

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2015**



WEINER & COMPANY P.C.
Certified Public Accountants

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Table of Contents**

June 30, 2015

Table of Contents..... 1

Official Roster..... 2

Independent Auditors' Report..... 4

Basic Financial Statements:

Government Wide Financial Statements:

Statement of Net Position..... 7

Statement of Activities..... 8

Fund Financial Statements:

Balance Sheet - Governmental Funds..... 9

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds..... 10

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to Statement of Activities..... 11

Statement of Revenues and Expenditures - Budgeted and Actual (GAAP Basis)..... 12

Notes to Financial Statements..... 13

Other Information:

Schedule of Vendor Information..... 20

Independent Auditors' 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*..... 21

Schedule of Findings and Responses..... 23

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Official Roster**

June 30, 2015

FIFTY-FIRST LEGISLATURE, SECOND REGULAR SESSION

LEGISLATIVE COUNCIL MEMBERS

Speaker Don L. Tripp	Co-Chair
Sen. Mary Kay Papen	Co-Chair
Rep. Alonzo Baldonado	Member
Sen. Carlos R. Cisneros	Member
Rep. Brian Egolf	Member
Rep. Kelly K. Fajardo	Member
Rep. Doreen Y. Gallegos	Member
Rep. Nate Gentry	Member
Sen. Stuart Ingle	Member
Rep. W. Ken Martinez	Member
Sen. William H. Payne	Member
Sen. Clemente Sanchez	Member
Sen. Michael S. Sanchez	Member
Sen. William E. Sharer	Member
Sen. John Arthur Smith	Member
Rep. Sheryl Williams Stapleton	Member

ADMINISTRATIVE OFFICIALS

Raúl Burciaga	Director
Kathy Pacheco-Dofflemeyer	Assistant
John Yaeger	Assistant Director for Legislative Affairs
Amy Chavez-Romero	Assistant Director for Drafting Services

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Official Roster**

June 30, 2015

FIFTY-SECOND LEGISLATURE, FIRST REGULAR AND SPECIAL SESSION

LEGISLATIVE COUNCIL MEMBERS

Speaker Don L. Tripp	Co-Chair
Sen. Mary Kay Papen	Co-Chair
Rep. Alonzo Baldonado	Member
Sen. Carlos R. Cisneros	Member
Rep. Brian Egolf	Member
Rep. Kelly K. Fajardo	Member
Rep. Doreen Y. Gallegos	Member
Rep. Nate Gentry	Member
Sen. Stuart Ingle	Member
Rep. W. Ken Martinez	Member
Sen. William H. Payne	Member
Sen. Clemente Sanchez	Member
Sen. Michael S. Sanchez	Member
Sen. William E. Sharer	Member
Sen. John Arthur Smith	Member
Rep. Sheryl Williams Stapleton	Member

ADMINISTRATIVE OFFICIALS

Raúl Burciaga	Director
Kathy Pacheco-Dofflemeyer	Assistant Director for Administration
John Yaeger	Assistant Director for Legislative Affairs
Amy Chavez-Romero	Assistant Director for Drafting Services



INDEPENDENT AUDITORS' REPORT

State of New Mexico,
Legislative Council
Fund 13300 Legislature
Tim Keller, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the State of New Mexico, Fund 13300 Legislature, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of New Mexico, Fund 13300 Legislature'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.

Auditors' 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 auditors' 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 13300 Legislature, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison 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 A, the financial statements of the State of New Mexico, Fund 13300 Legislature 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, 2015, the changes in its financial position, or, where applicable, its cash flows 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

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 Information

Our audit was conducted for the purpose of forming opinions on the State of New Mexico, Fund 13300 Legislature's financial statements and the budgetary comparisons. The Schedule of Vendor Information required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the State of New Mexico, Fund 13300 Legislature'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, Fund 13300 Legislature's internal control over financial reporting and compliance.

Weiner & Company, P.C.

Santa Fe, New Mexico
November 24, 2015

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Statement of Net Position

June 30, 2015

Assets:

Investment in the State General Fund Investment Pool, Note B	\$ 7,883,125
Due from other State Agencies, Note C	2,046,553
	<u>9,929,678</u>

Liabilities:

Accounts payable	<u>180,455</u>
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Net Position:

Restricted, Note D	2,675,207
Unrestricted	<u>7,074,016</u>

Total Net Position	\$ <u><u>9,749,223</u></u>
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The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Statement of Activities

For The Year Ended June 30, 2015

Expenses:

Legislative:

Personal services/employee benefits	\$ 644,553
Contractual services	1,437,298
Other	2,744,389
Capital outlay/equipment transfer, Note F	664,454
	<u>5,490,694</u>

General Revenues:

State general fund appropriations, Note E	3,222,100
Transfers:	
Transfers in, Note G	2,046,553
Transfers out, Note G	(97,000)
	<u>5,171,653</u>

Change in Net Position (319,041)

Net Position:

Beginning of year	<u>10,068,264</u>
End of year	<u>\$ 9,749,223</u>

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

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Balance Sheet - Governmental Funds

June 30, 2015

Assets:

Investment in State General Fund Investment Pool, Note B	\$ 7,883,125
Due from other State Agencies, Note C	<u>2,046,553</u>

Total Assets	\$ <u>9,929,678</u>
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Liabilities:

Accounts payable	\$ <u>180,455</u>
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Fund Balance:

Restricted, Note D	2,675,207
Unassigned	<u>7,074,016</u>
	<u>9,749,223</u>

Total Liabilities and Fund Balance	\$ <u>9,929,678</u>
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Amounts reported for governmental activities in Statement of Net Position are different because:

Fund Balance - Governmental Funds	\$ 9,749,223
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There are no reconciling items between the governmental funds balance sheet and the statement of net position.

Net Position Governmental Activities	\$ <u>9,749,223</u>
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The Accompanying Notes Are An Integral Part Of These Financial Statements.

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For The Year Ended June 30, 2015

Current Expenditures - Legislative:

Personal services/employee benefits	\$ 644,553
Contractual services	1,437,298
Other	3,408,843
	<u>5,490,694</u>

Other Financing Sources (Uses):

State general fund appropriations, Note E	3,222,100
Transfers:	
Transfers in, Note G	2,046,553
Transfers out, Note G	(97,000)
	<u>5,171,653</u>

Net Change in Fund Balance (319,041)

Fund Balance:

Beginning of year	<u>10,068,264</u>
End of year	<u>\$ 9,749,223</u>

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

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to
 Statement of Activities

For The Year Ended June 30, 2015

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

Net Change in Fund Balance - Total Governmental Funds	\$ (319,041)
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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>(319,041)</u>
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STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Statement of Revenues and Expenditures - Budgeted and Actual (GAAP Basis)

For The Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	with Final Budget Favorable (Unfavorable)
Appropriated Fund Balances:				
52nd Legislature, 1st Session				
Laws 2015, Chapter 1, Section 10	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Laws 2015, Chapter 101, Section 5 (3)	1,500,000	1,500,000	1,500,000	-
Laws 2015, Chapter 101, Section 5 (2)	75,000	75,000	75,000	-
52nd Legislature, 1st Special Session				
Laws 2015, Chapter 1, Section 1.A (3)	15,000	15,000	15,000	-
	<u>1,990,000</u>	<u>1,990,000</u>	<u>1,990,000</u>	<u>-</u>
State General Fund Appropriations:				
51st Legislature, 2nd Session				
Laws 2014, Chapter 1, Section 3.B	861,200	861,200	861,200	-
Laws 2014, Chapter 1, Section 3.C	426,600	426,600	426,600	-
Laws 2014, Chapter 1, Section 3.D	50,000	50,000	50,000	-
Laws 2014, Chapter 1, Section 6	20,500	20,500	20,500	-
Laws 2014, Chapter 63, Section 4.A (2) & Sec. 1	38,300	38,300	38,300	-
52nd Legislature, 1st Session				
Laws 2015, Chapter 1, Section 1.B (9)	1,093,600	1,093,600	1,093,600	-
Laws 2015, Chapter 1, Section 9	731,900	731,900	731,900	-
	<u>3,222,100</u>	<u>3,222,100</u>	<u>3,222,100</u>	<u>-</u>
Restricted Fund Balances:				
51st Legislature, 2nd Session				
Laws 2014, Chapter 1, Section 9	730,009	730,009	730,009	-
Laws 2014, Chapter 1, Section 10	400,000	400,000	400,000	-
Laws 2014, Chapter 63, Section 5 (1)	2,454,102	2,454,102	2,454,102	-
Laws 2014, Chapter 63, Section 5 (2)	30,378	30,378	30,378	-
Laws 2014, Chapter 64, Section 46	148,055	148,055	148,055	-
	<u>3,762,544</u>	<u>3,762,544</u>	<u>3,762,544</u>	<u>-</u>
	<u>\$ 8,974,644</u>	<u>\$ 8,974,644</u>	<u>\$ 8,974,644</u>	<u>\$ -</u>
Expenditures:				
Personal services, employee				
benefits, contractual services and other	<u>\$ 8,974,644</u>	<u>\$ 8,974,644</u>	<u>\$ 5,490,694</u>	<u>\$ 3,483,950</u>

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

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to the 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 13300 Legislature, 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, Fifty-First Legislature, Second Session; Fifty-Second Legislature, First Session and First Special Session has 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 Fund does not have any component units. The financial statements for the period ended June 30, 2015 represent activity in Fund 13300 from July 1, 2014 to June 30, 2015. The more significant accounting policies of the Fund are described below.

1. Basic Financial Statements - Government-Wide Statements

Fund 13300'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 13300 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 13300'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, 2014 to June 30, 2015.

2. Basic Financial Statements - Fund Financial Statements

The financial transactions of Fund 13300 are reported in an individual fund in the financial statements. The operations of Fund 13300 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 13300:

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 13300 is used to administer and account for the activity of the Legislature, session, pre-session and interim activities. Money in the Fund may be expended for per diem, mileage, employee salaries and other expenses.

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Notes to the 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 13300 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 collected 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 Purposes of Reservations and Designations of Fund Balance

Government-wide net assets are divided into two components:

Restricted net position - consists of resources that are restricted by state enabling legislation.

Unrestricted net position - all other resources are reported in this category.

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 towards restricted, and then toward unrestricted resources.

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 the enabling legislation, constitutional provisions, externally imposed by grantors, contributors, laws and regulations of other governments, or by creditors, such as through debt covenants.

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Notes to the Financial Statements

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

5. Nature and Purposes of Reservations and Designations of Fund Balance (Cont'd)

Committed are amounts that are subject to 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 the classifications have been considered for the government's general fund, and could report a surplus or a deficit.

6. Budgetary Procedures and Accounting

Fund 13300 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.

7. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

GASB Statement 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Statement 65 is effective for periods beginning after December 15, 2012, (FY14) and earlier application is encouraged. The Fund does not have any items that have been reclassified as deferred outflows of resources or deferred inflows of resources that were previously reported as assets and liabilities.

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, 2015. The Fund 13300 Legislature, 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 State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to the Financial Statements**

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 General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2015 the Fund had the following invested in the General Fund Investment Pool:

SHARE BU 13100, Fund 13300 Legislature	\$ <u>7,883,125</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.

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, 2015.

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.

NOTE C - DUE FROM OTHER STATE AGENCIES

The following amounts are due from other state agencies:

At the end of either the Regular or Special Legislative Session, any remaining cash balances in Fund 20030 reverts to the Legislature's cash balance in Fund 13300. The following balance is due from Fund 20030 at June 30, 2015:

Transfer from BU 13101, Fund 20030, to BU 13100, Fund 13300	\$ 1,012,115
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At the end of either the Regular or Special Legislative Session, any remaining cash balances in Fund 20040 reverts to the Legislature's cash balance in Fund 13300. The following balance is due from Fund 20040 at June 30, 2015:

Transfer from BU 13102, Fund 20040, to BU 13100, Fund 13300	<u>1,034,438</u>
	\$ <u><u>2,046,553</u></u>

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to the Financial Statements**

NOTE D - RESTRICTED NET POSITION/FUND BALANCE

The unexpended balances of the multi-year appropriations to the Legislative Council Service consist of the following:

Laws 2015, Chapter 1, Section 10 (FY 2015-2016) XML Database	\$ 400,000
Laws 2015, Chapter 101, Section 5 (3) (FY 2015-2016) Capitol Repairs & Upgrades	1,500,000
Laws 2015, Chapter 101, Section 5 (2) (FY 2015-2016) Capitol Building Planning Commission	43,307
Laws 2015, Chapter 1, Section 9 (FY 2015-2016) Legislative Information Systems	731,900
	<u>\$ 2,675,207</u>

NOTE E - STATE GENERAL FUND APPROPRIATIONS

State General Fund Appropriations consist of the following:

51st Legislature, 2nd Session Laws 2014, Chapter 1, Section 3.B	\$ 861,200
51st Legislature, 2nd Session Laws 2014, Chapter 1, Section 3.C	426,600
51st Legislature, 2nd Session Laws 2014, Chapter 1, Section 3.D	50,000
51st Legislature, 2nd Session Laws 2014, Chapter 1, Section 6	20,500
51st Legislature, 2nd Session Laws 2014, Chapter 63, Section 4.A (2), and Section 11	38,300
52nd Legislature, 1st Session Laws 2015, Chapter 1, Section 1.B (9)	1,093,600
52nd Legislature, 1st Session Laws 2015, Chapter 1, Section 9	731,900
	<u>\$ 3,222,100</u>

The above appropriations do not revert to the State of New Mexico General Fund.

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to the Financial Statements**

NOTE F - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15
Equipment and software	\$ <u>-</u>	\$ <u>664,454</u>	\$ <u>(664,454)</u>	\$ <u>-</u>

The \$664,454 of equipment and software was purchased by BU 13100, Fund 13300, and the equipment and software were transferred to BU 11100, Fund 12900; BU 11900, Fund 13200; and BU 13101, Fund 20030 during the year ended June 30, 2015.

NOTE G - TRANSFERS

Transfers out:

Transfer from BU 13100, Fund 13300 to BU 13101, Fund 20030	\$ 47,000
Transfer from BU 13100, Fund 13300 to BU 13102, Fund 20040	<u>50,000</u>
	\$ <u>97,000</u>

Transfers in:

Transfer from BU 13101, Fund 20030 to BU 13100, Fund 13300	\$ 1,012,115
Transfer from BU 13102, Fund 20040 to BU 13100, Fund 13300	<u>1,034,438</u>
	\$ <u>2,046,553</u>

NOTE H - RISK MANAGEMENT

The Legislature is exposed to various risks of loss related to torts, theft or damage to and destruction of asset's, errors and omission's, 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.

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to the Financial Statements**

NOTE I - STATEWIDE CASH RECONCILIATION UPDATE

As communicated in the prior year audit, recorded agency claims against the State General Fund Investment Pool (SGFIP) and fiduciary resources held at the State Treasurer's Office to fulfill those claims were not reconciled from the inception of SHARE, in July 2006, through January 2013. A late 2014 effort to reconcile transactions which occurred during the period, also referred to as the Historical Cash Reconciliation Project, was unsuccessful in part due to incomplete data sets. The absence of all required data suggests that future efforts would be equally inconclusive and therefore not meriting additional energy.

While the results of the Historical Cash Reconciliation Project did not yield the hope for closure, significant progress has been made in the overall reconciliation process and the Financial Control Division (FCD) now has an operational model that effectively compares statewide claims against the SGFIP and resources held at the State Treasurer's Office. This process, has been operational since March 2015 and we have data points for seven consecutive months beginning with January 2015 business. As a result, FCD is able to make the following representations. 1) The established allowance recorded within the General Operating Reserve Fund is sufficient to accommodate the current calculated difference between resources held in the SGFIP and agency claims. 2) The calculated difference between resources maintained by STO and the agency claims has remained stable during the past seven months in which the process has been employed. 3) The entirety of any adjustment will be applied against the allowance established in the General Operating Reserve Fund. No portion of the adjustment shall be allocated to any specific business unit that participates in the SGFIP.

Fund 13300 Legislature 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, 2015.

NOTE J - 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 the expenditures are in compliance with state law.

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Schedule of Vendor Information

For the Year Ended June 30, 2015

	<u>Vendor 1</u>	<u>Vendor 2</u>	<u>Vendor 3</u>
RFB#/RFP#	NA		
Type of Procurement	RFP		
Awarded Vendor	International Roll Call		
Awarded Contract Amount	\$ 254,300		
Amended Contract Amount	\$ 254,300		
Name and Physical Address of <u>ALL</u> Vendor(s) that responded	International Roll Call 8346 Old Richfood Rd. Mechanicsville VA 23116	SQO a Scytl, Co. 5426 Bay Center Dr Tampa, FL 33609	PROPYLON 2029 Becker Dr Ste 201 Technology Business Center
In-State/Out-of-State Vendor (based on statutory definition) (Y or N)	N		
If vendor is in-state and chose Veteran's preference (Y or N) <i>N/A for federal funds</i>	N		
Brief Description of the Scope of Work	Senate Chamber Display Update Software/Replace Boards		



WEINER & COMPANY P.C.
Certified Public Accountants

Independent Auditors' 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,
Legislative Council
Fund 13300 Legislature
Tim Keller, New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the State of New Mexico, Fund 13300 Legislature, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of New Mexico, Fund 13300 Legislature's basic financial statements, and have issued our report thereon dated November 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the State of New Mexico, Fund 13300 Legislature'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 13300 Legislature's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of New Mexico, Fund 13300 Legislature'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New Mexico, Fund 13300 Legislature'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2015-001, 2015-002, and 2015-003.

Responses to Findings

The State of New Mexico, Fund 13300 Legislature's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State of New Mexico, Fund 13300 Legislature's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result 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.

Weiner & Company, P.C.

Santa Fe, New Mexico
November 24, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None noted

Status of Prior Year Audit Findings

Current Status

None

Section II - Financial Statement Findings (Current Year)

None

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

2015-001 Invoice Review and Approval Process (Weakness in Internal Control and Other Noncompliance)

Condition:

During our dual internal control and risk assessment and compliance test work over disbursements, we noted that the supporting invoice and payment voucher for one of twenty-five disbursements was exclusively approved by one individual who has shared authority to approve both invoices and payment vouchers. Total for the disbursements is \$17,447.47, of which \$365 was documented with summary bank statement information but without itemized receipts to determine compliance with the vendor contract.

Criteria:

Fund 13300 - Legislature must comply with NMSA 13-1-125 and 1.4.1.48 - 52 NMAC procurement code regulations. The Fund must have internal controls to facilitate compliance. Sound accounting practices dictate having adequate segregation of duties over significant transaction cycles as well as internal controls for review of itemized information to ensure legal and contractual compliance. Transactions should contain sufficient documentation to determine if the transaction is valid and in compliance with applicable requirements. The following stages of the purchasing transaction cycle should be independent:

- Initiating purchases
- Approving purchases
- Payment voucher approval (verification of receipt of services or goods)
- Recording transactions onto the general ledger

Cause:

Due to the small size of the permanent finance and management staff, during peak busy times (during session), it is difficult to obtain invoice approval from the individuals directly involved in receiving the related services that were provided.

Effect:

There was an inadequate segregation of duties related to the approval of this specific disbursement. There was an inadequate audit trail to determine if \$365 of the disbursement was in compliance with the vendor contract and NMSA 13-1-125 and 1.4.1.48-52 NMAC.

2015-001 Invoice Review and Approval Process (Weakness in Internal Control and Other Noncompliance) (continued)

Recommendation:

We recommend the Fund do the following:

- a) Document their internal control processes in writing over significant transactions cycles.
- b) Limit payment voucher approval authorization to employees who are independent from initiating purchases, approving purchases, preparing payment vouchers, and accounts payable entry into the general ledger.
- c) We recommend that the authorized individuals approving payment vouchers review voucher package to ensure invoice(s) have been authorized for payment (indicating goods/services have been received).
- d) Payments should not be processed without adequate documentation to support that the transaction is in compliance with the vendor contract.

Agency Response:

The Legislative Council Service CFO will review the current internal control process and make necessary changes to ensure proper segregation of duties in procuring, approving, preparing, and approving payments in the General Ledger during the 2016 fiscal year.

2015-002 Disbursement for Unallowable Cost (Other Noncompliance)

Condition:

During our dual internal control and risk assessment and compliance test work over disbursements, we noted that one of twenty-five disbursements tested included reimbursement for alcohol. Total disbursement was \$902.88, portion related to alcohol was approximately \$7.50.

Criteria:

Fund 13300 - Legislature must comply with NMSA 13-1-25 and 1.4.1.48 - 52 NMAC procurement code regulations. Sound accounting practices dictate that Fund 13300 – Legislature have internal controls over assertions significant to the financial statements and compliance related to laws, regulations, and contract and grant provisions.

Cause:

Unknown.

Effect:

Noncompliance related to laws, regulations, and contract and grant provisions, specifically, NMSA 13-1-25 and 1.4.1.48 – 52 NMAC.

Recommendation:

Greater oversight of reimbursements to exclude payments for unallowable costs per NMSA 13-1-25 and 1.4.1.48-52 NMAC.

Agency Response:

The Legislative Council Service CFO will review and adjust, as necessary, with the current process established with staff to ensure that receipts received for reimbursement are sufficient to determine compliance and establish adequate support to comply with the contract during the 2016 fiscal year.

2015-003 Internal Control over Payroll Transactions (Weakness in Internal Control)

Condition:

During our internal control and risk assessment test work over significant transaction classes – payroll disbursements, we noted the following exceptions:

- a) One of twenty-five disbursements contained errors related to hours paid under hours documented on timecards – under paid 2 hours – totaling \$22.95.
- b) Pay rate documented on Personnel Action Form was manually modified with no indication of review and approval from authorized individual. Upon further research, it was determined that correct rate was paid.

Criteria:

Sound accounting practices dictate that Fund 13300 – Legislature have internal controls over significant transaction classes and assertions significant to the financial statements. Additionally, Section 12-6-5 NMSA 1978, requires that any violation of good accounting practices be set out in detail in the report, all findings, including those required by Section 12-6-5 NMSA 1978, regarding weaknesses in internal controls, be included in the “Compliance and Other Matters” paragraph in the 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.

Cause:

- a) The timecard/timekeeping system in place requires significant manual adjustments to derive the appropriate hours to be paid, resulting in higher risk for calculation errors.
- b) Inadequate review over payroll transaction.

Effect:

Noncompliance related to laws, regulations, and contract and grant provisions, specifically, NMSA 13-1-25 and 1.4.1.48 – 52 NMAC.

Recommendation:

- a) We recommend that management simplify the timecard/timekeeping system to reduce the need for manual adjustments to derive the hours to be paid.
 - b) We recommend that management adhere to existing internal controls related to proper review and approval of Personnel Action Forms for all employees.
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**2015-003 Internal Control over Payroll Transactions (Weakness in Internal Control)
(continued)**

Agency Response:

The Legislative Council Service CFO will review internal control policies and procedures and make adjustments, as necessary, with the House Chief Clerk in order to address the lack of adequate review over payroll transactions for Pre-Session House employees during the 2016 fiscal year.

Section IV - Exit Conference

An exit conference was held to discuss the audit report and current and prior year auditor's comments. The parties agreed to the factual accuracy of the comments contained herein.

In attendance on November 16, 2015 were the following individuals:

Representing the State of New Mexico, Fund 13300 Legislature

Representative Don L. Tripp, Speaker Of The House
Raúl Burciaga, Director, Legislative Council Service
Kathy Pacheco-Dofflemeyer, Assistant Director for Administration, Legislative Council Service
Anesa Serna-Espinoza, Financial Assistant, Legislative Council Service

Representing Weiner & Company, P.C.

Sean S. Weiner, Managing Shareholder
Janet Pacheco-Morton, Principal
Wendy Weatherford, Senior Accountant
