal counsel concerning pending litigation and claims, there are no known or threatened legal proceedings involving material matters to which the Senate is a party and/or believes that the outcome of pending litigation would have a materially adverse effect on the financial position or operations of the Senate. In addition, for the years ended June 30, 2018, 2017, and 2016, the Senate had no claims for which the Risk Management Division has returned as 'not covered' that would become the responsibility of the Senate.

NOTE G - MANAGEMENT'S DISCUSSION AND ANALYSIS EXPLANATION

Management's discussion and analysis, while required to be presented to supplement the basic financial statements, are generally outside the purview of the legislature's management staff. The legislative body is the sole entity responsible for preparing a budget based on revenue estimates, state needs and statutory and constitutional requirements. Once appropriated, management staff is responsible for ensuring that expenditures are in compliance with state law.

**STATE OF NEW MEXICO
FUND 20030 SENATE
Notes to Financial Statements**

NOTE H - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

The Senate, 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 Public Employees Retirement Association (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.

NOTE I - POST EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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 Senate, 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 provides 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 of 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 or resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year 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.



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**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**

State of New Mexico,
Fund 20030 Senate
Mr. Wayne Johnson, New Mexico State Auditor

We have audited, 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, the financial statements of the governmental activities, the major fund (general fund), and the budgetary comparison of the general fund of the State of New Mexico, Fund 20030 Senate 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, Fund 20030 Senate's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of New Mexico, Fund 20030 Senate 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, Fund 20030 Senate internal control. Accordingly, we do not express an opinion on the effectiveness of the State of New Mexico, Fund 20030 Senate'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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, Fund 20030 Senate'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.

A handwritten signature in blue ink that reads "Morton Accounting Services, LLC". The signature is written in a cursive, flowing style.

Morton Accounting Services, LLC
Santa Fe, New Mexico
October 15, 2018

**STATE OF NEW MEXICO
FUND 20030 SENATE
Schedule of Findings and Responses**

Section I – Prior Year Audit Findings

The following finding was cleared in the current year:

2017-001 Internal Control Over Payroll Processing (Weakness in Internal Control)

Ten of twenty-five payroll transactions selected contained differences between time paid and time documented on timecards/timesheets; however, (1) Senate staff verbally explained the reconciliation of five differences, but could not provide supporting written documentation, and (2) the remaining five differences amounted to an insignificant dollar amount. The Senate developed forms for signature of employees in the different categories in the interest of protecting both the employee and the Senate.

Section II – Current Year Findings Pertaining to the Financial Statements Which Are Required to Be Reported

None

Section III – Other Matters as Required by New Mexico State Statute 12-6-5, NMSA 1978

None

**STATE OF NEW MEXICO
FUND 20030 SENATE
Schedule of Findings and Responses**

Section IV – Exit Conference

An exit conference was held at the State Capitol to discuss the audit report.

In attendance on October 15, 2018 were the following individuals:

Representing the State of New Mexico, Fund 20030 Senate

Senator Mary Kay Papen, President Pro-Tempore
Lenore Naranjo, Senate Chief Clerk
Angie Garcia, Senate Financial Officer
Raúl Burciaga, Director, Legislative Council Service
Kathy Pacheco-Dofflemeyer, Assistant Director for Administration, Legislative Council Service
Anesa Serna-Espinoza, Chief Financial Officer, Legislative Council Service

Representing Morton Accounting Services, LLC

Janet Pacheco-Morton, CPA, CGM, Managing Principal