



**STATE OF NEW MEXICO
FUND 81100 CAPITOL KITCHEN**

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

MORTON
ACCOUNTING, LLC

certified public accountants | consultants

**STATE OF NEW MEXICO
FUND 81100 CAPITOL KITCHEN
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June 30, 2018

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**STATE OF NEW MEXICO
FUND 81100 CAPITOL KITCHEN
Official Roster**

June 30, 2018

FIFTY-THIRD LEGISLATURE, FIRST SESSION

HOUSE OF REPRESENTATIVES

Representative Brian Egolf
Lisa Ortiz McCutcheon

Speaker of the House
House Chief Clerk



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Independent Auditor's Report

State of New Mexico, House of Representatives
Fund 81100 Capitol Kitchen
Mr. Wayne Johnson, New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of the State of New Mexico, Fund 81100 Capitol Kitchen, 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 81100 Capitol Kitchen'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, and the major fund of the State of New Mexico, Fund 81100 Capitol Kitchen, 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 81100 Capitol Kitchen 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 81100 Capitol Kitchen'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 81100 Capitol Kitchen'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 81100 CAPITOL KITCHEN
Statement of Net Position

June 30, 2018

Assets:

Investment in the State General Fund Investment Pool, Note B

\$ 7,500

Net Position:

Unrestricted

\$ 7,500

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

STATE OF NEW MEXICO
 FUND 81100 CAPITOL KITCHEN
 Statement of Activities

For The Year Ended June 30, 2018

Governmental Activities:

Food Sales	\$ 56,167
Cost of food and supplies	<u>(45,313)</u>
	10,854

General Revenues:

Transfers:	
Transfer out, Note D	<u>(10,500)</u>
Change in Net Position	354

Net Position:

Beginning of year	<u>7,146</u>
End of year	<u><u>\$ 7,500</u></u>

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

STATE OF NEW MEXICO
 FUND 81100 CAPITOL KITCHEN
 Balance Sheet - Governmental Funds

June 30, 2018

Assets:

Investment in State General Fund Investment Pool, Note B	\$ <u>7,500</u>
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Fund Balance:

Unassigned	\$ <u>7,500</u>
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Amounts reported for governmental activities in Statement of Net Position are different because:

Fund Balance - Governmental Funds	\$ 7,500
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There are no reconciling items between the governmental funds balance sheet and the statement of net position.

	<u>-</u>
Net Position of Governmental Activities	\$ <u>7,500</u>

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

STATE OF NEW MEXICO
 FUND 81100 CAPITOL KITCHEN
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For The Year Ended June 30, 2018

Revenues:

Food sales	\$	56,167
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Current Expenditures:

Cost of food and supplies		45,313
		<u>10,854</u>

Other Financing Sources (Uses):

Transfer out, Note D		<u>(10,500)</u>
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Net Change in Fund Balance

354

Fund Balance:

Beginning of year		<u>7,146</u>
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End of year	\$	<u><u>7,500</u></u>
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The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 81100 CAPITOL KITCHEN
 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 Activities are different because:

Net Change in Fund Balance - Total Governmental Funds	\$	354
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There are no reconciling items between the net change in fund balance and change in net position.

Change in Net Position - Governmental Activities	\$	<u> -</u> <u> 354</u>
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The Accompanying Notes Are An Integral Part Of These Financial Statements.

**STATE OF NEW MEXICO
FUND 81100 CAPITOL KITCHEN
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 81100 Capitol Kitchen, 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, Capitol Kitchen, 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 81100 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 81100'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 81100 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 Fund's net position are reported as unrestricted net position.

The government-wide Statement of Activities reports the cost of the Fund 81100'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 to June 30, 2018.

2. Basic Financial Statements - Fund Financial Statements

The financial transactions of Fund 81100 are reported in one individual fund in the financial statements. The operations of Fund 81100 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 spending activities are controlled. The following fund type is utilized by Fund 81100:

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:

**STATE OF NEW MEXICO
FUND 81100 CAPITOL KITCHEN
Notes to Financial Statements**

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

2. Basic Financial Statements - Fund Financial Statements (Continued)

General Fund - Fund 81100 is used to administer and account for the sale of food, food services and related concessions by the House of Representatives. Money in the fund may be expended by the Legislative Council Service for start-up costs, supplies and other costs necessary for the House of Representatives to operate the concessions, and with the approval of the New Mexico Legislative Council, for incidental expenses of the Legislature, including interim committees.

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 81100 presents its financial statement 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. Nature and Purpose of Reservations and Designations of 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 policy is to first apply the expense toward unrestricted resources.

STATE OF NEW MEXICO
 FUND 81100 CAPITOL KITCHEN
 Notes to Financial Statements

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

5. Nature and Purpose of Reservations and Designations of 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 are 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 and 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.

6. Budgetary Procedures and Accounting

Fund 81100 is not budgeted.

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 the 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 11100, Fund 81100 Capitol Kitchen	\$ <u>7,500</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.

**STATE OF NEW MEXICO
FUND 81100 CAPITOL KITCHEN
Notes to Financial Statements**

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

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 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 81100 Capitol Kitchen 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 81100 CAPITOL KITCHEN
Notes to Financial Statements**

NOTE C - RESTRICTED NET POSITION

No later than sixty days after final adjournment of each session, the balance of the Fund 81100 in excess of \$7,500 shall be transferred to the State Capitol Maintenance Fund, per the Laws of 2004, Ch. 1, Section 10. Fund balance did not exceed \$7,500 therefore no liability is recorded at year end. Remaining fund balance is restricted for the continued operations of the Capitol Kitchen.

NOTE D - TRANSFERS

Uses of funds classified as "transfers out" are as follows:

Transfer from BU 11100, Fund 81100 to BU 11100, Fund 07500	\$ <u>10,500</u>
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NOTE E - RISK MANAGEMENT

The Legislature 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 Fund carried insurance (Workers Compensation, Unemployment Compensation, Employee Liability, and Transportations Property) with the State of New Mexico Risk Management Division (RMD) of the General Services Department.

NOTE F - 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.



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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, House of Representatives
Fund 81100 Capitol Kitchen
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, and the major fund of the general fund of the State of New Mexico, Fund 81100 Capitol Kitchen 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 81100 Capitol Kitchen'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 81100 Capitol Kitchen'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, Fund 81100 Capitol Kitchen's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of New Mexico, Fund 81100 Capitol Kitchen'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 81100 Capitol Kitchen'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 81100 CAPITOL KITCHEN
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 Cash Deposits (Weakness in Internal Control)

One of ten transactions selected contained a \$599 discrepancy. The amount input on the cash summary form was \$599 lower than the actual amount per the cash register tape. The following day, the cash summary form included the reconciling item to correct the discrepancy.

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 81100 CAPITOL KITCHEN
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 22, 2018 were the following individuals:

Representing the State of New Mexico, Fund 81100 Capitol Kitchen

Representative Brian Egolf, Speaker Of The House
Reena Szczepanski, Speaker's Chief of Staff
Lisa Ortiz-McCutcheon, House Chief Clerk
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