

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2017**

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
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June 30, 2017

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

June 30, 2017

**FIFTY-SECOND LEGISLATURE, SECOND SESSION
FIFTY-SECOND LEGISLATURE, SECOND SPECIAL SESSION**

LEGISLATIVE COUNCIL MEMBERS

President Pro Tempore Mary Kay Papen	Co-Chair
Speaker Don L. Tripp	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

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

June 30, 2017

**FIFTY-THIRD LEGISLATURE, FIRST SESSION
FIFTY-THIRD LEGISLATURE, FIRST SPECIAL SESSION**

LEGISLATIVE COUNCIL MEMBERS

Speaker Brian Egolf	Co-Chair
President Pro Tempore Mary Kay Papen	Co-Chair
Sen. Carlos R. Cisneros	Member
Rep. Zachary J. Cook	Member
Rep. Candy Spence Ezzell	Member
Rep. Doreen Y. Gallegos	Member
Rep. Nate Gentry	Member
Rep. Roberto "Bobby" J. Gonzales	Member
Sen. Stuart Ingle	Member
Rep. Rod Montoya	Member
Sen. William H. Payne	Member
Sen. Clemente Sanchez	Member
Sen. John Arthur Smith	Member
Rep. Sheryl Williams Stapleton	Member
Sen. James P. White	Member
Sen. Peter Wirth	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



WEINER & COMPANY P.C.
Certified Public Accountants

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, 2017, 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, 2017, 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, 2017, 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

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 31, 2017 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
October 31, 2017

STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Statement of Net Position

June 30, 2017

Assets:

Interest in the State General Fund Investment Pool, Note B \$ 7,355,307

Liabilities:

Accounts payable 928,120

Net Position:

Restricted, Note C 2,467,394

Unrestricted 3,959,793

Total Net Position

\$ 6,427,187

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, 2017

Expenses:

Legislative:

Personal services/employee benefits	\$ 529,958
Contractual services	1,568,042
Other	2,569,329
	<u>4,667,329</u>

General Revenues and Transfers:

State general fund appropriations, Note E	3,370,600
Reversion, Note G	(41,700)
Transfers:	
Transfers in, Note F	1,689,882
Transfers out, Note F	(3,611,722)
Miscellaneous revenue	22,322
	<u>1,429,382</u>

Change in Net Position

(3,237,947)

Net Position:

Beginning of year	<u>9,665,134</u>
End of year	<u>\$ 6,427,187</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, 2017

Assets:

Investment in State General Fund Investment Pool, Note B	\$ <u>7,355,307</u>
Total Assets	\$ <u><u>7,355,307</u></u>

Liabilities:

Accounts payable	\$ <u>928,120</u>
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Fund Balance:

Restricted, Note C	2,467,394
Unassigned	<u>3,959,793</u>
	<u><u>6,427,187</u></u>
Total Liabilities and Fund Balance	\$ <u><u>7,355,307</u></u>

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

Fund Balance - Governmental Funds	\$ 6,427,187
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There are no reconciling items between the Balance Sheet - Governmental Funds and the Statement of Net Position.

	<u>-</u>
Net Position Governmental Activities	\$ <u><u>6,427,187</u></u>

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, 2017

Revenues:

Miscellaneous \$ 22,322

Current Expenditures - Legislative:

Personal services/employee benefits 529,958
 Contractual services 1,568,042
 Other 2,569,329
 Capital outlay/equipment transfer, Note D 198,522
4,865,851

Deficiency of Revenues Over Expenditures

(4,843,529)

Other Financing Sources (Uses):

State general fund appropriations, Note E 3,370,600
 Reversion, Note G (41,700)
 Transfers:
 Transfers in, Note F 1,689,882
 Transfers out, Note F (3,413,200)
1,605,582

Net Change in Fund Balance

(3,237,947)

Fund Balance:

Beginning of year 9,665,134
 End of year \$ 6,427,187

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, 2017

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

Net Change in Fund Balance - Total Governmental Funds	\$ (3,237,947)
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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>(3,237,947)</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Favorable (Unfavorable)
Appropriated Fund Balances:				
52nd Legislature, 2nd Special Session				
Laws 2016, Chapter 7, Section 1.A.(3)	\$ 38,000	\$ 38,000	\$ 38,000	\$ -
53rd Legislature, 1st Session				
Laws 2017, Chapter 4, Section 4	400,000	400,000	400,000	-
53rd Legislature, 1st Special Session				
Laws 2017, Chapter 2, Section 5.(1)	1,000,000	1,000,000	1,000,000	-
Laws 2017, Chapter 2, Section 7.A.(3)	22,000	22,000	22,000	-
	<u>1,460,000</u>	<u>1,460,000</u>	<u>1,460,000</u>	<u>-</u>
State General Fund Appropriations:				
52nd Legislature, 2nd Session				
Laws 2016, Chapter 1, Section 3.B	950,000	912,000	912,000	-
Laws 2016, Chapter 1, Section 3.C	426,600	409,600	409,600	-
Laws 2016, Chapter 1, Section 3.D	50,000	48,000	48,000	-
Laws 2016, Chapter 1, Section 6	20,500	19,700	19,700	-
Laws 2016, Chapter 11, Section 4.A.(2)	36,900	36,900	36,900	-
53rd Legislature, 1st Session				
Laws 2017, Chapter 4, Section 1.B.(9)	1,093,600	1,093,600	1,093,600	-
Laws 2017, Chapter 4, Section 3	850,800	850,800	850,800	-
	<u>3,428,400</u>	<u>3,370,600</u>	<u>3,370,600</u>	<u>-</u>
Restricted Fund Balances:				
52nd Legislature, 2nd Session				
Laws 2016, Chapter 1, Section 9	848,433	848,433	848,433	-
Laws 2016, Chapter 1, Section 10	389,007	389,007	389,007	-
Laws 2016, Chapter 1, Section 11	400,000	400,000	400,000	-
Laws 2016, Chapter 11, Section 5 (1)	100,000	100,000	100,000	-
Laws 2016, Chapter 11, Section 5 (2)	2,478,696	2,478,696	2,478,696	-
Laws 2016, Chapter 11, Section 5 (3)	50,000	50,000	50,000	-
	<u>4,266,136</u>	<u>4,266,136</u>	<u>4,266,136</u>	<u>-</u>
Total	<u>\$ 9,154,536</u>	<u>\$ 9,096,736</u>	<u>\$ 9,096,736</u>	<u>\$ -</u>
Total Expenditures:				
Personal services, employee benefits, contractual services and other	<u>\$ 9,154,536</u>	<u>\$ 9,096,736</u>	<u>\$ 4,865,851</u>	<u>\$ 4,230,885</u>

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

**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
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 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 Legislature have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Fund does not have any component units. The financial statements for the period ended June 30, 2017 represent activity in Fund 13300 from July 1, 2016 to June 30, 2017. 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, 2016 to June 30, 2017.

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 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 accounting principles generally accepted in the United States of America 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. Interest in the State General Fund Interest 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 fund and capitalized at cost in the Statement of Net Position. The valuation basis for capital assets are historical cost, or when historical cost is not available, estimated historical cost based on replacement. Per Section 12-6-10 NMSA 1978, the capitalization threshold is \$5,000. Purchased capital assets are immediately transferred to other governmental entities, therefore depreciation is not calculated.

6. 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.

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Notes to Financial Statements

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

6. Nature and Purposes of Reservations and Designations of Fund Balance (Continued)

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.

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.

7. 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.

8. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to Financial Statements

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

8. Impact of Recently Issued Accounting Principles, (Continued)

Recently Issued and Adopted Accounting Pronouncements, (Continued)

Government Accounting Standards Board Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, and any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in Notes to Financial Statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regards to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported.
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions.
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to Financial Statements

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

8. Impact of Recently Issued Accounting Principles, (Continued)

Recently Issued and Adopted Accounting Pronouncements, (Continued)

Government Accounting Standards Board Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, as amended, and Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures.

Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans - defined benefit and defined contribution - administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to Financial Statements

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

8. Impact of Recently Issued Accounting Principles, (Continued)

Recently Issued and Adopted Accounting Pronouncements, (Continued)

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, No. 71, and No. 73, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2017.

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). Overall, the total pension liability exceeds the Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net 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.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of Generally Accepted Accounting Principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier applications is permitted.

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

NOTE B - INTEREST 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, 2017, the Fund had the following invested in the General Fund Investment Pool:

SHARE BU 13100, Fund 13300 Legislature	\$ <u>7,355,307</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, 2017.

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.

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Notes to Financial Statements

NOTE C - RESTRICTED NET POSITION / FUND BALANCE

The unexpended balances of the multi-year appropriations consist of the following:

Laws 2016, Chapter 1, Section 10 (FY 2016-2020) Census Redistricting Data Program	\$ 273,244
Laws 2017, Chapter 4, Section 3 (FY 2017-2018) Legislative Information Systems	794,150
Laws 2017, Chapter 4, Section 4 (FY 2017-2018) XML Database Legislative Share	400,000
Laws 2017, Special Session, Chapter 2, Section 5 (1) (FY 2017-2018) Capitol Repairs & Upgrades	1,000,000
Total Restricted Net Position / Fund Balance	<u>\$ 2,467,394</u>

NOTE D - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2017:

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17
Equipment and software	\$ -	\$ 198,522	\$ (198,522)	\$ -

The \$198,522 of furniture, equipment and software was purchased by BU 13100, Fund 13300, and the furniture, equipment and software were transferred to BU 11100, Fund 12900 during the year ended June 30, 2017.

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

NOTE E - STATE GENERAL FUND APPROPRIATIONS

State General Fund Appropriations consist of the following:

52nd Legislature, 2nd Session, Laws 2016, Chapter 1, Section 3.B. (reduced in 52nd Legislature, 2nd Session, Laws 2016, Chapter 11, Section 11.)	\$ 912,000
52nd Legislature, 2nd Session, Laws 2016, Chapter 1, Section 3.C. (reduced in 52nd Legislature, 2nd Session, Laws 2016, Chapter 11, Section 11.)	409,600
52nd Legislature, 2nd Session, Laws 2016, Chapter 1, Section 3.D. (reduced in 52nd Legislature, 2nd Session, Laws 2016, Chapter 11, Section 11.)	48,000
52nd Legislature, 2nd Session, Laws 2016, Chapter 1, Section 6. (reduced in 52nd Legislature, 2nd Session, Laws 2016, Chapter 11, Section 11.)	19,700
52nd Legislature, 2nd Session, Laws 2016, Chapter 11, Section 4.A.(2)	36,900
53rd Legislature, 1st Session Laws 2017, Chapter 4, Section 1.B.(9)	1,093,600
53rd Legislature, 1st Session, Laws 2017, Chapter 4, Section 3.	<u>850,800</u>
Total State General Fund Appropriations	<u>\$ 3,370,600</u>

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

STATE OF NEW MEXICO
 FUND 13300 LEGISLATURE
 Notes to Financial Statements

NOTE F - TRANSFERS

Transfers in:

Transfer from BU 13101, Fund 20030 to BU 13100, Fund 13300 FY 2017 Senate Regular and Special Sessions unexpended balances	\$ 997,222
Transfer from BU 13102, Fund 20040 to BU 13100, Fund 13300 FY 2017 House of Representatives Regular and Special Sessions unexpended balances	692,660

Total transfers in	\$ <u>1,689,882</u>
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Transfers out:

Transfers from BU 13100, Fund 13300 to BU 13101, Fund 20030 52nd Legislature, 2nd Special Session, Laws 2016, Ch.7, Sec.1.A.(2) (\$53,400) 53rd Legislature, 1st Special Session, Laws 2017, Ch.2, Sec.7.A.(2) (\$72,300)	\$ 125,700
Transfers from BU 13100, Fund 13300 to BU 13102, Fund 20040 52nd Legislature, 2nd Special Session, Laws 2016, Ch.7, Sec.1.A.(1) (\$173,000) 53rd Legislature, 1st Special Session, Laws 2017, Ch.2, Sec.7.A.(1) (\$114,500)	287,500
Transfer from BU 13100, Fund 13300 to BU 34101, Fund 85300 52nd Legislature, 2nd Session, Laws 2016, Ch.12, Sec.2.A.(1) (\$1,000,000) 52nd Legislature, 2nd Special Session, Laws 2016, Ch.4, Sec.3.A.(1) (\$2,000,000)	3,000,000
Transfer of furniture, equipment and software from BU 13100, Fund 13300 to BU 11100, Fund 12900	198,522

Total transfers out	\$ <u>3,611,722</u>
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NOTE G - REVERSION OF STATE GENERAL FUND APPROPRIATION

During the 52nd Legislature, 2nd Special Session, Laws 2016, Chapter 6, Section 1 reduced the fiscal year 2017 general fund appropriations of the 52nd Legislature, 2nd Regular Session, Laws 2016, Chapter 1, Sections 3 through 8 by 3% rounded to the nearest hundred.

Total Reversion	\$ <u>41,700</u>
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**STATE OF NEW MEXICO
FUND 13300 LEGISLATURE
Notes to Financial Statements**

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.

NOTE I - 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 third 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 2017 the following assertions are provided,

1. As of June 30, 2017, 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 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, 2017.

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.



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 State of New Mexico, Fund 13300 Legislature, as of and for the year ended June 30, 2017, 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 October 31, 2017.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of New Mexico, 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 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.

Weiner & Company, P.C.

Santa Fe, New Mexico
October 31, 2017

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 Reported

Status of Prior Year Audit Findings

Current Status

There were no prior year findings

Section II - Financial Statement Findings (Current Year)

None

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

None

Section IV - Exit Conference

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

In attendance on October 23, 2017 were the following individuals:

Representing the State of New Mexico, Fund 13300 Legislature

Representative Brian Egolf, Speaker Of The House

Senator Mary Kay Papen, President Pro-Tempore

Reena Szczepanski, Speaker's Chief of Staff

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

Loretta Valencia, Manager
