



STATE ETHICS COMMISSION

<http://sec.state.nm.us>

800 Bradbury Dr. SE
Suite 215
Albuquerque, NM 87106
(505) 827-7800

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2022

STATE OF NEW MEXICO

Prepared By:
Jeremy D. Farris, Executive Director and
Wendy George, Finance & Administration Director

**NEW MEXICO STATE ETHICS COMMISSION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	8
STATEMENT OF ACTIVITIES	9
BALANCE SHEET – GOVERNMENTAL FUND	10
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL FUND TO STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND – GENERAL FUND	12
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	14
NOTES TO FINANCIAL STATEMENTS	15
SUPPLEMENTARY INFORMATION	
SCHEDULE OF JOINT POWERS AGREEMENTS	27
REPORTING REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	29
SCHEDULE OF FINDINGS AND RESPONSES	31
EXIT CONFERENCE	33

**NEW MEXICO STATE ETHICS COMMISSION
OFFICIAL ROSTER
JUNE 30, 2022**

COMMISSIONERS

Hon. William F. Lang (Ret.)	Chair
Jeffrey L. Baker	Member
Stuart M. Bluestone	Member
Hon. Garrey Carruthers	Member
Hon. Celia Foy Castillo	Member
Ronald Solimon	Member
Dr. Judy Villanueva	Member

ADMINISTRATIVE OFFICIALS

Jeremy D. Farris	Executive Director
Wendy George	Chief Financial Officer
Walker Boyd	General Counsel



INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq., New Mexico State Auditor and
Members of the Commission
New Mexico State Ethics Commission
Albuquerque, New Mexico

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the New Mexico State Ethics Commission (the Commission), an agency of the State of New Mexico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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 general fund of the Commission as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Commission are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, general fund and the budgetary comparison for the general fund of the State of New Mexico that is attributable to the transactions of the Commission. They do not purport to, and do not present fairly, the financial position of the State of New Mexico as of June 30, 2022, and the changes in 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of joint powers agreements 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of joint powers agreements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Official Roster and Exit Conference but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of the Commission'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 solely 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 effectiveness of the Commission's 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 Commission's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 28, 2022

**NEW MEXICO STATE ETHICS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

As management of the state of New Mexico State Ethics Commission (the Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the Commission's financial performance during the fiscal year ended June 30, 2022. Please read the Commission's financial statements, which follow this section, in conjunction with this narrative.

Financial Highlights

During the fiscal year, the Commission operated within the confines of the approved budget.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report, the basic financial statements of the Commission, governmental fund statement, and required supplemental information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The government-wide financial statements of the Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The statement of net position includes all of the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Commission's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the statement of activities. This statement measures the success of the Commission's operations over the past year.

The fund financial statements provide information about the Commission's significant funds. Funds are used to track specific sources of funding and spending for the Commission's activities. The Commission operates with appropriations approved each year by the state legislature.

Financial Analysis of the Commission

The statement of net position and the statement of activities report information about the Commission's activities in a way that will show the change in the Commission's financial condition. These two statements report the net position of the Commission and the changes in them. One can think of the Commission's net position, the difference between assets and liabilities, as one way to measure financial health or financial position.

**NEW MEXICO STATE ETHICS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Assets:				
Investment Account with State Treasurer	\$ 41,544	\$ 47,507	\$ (5,963)	-13%
Intangible Assets, Net	<u>83,631</u>	<u>102,784</u>	<u>(19,153)</u>	-19%
Total Assets	<u>125,175</u>	<u>150,291</u>	<u>(25,116)</u>	-17%
Liabilities:				
Current Liabilities	<u>\$ 68,472</u>	<u>\$ 83,492</u>	<u>\$ (15,020)</u>	-18%
Total Liabilities	<u>68,472</u>	<u>83,492</u>	<u>(15,020)</u>	-18%
Net Position:				
Net Investment in Capital Assets	83,631	102,784	(19,153)	-19%
Unrestricted	<u>(26,928)</u>	<u>(35,985)</u>	<u>9,057</u>	-25%
Total Net Position	<u>\$ 56,703</u>	<u>\$ 66,799</u>	<u>\$ (10,096)</u>	-15%

The only assets are the investment account with the State General Fund Investment Pool of \$41,544, which decreased by \$5,963 from the prior year due to the payment of FY22 general appropriations, and intangible assets, of \$83,631, which were placed in service during FY20 and FY21. During the same period, liabilities decreased by \$15,020 due to the timely payment of liabilities. The decrease in assets after the offset by the decrease in liabilities resulted in a decrease of \$10,096 in Net Position.

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Government Activities:				
Personal Services and Fringe Benefits	\$ 648,963	\$ 606,942	\$ 42,021	
Contractual Services	83,934	49,686	34,248	69%
Other Costs	<u>125,650</u>	<u>103,114</u>	<u>22,536</u>	22%
Total Government Activities	858,547	759,742	98,805	13%
General Revenues:				
State General Fund Appropriations	900,300	946,200	(45,900)	-5%
Interagency Transfers In	15,400	1,500	13,900	927%
Court fees	4,115	-	4,115	100%
Reversions to State General Fund	<u>(71,364)</u>	<u>(198,439)</u>	<u>127,075</u>	-64%
Total General Revenues	<u>848,451</u>	<u>749,261</u>	<u>99,190</u>	13%
Change in Net Position	(10,096)	(10,481)	(385)	
Net Position - Beginning of Year	<u>66,799</u>	<u>77,280</u>	<u>(10,481)</u>	
Net Position - End of Year	<u>\$ 56,703</u>	<u>\$ 66,799</u>	<u>\$ (10,096)</u>	

**NEW MEXICO STATE ETHICS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

General Fund Budgetary Highlights

The Commission depends on appropriations from the New Mexico State General Fund. The State Legislature in the General Appropriations Act, Laws of 2021, Chapter 137, Section 4 appropriated \$900,300 to the State Ethics Commission. Subsequently, the State Legislature in the General Appropriation Act, Laws of 2021, Chapter 137, Section 8 increased these appropriations by \$10,000 for compensation increases.

Legislative Highlights

The State Ethics Commission came into existence on July 1, 2019 to promote the integrity of government through the interpretation, enforcement, and improvement of New Mexico's governmental conduct, procurement, and financial disclosure laws. In FY20, the Commission focused on establishing the Commissioners, hiring initial staff, and developing and implementing the processes by which the Commission will adjudicate ethics complaints, investigate and enforce New Mexico's ethics laws, and provide guidance and training to government officials and employees. The Commission's jurisdiction and enforcement authority began on January 1, 2020.

Future Years

The Legislature has appropriated \$1,236,300 to the Commission for expenditure in FY23.

The Commission strives to allocate its limited resources in ways that will best promote and ensure the public's trust. The Commission's priorities in FY23 and FY24 include:

1. Recruit and hire additional FTEs to enable and support the Commission's increase in adjudicatory, enforcement, and guidance functions.
2. Prepare and deliver a report to the Legislature and Governor regarding potential amendments to New Mexico's governmental conduct, disclosure, and procurement laws.
3. Collaborate with municipal and county affiliates to prepare model local ordinances that address governmental conduct, campaign finance disclosure, financial disclosures, and local complaint and adjudicatory processes.

Contacting the Commission

This financial report is designed to provide our citizens with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. The Commission has no knowledge of any facts, decisions, or conditions that would have a significant effect on the Commission's financial position or results of operations. If you have questions about this report or need additional financial information, you may contact the Commission at 800 Bradbury Drive SE, Suite 215, Albuquerque, New Mexico 87106.

NEW MEXICO STATE ETHICS COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
	<u> </u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 41,544
Intangible Assets, Net of Accumulated Depreciation	<u>83,631</u>
Total Assets	<u><u>\$ 125,175</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts Payable	\$ 14,923
Accrued Liabilities	26,621
Compensated Absences	<u>26,928</u>
Total Liabilities	<u>68,472</u>
NET POSITION	
Net Investment in Capital Assets	83,631
Unrestricted	<u>(26,928)</u>
Total Net Position	<u><u>\$ 56,703</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO STATE ETHICS COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	<u>Governmental Activities</u>
EXPENSES	
General Government:	
Personal Services and Fringe Benefits	\$ 648,963
Contractual Services	83,934
Other Costs	<u>125,650</u>
Total Expenses	<u>858,547</u>
GENERAL REVENUES	
State General Fund Appropriations	900,300
Interagency Transfers In	15,400
Court Fees	4,115
Reversions to State General Fund	<u>(71,364)</u>
Total General Revenues	<u>848,451</u>
CHANGE IN NET POSITION	(10,096)
Net Position - Beginning of Year	<u>66,799</u>
NET POSITION - END OF YEAR	<u><u>\$ 56,703</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO STATE ETHICS COMMISSION
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2022**

	General Fund
	<u> </u>
ASSETS	
Investment in State General Fund Investment Pool	\$ 41,544
	<u> </u>
Total Assets	<u><u>\$ 41,544</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 14,923
Accrued Liabilities	26,621
Total Liabilities	<u>41,544</u>
FUND BALANCE	<u> </u>
Total Liabilities and Fund Balance	<u><u>\$ 41,544</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO STATE ETHICS COMMISSION
RECONCILIATION OF BALANCE SHEET – GOVERNMENTAL
FUND TO STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balance	\$	-
---------------------------	----	---

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

Capital assets (net of accumulated depreciation) used In governmental activities are not financial resources and, therefore, are not reported in the funds.		83,631
---	--	--------

Compensated absences liability not recorded in the governmental funds, but recorded as liabilities in the Statement of Net Position.		(26,928)
		(26,928)

Net Position of Governmental Activities (Statement of Net Position)	\$	<u>56,703</u>
--	-----------	----------------------

**NEW MEXICO STATE ETHICS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND – GENERAL FUND
YEAR ENDED JUNE 30, 2022**

REVENUES

Court Fees	\$ 4,115
Total Revenues	<u>4,115</u>

EXPENDITURES

Current:	
Personal Services and Fringe Benefits	658,020
Contractual Services	83,934
Other Costs	106,497
Capital Outlay	-
Total Expenditures	<u>848,451</u>

Excess (Deficiency) of Revenue Over Expenditures	(844,336)
--	-----------

OTHER FINANCING SOURCES (USES)

State General Fund Appropriations	900,300
Transfers In from Other State Agencies	15,400
Reversions to State General Fund - FY2022	(71,364)
Total Other Financing Sources (Uses)	<u>844,336</u>

NET CHANGE IN FUND BALANCE

	-
Fund Balance - Beginning of Year	<u>-</u>

FUND BALANCE - END OF YEAR

<u>\$ -</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO STATE ETHICS COMMISSION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

**Net Changes in Fund Balance - Total Governmental Funds (Statement
of Revenues, Expenditures and Changes in Fund Balance -
Governmental Funds)**

\$ -

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

Capital outlays to purchase or build capital assets are reported in
governmental funds as expenditures. However, for governmental
activities, these costs are shown in the Statement of Net Position and
allocated over their estimated useful lives as annual depreciation
expense in the Statement of Activities.

Capital Asset Additions

\$ -

Depreciation Expense

(19,153)

Total

(19,153)

Some items reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Increase in Compensated Absences

9,057

**Change in Net Position of Governmental Activities
(Statement of Activities)**

\$ (10,096)

**NEW MEXICO STATE ETHICS COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2022**

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Approved Budget	Final Approved Budget	Actual	
REVENUES				
State General Fund Appropriation	\$ 900,300	\$ 900,300	\$ 900,300	\$ -
Other State Funds	-	40,726	4,115	36,611
Transfers In from Other State Agencies	15,400	15,400	15,400	-
Total Revenues	915,700	956,426	919,815	36,611
EXPENDITURES				
Current:				
Personal Services and Fringe Benefits	638,600	704,826	658,020	46,806
Contractual Services	175,000	142,000	83,934	58,066
Other Costs	102,100	109,600	106,497	3,103
Total Expenditures	915,700	956,426	848,451	107,975
Excess of Revenue Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	71,364	<u>\$ (71,364)</u>
Fund Reversions - 2022			(71,364)	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the New Mexico State Ethics Commission (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

Reporting Entity

The State Ethics Commission is an independent state agency of the State of New Mexico, which is the primary government, created by Article V, Section 17 of the New Mexico Constitution to promote full compliance with the state laws that require our state government to be democratic, responsive to the public's interest, and ethical. Those public accountability laws include: the Campaign Reporting Act, the Financial Disclosure Act, the Gift Act, the Lobbyist Regulation Act, the Voter Action Act, the Governmental Conduct Act, the Procurement Code, the State Ethics Commission Act, and Article IX, Section 14 of the New Mexico Constitution, commonly known as the "Anti-Donation Clause".

The Commission works to achieve its goals by adjudicating ethics complaints, initiating civil enforcement actions in court, issuing advisory opinions, proposing amendments to ethics laws, drafting a model ethics code for other state agencies, and providing ethics trainings.

The Commission is bipartisan. Any action taken by the seven-member Commission requires the concurrence of two Commissioners of the largest political party in the state and two Commissioners of the second largest political party in the state. Furthermore, the State Ethics Commission Act provides that the Commission may not have more than three members of the same political party.

The State Ethics Commission is comprised of seven commissioners. The State Ethics Commission Act sets forth a procedure for appointing commissioners that ensures an independent commission.

The Commission's appointment structure is unique. The Speaker of the House of Representatives, the Minority Floor Leader of the House, the President Pro Tempore of the Senate, and the Minority Floor Leader of the Senate each appoint one Commissioner. The four legislatively-appointed Commissioners then appoint two additional Commissioners. Finally, the Governor appoints the Commission's Chair, who must be a retired judge. Except for the initial Commissioners, the Commissioners are appointed for staggered terms of four years. No Commissioner may serve more than two consecutive four-year terms.

Basic Financial Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. The reporting model focus is on either the Commission as a whole, or major individual funds (within the fund financial statements). Both the government wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

The Commission has only governmental type activities. In the government-wide statement of net position, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt obligations, if any. The commission has no component units to report.

The government-wide statement of activities reflects both the gross and net cost per functional category, which is otherwise being supported by general government revenues. The statement of activities reduced gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Commission includes only one function (general government). There are neither fiduciary funds nor component units that are fiduciary in nature.

General revenues (general fund appropriation, transfers-in from other state agencies) normally cover the net cost (by function). This government-wide focus is more on the sustainability of the Commission as an entity and the change in aggregate financial position.

Fund Accounting

The Commission uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. The Commission's resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The various funds are grouped, in the financial statements of this report, into generic fund types and categories, as follows:

Governmental Fund Types

General Fund (Fund 20780) – The General Fund is the general operating fund of the Commission. It is used to account for all financial resources. The fund is a reverting fund.

Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the Commission's operating statement. The government-wide financial statements of the Commission are accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Commission is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Commission's operating statement. The Commission uses the full accrual basis of accounting for the government-wide financial statements. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

The governmental funds use the current financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. For this purpose, the Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Adoption of New Accounting Standards:

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Commission adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption. For the June 30, 2022 period the Commission had no leases that were material that required reporting in accordance with the standard.

Budget and Budgetary Accounting

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Commission submits to the State Budget at the Department of Finance and Administration (DFA), and the Legislative Finance Committee (LFC) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Following their budget hearing with the Commission, the DFA, and the LFC prepare their own budget recommendations to the legislature.
3. Budget hearings are then scheduled before the finance committees of the New Mexico House of Representatives and, if necessary, the New Mexico Senate. The final outcome of these hearings is incorporated into the General Appropriations Act.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget and Budgetary Accounting (Continued)

4. The Commission then submits, on or before May 1, an annual operating budget request to the Department of Finance and Administration's (DFA) State Budget Division who reviews the request and subsequently approves the budget based upon the appropriation made by the legislature. All subsequent budget transfers and increases must be authorized by the Director of the State Budget Division.
5. Legal budget control for expenditures is by category of line item.
6. Formal budgetary integration is employed as a management control device during the fiscal year for the general fund. The budget of the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Per the General Appropriations Act, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.
7. When the appropriations lapse, so does the authority for the budget. Encumbrances can no longer be charged to that budget. All unspent appropriations in the general fund revert to the state general fund.
8. Any adjustments to the appropriated budget must be submitted to DFA in the form of a budget adjustment request (BAR).

Use of Estimates

Preparation of financial statements in conformity with GAAP required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Commission's funds are held on deposit with the State Treasurer's Office.

Capital Assets

Capital assets purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12- 6-10 NMSA 1978. Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at their acquisition value at the time of acquisition. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed when incurred. Depreciation on all assets is provided on the straight line basis over the following estimated useful life with no salvage value:

Website	3 Years
Case Management System	7 Years

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Vacation, compensatory and sick time is reported as a liability in the government-wide financial statements, with expenses being reported during the period that leave is accrued. The fund financial statements reports expenditures during the period that employees are actually paid, or when compensated absences are liquidated with expendable financial resources from the operational portion of state general fund appropriations. Employees are entitled to accumulate annual leave at a graduated rate based on years of service. A maximum of 240 hours can be carried forward at calendar year-end. Employees are entitled to accumulate unlimited sick leave at the rate of one day for each month of service. Employees may elect to be compensated for sick leave in excess of 600 hours at half the employee's hourly rate in any fiscal year, not to exceed 120 hours, unless retiring. Retiring employees may convert up to 400 hours in excess of the 600 hours at half the retiring employee's hourly rate. This election may be made at retirement or at specified times during the employment year. The Commission also allows eligible employees to defer being paid overtime in exchange for compensatory time.

Pensions

The Commission, 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 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 no liability will be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Comprehensive Financial Report (ACFR) 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 ACFR 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.

Postemployment Benefits – State Retiree Health Care Plan

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

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues

Operating revenues of the Commission are budgetary allocations of the state general fund.

Reversions

Revenues that have not been expended and are not appropriated for a period of longer than one year revert to the state general fund. Accordingly, reversions have been recorded in the current year for unspent portion of the state general fund appropriation.

Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Commission's policy is to apply unrestricted net position first.

Fund Balance

The Commission follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Spendable fund balance is shown by the most binding constraint, which is restricted by an external resource or enabling legislation. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

Restricted

Amounts can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed

Amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority, which is the board of directors.

Assigned

Amounts intended to be used by the Commission for specific purposes, but that do not meet the criteria to be classified as restricted or committed.

Unassigned

The residual classification for the Commission's general fund. This includes all amounts not contained in the other classifications.

The Commission's general fund is a reverting fund and there is no ending fund balance.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The government-wide fund financial statements utilize a net position presentation. Net Position is categorized as investment in capital assets, restricted, and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources, and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Net Investment in Capital Assets

Net investment in capital assets is intended to reflect the portion of net position which is associated with capital assets.

Restricted Net Position

Restricted assets are assets (generated from revenues and not bond proceeds), which have third party (statutory or granting agency) limitation on their use.

Unrestricted Net Position

Unrestricted assets represent unrestricted assets. Unrestricted deficit results mainly from the recording of the compensation absences liability for which future state appropriations will pay the liability.

NOTE 2 NEW MEXICO STATE TREASURER INVESTMENT POOL

Interest in the General Fund Investment Pool

State law (Section 8-6-3 NMSA 1978) requires the Commission's cash be managed by the New Mexico State Treasurer's Office (STO). Accordingly, the investments of the Commission consist of an interest in the general fund investment pool managed by STO.

Balance in the New Mexico State Treasurer's
Investment Pool

\$ 41,544

The state treasurer invests excess cash balances on behalf of certain earmarked funds of state agencies identified by state statute and local governments. Interest earnings are distributed based on average outstanding cash balances for local governments and the state agencies where interest is allowed to be earned. All other interest earnings are transferred to the state general fund.

The state treasurer deposits public monies with New Mexico financial institutions in denominations which generally are in excess of the \$250,000 in insurance coverage provided by federal agencies. Accordingly, the state treasurer requires that depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institution's operating results and capital. Collateral for the fiscal agent account is required in amounts equal to 50% of the average investment balance.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 NEW MEXICO STATE TREASURER INVESTMENT POOL (CONTINUED)

Interest in the General Fund Investment Pool (Continued)

The Commission follows GASB 40, *Deposit and Investment Risk Disclosures*. GASB 40 requires certain disclosures when balances with financial institutions exceed depository insurance. The Commission does not have credit quality, Deposit Custodial Credit, Security Custodial Credit, Concentration of Credit, or Foreign Currency Risks.

Interest Rate Risk – The STO 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.

For additional GASB 40 disclosure information regarding cash held by the state treasurer, the reader should see the separate financial statements for the state treasurer's office for the fiscal year ended June 30, 2022.

State General Fund Investment Pool

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the STO. Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

NOTE 3 CAPITAL ASSETS

Capital Asset Activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Additions	Retirements	Balance June 30, 2022
Intangible Assets:				
Software	\$ 123,285	\$ -	\$ -	\$ 123,285
Total Capital Assets	123,285	-	-	123,285
Accumulated Depreciation for:				
Software	20,501	19,153	-	39,654
Total Accumulated Depreciation	20,501	19,153	-	39,654
Net Intangible Assets	\$ 102,784	\$ (19,153)	\$ -	\$ 83,631

NOTE 4 ACCOUNTS PAYABLE

Accounts payable of \$14,923 represent expenditures for goods and services received or provided on or before June 30, 2022, but were not paid until after that date.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

The Commission participates in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.nmpera.org.

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Commission is required to contribute 17.24% of the gross covered salary. The contribution requirements of plan members and the Commission are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's contributions to PERA for the fiscal year ended June 30, 2022, was \$96,450, equal to the amount of the required contributions for the year.

NOTE 6 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The Commission contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

**NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

**NOTE 6 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4, or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2022, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2022, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2022, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Commission's contributions to the RHCA for the year ended June 30, 2022 was \$10,583, which is equal the required contribution.

NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 COMPENSATED ABSENCES

The compensated absence balance in the amount of \$26,928 represents the estimated liability for employees' accrued vacation and sick leave for which employees are entitled to be paid upon termination. These are expected to be paid from the General Fund.

The long-term liability for compensated absences for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	Due Within One Year
Compensated Absences Payable	\$ 35,985	\$ 61,757	\$ (70,814)	\$ 26,928	\$ 26,928

NOTE 8 RISK MANAGEMENT

The Commission is covered by the public employee fidelity bond, insured through the state of New Mexico – General Services Department – Risk Management Division. The Risk Management Division (RMD) is responsible for the acquisition and administration of all insurance purchased by the state. Various statutes have been passed which allow the RMD to insure, self-insure, or use a combination of both in all areas of insurance.

The insurance programs apply to all state agencies as defined in the Tort Claims Act, RMD provides coverage in the following areas:

- Liability and civil rights protection for claims made by others against the state;
- Coverage to protect the state's assets;
- Fringe benefits coverage for the state's employees. However, universities provide their group health programs.

There were no significant reductions or changes in insurance coverage from the prior year. Settled claims did not exceed coverage in any of the past three fiscal years.

NEW MEXICO STATE ETHICS COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 INTERAGENCY TRANSFERS AND DUE TO STATE GENERAL FUND

The Commission received inter-agency operating transfers from the New Mexico Department of Finance and Administration (DFA) for general appropriations made by the New Mexico state legislature. Each of the transfers was posted to the Commission's general fund account with New Mexico Department of Finance and Administration. The following are the transfers that were made:

SHARE				
Fund	Purpose	Agency Name, Business Unit, and Fund	In	Out
20780	(1)	New Mexico State General Fund - 34101 - 85300	\$ 900,300	\$ -
20780	(2)	New Mexico Department of Finance and Administration - 34100 - 62000	10,000	-
20780	(3)	New Mexico Department of Finance and Administration - 34100 - 62000	5,400	-
20780	(4)	New Mexico State General Fund - 34101 - 85300	-	71,364
			<u>\$ 915,700</u>	<u>\$ 71,364</u>

(1) State General Fund Appropriations

(2) Laws of 2021 Session 1, Chapter 137, Section 8

**NEW MEXICO STATE ETHICS COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS
YEAR ENDED JUNE 30, 2022**

Participants	Administering Agency Responsible Party	Description	Date of Agreement	
			Beginning	Ending
SEC/SOS	SEC	To provide shared authority for enforcement of the Campaign Reporting Act	12/20/2019	Until Termination
SEC/SOS	SEC	To provide shared authority for enforcement of the Lobbyist Regulation Act	12/20/2019	Until Termination
SEC/SOS	SEC	To provide shared authority for enforcement of Financial Disclosure Act	12/20/2019	Until Termination
SEC/SOS	SEC	To provide shared authority for enforcement of Voter Action Act	12/20/2019	Until Termination
SEC/GSD	SEC	To provide shared authority to investigate, adjudicate, and enforce the provisions of the Procurement Code	12/11/2019	Until Termination

**NEW MEXICO STATE ETHICS COMMISSION
SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Amendments	Participants	Total Amount	SEC Amount	Amount Expended as of 6/30/22	Audit Party	Fiscal Agent	Reporting Agency
	SEC/SOS	\$ -	\$ -	\$ -	Both	Both	Both
	SEC/SOS	-	-	-	Both	Both	Both
(1) 08/17/2021	SEC/SOS	-	-	-	Both	Both	Both
	SEC/SOS	-	-	-	Both	Both	Both
	SEC/GSD	-	-	-	Both	Both	Both



**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***

Mr. Brian S. Colón, Esq., New Mexico State Auditor and
Members of the Commission
New Mexico State Ethics Commission
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparison of the general fund of the New Mexico State Ethics Commission (the Commission), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing 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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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.

Mr. Brian S. Colón, Esq., New Mexico State Auditor and
Members of the Commission
New Mexico State Ethics Commission

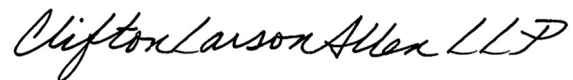
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 financial statements. 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 28, 2022

**NEW MEXICO STATE ETHICS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

**NEW MEXICO STATE ETHICS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
JUNE 30, 2022**

Section II – Financial Statement Findings

None

Section III – Summary of Prior Audit Findings

None

**STATE OF NEW MEXICO
NEW MEXICO STATE ETHICS COMMISSION
EXIT CONFERENCE
JUNE 30, 2022**

An exit conference was held on October 26, 2022 to discuss the current report. Those individuals in attendance were as follows:

NEW MEXICO STATE ETHICS COMMISSION

Jeffery Baker	Commission Member
Jeremy Farris	Executive Director
Wendy George	Chief Financial Officer

CLIFTONLARSONALLEN LLP

Matt Bone, CPA, CGMA, CGFM	Principal
Andres Gamez, CPA	Director

The financial statements were prepared by CliftonLarsonAllen LLP with assistance provided by the Commission's personnel. The Commission is responsible for the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. The Commission has reviewed and approved the financial statements and notes to the financial statements.

CliftonLarsonAllen LLP would like to acknowledge the courtesy and assistance extended to us during the course of the audit.

