

**STATE OF NEW MEXICO  
SENTENCING COMMISSION**

Annual Financial Statements  
For the Year Ended June 30, 2017  
(With Independent Auditors' Report Thereon)

## INTRODUCTORY SECTION

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
June 30, 2017

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STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Official Roster  
June 30, 2017

**Name**

**Title**

Marron Lee	Chair
Bob Cleavall	Vice Chair
Hector Balderas	Member
Arthur Pepin	Member
Martin Suazo	Member
Cindy Aragon	Member
Monique Jacobson	Member
David Schmidt	Member
Amy Orlando	Member
Michael Lilley	Member
Clint Wellborn	Member
Joel Garnett	Member
Frank Zubia	Member
Bennett Baur	Member
Scott Weaver	Member
Sheriff Manuel Gonzales	Member
Miles Hannisee	Member
Dave Jablonski	Member
April Land	Member
Spence Pacheco	Member
Mark Donatelli	Member

**Staff**

Linda Freeman	Executive Director
Tony Ortiz	Deputy Director (through 8/31/2017)
Douglas Carver	Deputy Director (as of 9/1/2017)
Amanda Armstrong	CFO

FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Members of the New Mexico Sentencing Commission  
and  
Timothy Keller  
New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison of the general fund of the New Mexico Sentencing Commission (the Commission), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3-5, be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or 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.

  
Burt & Company CPAs, LLC

October 27, 2017

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Management's Discussion and Analysis  
June 30, 2017  
(Unaudited)

The New Mexico Sentencing Commission's (the Commission) Management's Discussion and Analysis is designed to: (a) assist the reader in focusing on significant issues, (b) provide an overview of the Commission's financial activity, (c) identify changes in the Commission's financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the Commission's financial statements.

**Financial Highlights**

The New Mexico Sentencing Commission (originally known as the Criminal and Juvenile Justice Coordinating Council) was created under Section 9-3-10 NMSA 1978 in 1994 and officially began its activities in September 1995. During the 2003 legislative session, House Bill 510 became law, changing the agency's name to the New Mexico Sentencing Commission (the Commission) and expanding its duties.

The Commission serves as a criminal and juvenile justice policy resource to the State of New Mexico. The commission provides information, analysis, recommendations, and assistance from a coordinated cross-agency perspective to the three branches of government and interested citizens so that those citizens have the information and resources they need to make policy decisions that benefit the criminal and juvenile justice systems.

The Commission consists of members from diverse parts of the criminal justice system, including members of the Executive and Judicial branches, representatives of lawmakers, law enforcement officials, criminal defense attorneys, and members of citizens' interest groups.

**USING THIS ANNUAL REPORT**

The financial report includes the sections described below.

**Management's Discussion and Analysis**

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the Commission.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to be corporate-like in that all governmental activities are consolidated into one column. The Commission has no business type activities. The focus



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Management's Discussion and Analysis  
June 30, 2017  
(Unaudited)

of the Statement of Net Position (Unrestricted Net Position) is designed to be similar to the bottom line for the Commission and its governmental activities. This statement, for the first time, combines and consolidates governmental fund's current financial resources (short-term spendable resources) with capital assets and long term liabilities.

**Fund Financial Statements**

The Commission only has one fund – the general fund.

The Governmental Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the financial statement allows the demonstration of sources and uses and/or budgeting compliance associated therewith.

**Budgetary Comparisons**

In addition to MD&A, GASB Statement No. 34 requires budgetary comparison schedules for the general fund and for each major governmental fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. A separate column is presented to report variances between the final approved budget and actual amounts.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position – Governmental Activities**

	2017	2016
Current assets	\$ <u>252,457</u>	<u>328,457</u>
Current liabilities	\$ <u>142,562</u>	<u>327,472</u>
Net position		
Restricted	\$ -	985
Unrestricted	<u>109,895</u>	<u>-</u>
	<u>\$ 109,895</u>	<u>985</u>

The liabilities increased due to the restatement of deferred revenues. Refer to Note 10 for additional information on accounting for contract revenues and the restatement as prior year balances.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Management's Discussion and Analysis  
June 30, 2017  
(Unaudited)

**Statement of Activities**

The following schedule represents the revenues and expenses for government activities for the years ended June 30:

	2017	2016 (Restated)
State General Fund appropriations	\$ 524,600	574,700
Operating grants	55,507	181,448
Transfers-in	30,000	30,000
Reversions to the State General Fund	(985)	(1,851)
Total revenue	609,122	784,297
Program expenses	(603,616)	(787,713)
Change in net position	5,506	(3,416)
Net position, beginning of year	104,389	107,805
Net position, end of year	\$ 109,895	104,389

Revenues and expenses remained consistent due to no legislative changes in the Commission's budget for FY17 along with no changes in the MOU amount with UNM.

**THE COMMISSION'S FUNDS**

The Commission has one governmental fund, which is the General Fund.

**BUDGETARY HIGHLIGHTS**

There was a budget reduction by \$30,500 per SB9, Section 2A to the overall original operating budget, and an increase of \$50,000 for the LEAD Program Evaluation Contract.

**FINANCIAL CONTACT**

The Commission's financial statements are designed to present users with the general overview of the Commission's finances and to demonstrate the Commission's accountability. If you have questions about the report or need additional financial information, contact the Commission's Executive Director at MSC02 1625, 1 UNM, Albuquerque, NM 87131.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Statement of Net Position  
June 30, 2017

	<u>Governmental Activities</u>
<b>Assets</b>	
Interest in State General Fund Investment Pool	\$ 69,257
Due from UNM agency fund	156,884
Due from Santa Fe Community Foundation	11,316
Due from other State agency	<u>15,000</u>
<b>Total assets</b>	<b>\$ <u><u>252,457</u></u></b>
<b>Liabilities</b>	
Accounts payable	\$ 68,258
Due to State General Fund	<u>74,304</u>
<b>Total liabilities</b>	<u>142,562</u>
<b>Net Position</b>	
Restricted	-
Unrestricted	<u>109,895</u>
<b>Total net position</b>	<u>109,895</u>
<b>Total liabilities and net position</b>	<b>\$ <u><u>252,457</u></u></b>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Statement of Activities  
Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	Total
<b>Governmental activities</b>				
Judicial research services	\$ (603,616)	-	55,507	(548,109)
<b>General revenues</b>				
State general fund appropriations				524,600
Reversions				(985)
Intra-State transfers				<u>30,000</u>
<b>Total general revenues</b>				<u>553,615</u>
<b>Change in net position</b>				5,506
<b>Net position, beginning of year as previously reported</b>				985
<b>Restatement of contracts revenue (Note 10)</b>				<u>103,404</u>
<b>Net position, beginning of year as restated</b>				<u>104,389</u>
<b>Net position, end of year</b>				\$ <u>109,895</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Balance Sheet – Governmental Fund  
June 30, 2017

	<u>General Fund</u>
<b>Assets</b>	
Interest in State General Fund Investment Pool	\$ 69,257
Due from UNM agency fund	156,884
Due from Santa Fe Community Foundation	11,316
Due from other State agency	15,000
<b>Total assets</b>	<b>\$ 252,457</b>
<b>Liabilities and Fund Balance</b>	
Liabilities	
Accounts payable	\$ 68,258
Due to State General Fund	74,304
<b>Total liabilities</b>	<b>142,562</b>
Fund balance	
Restricted	-
Unassigned	109,895
<b>Total fund balance</b>	<b>109,895</b>
<b>Total liabilities and fund balance</b>	<b>\$ 252,457</b>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2017

Fund balances - total governmental funds	\$ <u>109,895</u>
Net position of governmental activities	\$ <u>109,895</u>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund  
Year Ended June 30, 2017

		<u>General Fund</u>
<b>Revenue</b>	\$	55,507
<b>Expenditures</b>		
Current:		
In-state travel		3,120
Administrative		866
Professional services		599,630
<b>Total expenditures</b>		<b>603,616</b>
Excess (Deficiency) of revenues over expenditures		(548,109)
<b>Other financing sources (uses)</b>		
State General Fund appropriations		524,600
Reversions to State General Fund		(985)
Intra-State transfers		30,000
<b>Total other financing sources (uses)</b>		<b>553,615</b>
Net change in fund balance		5,506
<b>Fund balance, beginning of year as previously reported</b>		985
<b>Restatement of contracts revenue (Note 10)</b>		103,404
<b>Fund balance, beginning of year as restated</b>		<b>104,389</b>
<b>Fund balance, end of year</b>	\$	<b>109,895</b>

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances to the Statement of Activities  
Year Ended June 30, 2017

Net change in fund balances - Total governmental fund	\$ <u>5,506</u>
Change in net position of governmental activities	\$ <u>5,506</u>

The accompanying notes are an integral part of this financial statement.



STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual (Non- GAAP Budgetary Basis)	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Contract revenues	\$ 22,000	72,000	22,191	(49,809)
Total revenues	<u>22,000</u>	<u>72,000</u>	<u>22,191</u>	<u>(49,809)</u>
Expenditures:				
Contractual services	602,600	622,600	576,237	46,363
Other costs	<u>4,500</u>	<u>4,000</u>	<u>3,986</u>	<u>14</u>
Total expenditures	<u>607,100</u>	<u>626,600</u>	<u>580,223</u>	<u>46,377</u>
Excess (Deficiency) of revenues over expenditures	<u>(585,100)</u>	<u>(554,600)</u>	<u>(558,032)</u>	<u>3,432</u>
Other financing sources (uses):				
State general fund appropriations	555,100	524,600	524,600	-
Intra-State transfers	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total other financing sources (uses)	<u>585,100</u>	<u>554,600</u>	<u>554,600</u>	<u>-</u>
Net change in fund balance	\$ <u>-</u>	<u>-</u>	(3,432)	<u>3,432</u>
RECONCILIATION TO GAAP BASIS:				
Reversion for FY15			(985)	
Receivables			33,316	
Payables			<u>(23,393)</u>	
Net change in fund balance GAAP basis		\$	<u>5,506</u>	

The accompanying notes are an integral part of this financial statement.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Notes to Financial Statements  
June 30, 2017

1. Organization and Operations

The New Mexico Sentencing Commission (originally known as the Criminal and Juvenile Justice Coordinating Council) was created under Section 9-3-10 NMSA 1978 in 1994 and officially began its activities in September 1995. During the 2003 legislative session, House Bill 510 became law, changing the agency's name to the New Mexico Sentencing Commission (the Commission) and expanding its duties. Currently, the Commission is a state agency vouchering through the Department of Finance and Administration (DFA) for the annual state appropriation activity. Pursuant to an Intergovernmental Agreement between the Commission and the University of New Mexico (UNM), UNM provides staff for the Commission who are paid as UNM employees.

The New Mexico Legislature created the Commission to assess, monitor and report to the legislature on the impact of any enacted sentencing standards and guidelines on state and local correctional resources and programs and the need for further sentencing reform.

2. Summary of Significant Accounting Policies

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The more significant of the Commission's accounting policies are described below:

A. Financial Reporting Entity

The chief executive of the Commission is the Executive Director, who is appointed by the majority of the Members of the Commission. The Commission is administratively attached to the Office of the Governor and these financial statements include all funds and activities over which the Executive Director has oversight responsibility.

The Commission is included in the financial statements of the State of New Mexico. The Commission has no component units.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and 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. The Commission is a single purpose government entity and has no business type activities. In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. These statements include the financial activities of the overall government except for fiduciary funds (the Commission does not have any).

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements (continued)

The net cost by function is normally covered by general revenue. Since the Commission only has one program, it does not employ indirect cost allocation in the financial statements.

This government-wide focus is more on the sustainability of the Commission as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Commission's actual experience conforms to the budget or fiscal plan. Since the governmental focus and basis of accounting is different than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation. The Commission, however, had no reconciling items for the year ended June 30, 2017. The Commission's major fund is its general fund.

C. Basis of Presentation - Fund Accounting

The financial transactions of the Commission are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures and other financing sources or uses.

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The various funds are summarized by type and reported by generic classification in the accompanying financial statements. GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues, or expenditures. The general fund is always considered a major fund. The Commission uses the following fund types:

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation - Fund Accounting (continued)

Governmental Fund Types

The focus of Governmental Fund measurements (in the financial statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Commission.

*General Fund (SHARE Fund #00347 - reverting)* - The General Fund is the general operating fund of the Commission and it is used to account for all financial resources. This is a reverting fund.

D. 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 governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

The basis of accounting refers to the point at which revenues and expenditures 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. The government-wide financial statements are presented on an accrual basis of accounting. The government funds in the fund financial statements are presented on a modified accrual basis. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and

STATE OF NEW MEXICO  
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Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

therefore will not be recognized as an outflow of resources (expenses/expenditures) until then. In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section or deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The Commission did not have any items that qualified for reporting in these categories for the year ended June 30, 2017.

The Commission received appropriations under the annual General Appropriations Act. The total appropriation is received in equal monthly allotments. The revenue is recorded when received. All allotments are received during the fiscal year. Any unexpended balances remaining at the end of the fiscal year shall revert to the State General Fund by September 30, 2017.

Contract revenues are recorded when all eligibility requirements have been met, typically when the underlying expenditures have been incurred.

Expenditures are recorded as liabilities when incurred.

E. Budget and Budgetary Accounting

Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Commission within the limitations as specified in the General Appropriations Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

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-Financial Control Division, 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.

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Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

E. Budget and Budgetary Accounting (continued)

3. Budget hearings are then scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the State's General Appropriations Act (Act).
4. The Act is signed into Law by the Governor of the State of New Mexico within the prescribed time limit, at which time the approved budget becomes a legally binding document.
5. The Commission then submits, on or before May 1, an annual operating budget request by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget which becomes effective on July 1.

All subsequent budgetary adjustments must be approved by the Director of the DFA-Budget Division and the LFC. There was a \$30,500 budget reduction, and a \$50,000 budget increase for the Commission for the year ended June 30, 2017.

The budget is adopted on a modified accrual basis of accounting (Senate Bill 313, General Appropriations Act of 2014) except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline.

F. Fund Balance

In the fund level financial statements, fund balance reserves represent those portions of fund equity not available for appropriation or expenditure or legally segregated for a specific future use. In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Commission classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors or amounts constrained due to enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

F. Fund Balance (continued)

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the management.

Unassigned - includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

G. Net Position

The government-wide fund financial statements utilize a net position presentation. Net position are 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* - is intended to reflect the portion of net position which are associated with non-liquid, capital assets.

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

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

When both restricted an unrestricted resources are available for use, it is the Commission's policy to use restricted first, then unrestricted resources as they are needed.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Notes to Financial Statements  
June 30, 2017

2. Summary of Significant Accounting Policies (continued)

I. Investments

The Commission's appropriation and statutory funds are held on deposit with the State Treasurer's Office. Contract and grant funds are held by UNM for the Commission.

J. Capital Assets

The Commission does not have any capital assets.

K. Reversions

The annual State appropriation funds that have not been expended, generally revert to the State General Fund. Accordingly, any reversions have been recorded in the current year for State General Fund appropriations. For fiscal year 2017, the appropriation was non-reverting.

3. Deposits

The Commission is authorized under the provision of Chapter 6, Article 10, paragraph 10, NMSA 1978, annotated, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

All money not immediately necessary for the public uses of the Commission may be invested in bonds or negotiable securities of the United States, the state or any county, municipality or town, securities that are issued by the United States government or by its agencies or instrumentalities or in contracts with banks, savings, and loan associations or credit unions for the present purchase and resale at a specified time in the future or specific securities. If the Commission is unable to receive payment on public money at the rate of interest set forth by the State Board of Finance from financial institutions within the geographic boundaries of the governmental unit, the Commission may invest its money as provided under Section 6-10-10.1 NMSA 1978 with the State Treasurer's investment pool for a period greater than 181 days. The State Treasurer's investment pool shall be invested as provided for State funds under Section 60-10-10 NMSA 1978. The Commission has not formally adopted a deposit and investment policy that limits the government's allowable deposits or investments and addresses the specific types of risk to which the government is exposed.

4. Interest in the General Fund Investment Pool

To comply 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 New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.



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June 30, 2017

4. Interest in the General Fund Investment Pool (continued)

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 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 continuing. 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.

The purpose of this memo is to provide the following assertions,

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.

At June 30, 2017, the Commission had the following invested in the General Fund Investment Pool:

Interest in the State General Fund Investment Pool	\$ 69,257
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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.

5. Operating Leases

The Commission leases an automobile for traveling to board meetings in Santa Fe and around the State of New Mexico with a lease term of one year.

Lease expenditures for the year ended June 30, 2017 were \$2,160.

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June 30, 2017

6. Risk Management

The Commission is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, employer obligations and natural disasters for which the Commission carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, Transportation Property and Bond Premium) with the State of New Mexico Risk Management Division (RMD) of the General Services Department. Insurance premiums are allocated to and paid by all budgeted activities within the general fund.

The Commission, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the RMD of the State of New Mexico. Premiums are charged to the Commission by RMD based upon activity and provide coverage in the following areas:

- 1) Liability and civil rights protection for claims made by others against the State of New Mexico;
- 2) Coverage to protect the State of New Mexico's property and assets.

The Commission is not involved in pending legal matters as of June 30, 2017.

7. Intergovernmental Agreement

The Commission entered into an intergovernmental agreement for the period of July 1, 2015 through June 30, 2018 with the University of New Mexico (UNM). Under this agreement, the Commission deposits bi-monthly payments into a UNM agency account from their state appropriation funding. UNM serves as the fiscal agent providing administrative and recordkeeping services, including payroll and purchase orders, along with office space and other support services. As the fiscal agent for the Commission, UNM receives a 9% management fee on the monthly expense amount. At the end of the fiscal year, there were unspent funds remaining in the agency accounts. For the agency accounts with reverting funds, a Due to State General Fund was booked. For fiscal year 2017, the appropriation was non-reverting.

8. Interagency Transfers

During the 2017 fiscal year, \$60,000 of actual deposits were received by the fiscal agent for years 2017 and 2016 for the annual \$30,000 appropriation pursuant to the County Detention Facility Reimbursement Act (NMSA 33-3B-4(2)). These funds are not subject to reversion.

9. Contracts Revenue

During the fiscal year 2017, the Commission entered into a Memorandum of Understanding (MOU) with the following agency:

- State of New Mexico Corrections Department (Index 931437)

STATE OF NEW MEXICO  
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June 30, 2017

9. Contracts Revenue (continued)

The purpose of the contract was to perform additional research services and projects for the 2017 fiscal year. The Commission is paying UNM's personnel to perform the services required under this contract.

10. Contracts Revenue Restatement

In prior fiscal years, the Commission was a party to a contract with the State of NM Corrections Department to perform research services. The Commission is paying UNM's personnel to perform the services pursuant to the Intergovernmental Agreement in Note 7.

Additionally, the Commission has obligations under the County Detention Act in Note 8, and pays UNM's personnel to perform the services to meet its obligations under the Act.

The revenues and expenditures for the above were not recorded in the general ledger in prior years. To correct this error, the beginning balances of net position have been increased by \$103,404. The effect of the restatement on each of the change in net position and net change in fund balance for the year ended June 30, 2017 was an increase of \$103,404.

11. Reversion

As of June 30, 2017, \$74,304 was due to the State General Fund (SHARE Fund (34700)) for the fiscal year 2015 reversion.

12. Change in Accounting Principle for Amounts Reverted to State General Fund

Section 6-5-10 NMSA 1978 requires that all unreserved undesignated fund balances in reverting funds and accounts as of June 30 shall revert by September 30 to the general fund. Historically, the Department of Finance and Administration's (DFA) Year-End Deadlines policy (commonly referred to as 'closing instructions') required state agencies to record reversions to the state general fund not settled by June 30 to the "Due to State General Fund" liability account (234900) as of June 30 of each fiscal year end. The historical policy required state agencies to execute a transfer in the subsequent fiscal year to relieve the amount "Due to State General Fund" and reduce the agency's "Investment in State General Fund Investment Pool".

Pursuant to DFA's ADDENDA TO ACCOUNTING POLICY STATEMENT FOUR – CUSTODIAL FUNDS dated July 14, 2017, DFA adopted a change of accounting policy applicable to all state agencies in fiscal year 2017 for amounts reverted to the state general fund. Under the new policy, DFA requires state agency reversions to the state general fund to be accounted for as both a reversion and a reduction in the reverting agency's "Investment in State General Fund Investment Pool" as of June 30, using the State's adjustment period, if the entry was processed by September 30, 2017. In accordance with the new policy, no "Due to State

STATE OF NEW MEXICO  
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June 30, 2017

12. Change in Accounting Principle for Amounts Reverted to State General Fund (continued)

General Fund” liability is reported in the Commission’s financial statements as of June 30, 2017 because the Commission’s “Investment in State General Fund Investment Pool” balance has been reduced by the amount reverted to the state general fund. The reversion to be reverted is \$74,304 and it is from fiscal year 2015.

13. Subsequent Events

The Commission has evaluated subsequent events through October 27, 2017, which is the date the financial statements have been issued and have determined no subsequent events require disclosure or adjustment to the financial statements.

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*

Members of the State of New Mexico Sentencing Commission  
and  
Mr. Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund for the State of New Mexico Sentencing Commission (the Commission), as of and for the year ended June 30, 2017, 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 27, 2017.

**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) 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 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 Commission'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 material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness listed as 2017-001.

### **Compliance and Other Matters**

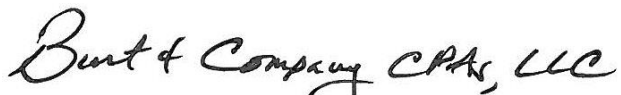
As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of finding and responses as item 2017-002.

### **The Commission's Responses to Findings**

The Commission's responses to these findings are described in the accompanying schedule of findings and responses. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Burt & Company CPAs, LLC

October 27, 2017

STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Summary Schedule of Findings and Responses  
June 30, 2017

Prior Year Findings

Status

2014-002	Contract Revenue Accounting	Repeated as 2017-001
2014-005	Budget Overspending	Resolved

Current Year Findings

2017-001 (2014-002)	Contract Revenue Accounting
2017-002	Reversion to the State General Fund

STATE OF NEW MEXICO  
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Schedule of Findings and Responses  
June 30, 2017

**CURRENT YEAR FINDINGS**

**2017-001 (2014-002) Contract Revenue Accounting – Material Weakness**

Condition: During our audit, we noted that the Commission entered into several contracts with outside entities to perform research for a contractual amount. From these grants, \$33,316 revenues and related expenditures were accounted for by UNM within agency accounts. These contract activities and changes in cash and ending fund balance were not recorded in the Commission's general ledger in SHARE. Lack of progress towards implementing the prior year corrective action plan was due to UNM personnel turnover.

Criteria: Per NMAC 2.2.2.12(5)(a). "The state maintains the centralized accounting system, SHARE; the SHARE data and reports are the original book of record that the auditor is auditing. If the agency maintains a separate accounting system, it should be reconciled with the SHARE system and all applicable adjustments should be recorded in SHARE periodically throughout the fiscal year... "

Effect: Because the activity was not recorded in the Commission's general ledger; the SHARE financial reports were not accurate and material adjusting entries were required.

Cause: Turnover in the accounting function caused the problem in recording the UNM activity to SHARE.

Recommendation: We recommend that the Commission implement procedures to record all of its transactions in the SHARE general ledger.

Commission's Response: The Commission agrees that this ongoing problem was not fully rectified in FY17. The CFO made journal entries to record the Santa Fe LEAD program evaluation revenue and expenses. Additionally, preliminary journal entries were prepared for (but not entered in SHARE) for the other contracts. These preliminary journal entries were given to the audit team at the beginning of the audit process to review and correct. Additionally, the CFO did not use the full accrual method for preparing these entries. The auditor helped the CFO to correct the entries and her methodology will be used in FY18. The CFO will prepare full accrual journal entries on a quarterly basis for entry into SHARE. Additionally, the CFO will explore the necessity of doing monthly entries. This problem will be fully resolved in FY18.

**2017-002 Reversion to State General Fund (Other Non-Compliance)**

Condition: Amount due to the State General Fund for \$74,304 has not been reverted as required by State Statute. The reversion occurred for the year ended June 30, 2015.

Criteria: New Mexico State Statute Section 6-5-10 requires that all unreserved, undesignated fund balance in reverting funds and accounts at year end shall revert by September 30<sup>th</sup> to the State General Fund. The division may adjust the reversion within ten days of release of the audit report for that fiscal year.



STATE OF NEW MEXICO  
SENTENCING COMMISSION  
Schedule of Findings and Responses  
June 30, 2017

Effect: The Commission is not in compliance with the state statute.

Cause: The Commission is not reconciling its financial data on a timely basis which caused the Commission to not revert monies on a timely basis.

Recommendation: Recommend the Commission comply with state statute requirements concerning reversions of monies to the State General Fund.

Commission's Response: The agency's CFO has implemented a process to determine the reversion and to revert timely. This process will be fully implemented in FY 18.

STATE OF NEW MEXICO  
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Exit Conference  
June 30, 2017

**Exit Conference**

An exit conference was held on October 27, 2017 to discuss the audit. The following individuals were in attendance:

State of New Mexico Sentencing Commission

Bob Cleavall	Commission Vice Chair
Linda Freeman	Executive Director
Douglas Carver	Deputy Director
Amanda Armstrong	CFO

Burt & Company CPAs, LLC

Ronald E. Schranz, CPA, CVA	Partner
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Auditor Prepared Financial Statements

The financial statements were prepared by Burt & Company CPAs, LLC 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.