



**STATE OF NEW MEXICO
SENTENCING COMMISSION**

FINANCIAL STATEMENTS

JUNE 30, 2012

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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SENTENCING COMMISSION**

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**STATE OF NEW MEXICO
SENTENCING COMMISSION
Official Roster
June 30, 2012**

Chair - Marron Lee

Vice Chair - Billy Blackburn

Members

Cynthia Aragon
Bob Cleavall
Raymond Cobos
Jacqueline Cooper
Yolanda Deines
Mark Donatelli
Gorden E. Eden, Jr.
Joel Garnett
Gary King
Ricky Madrid
Gregg Marcantel
Amy Orlando
Arthur Pepin
John Pope
Jerry Ritter
David Schmidt
Hanna Skandera
Martin Suazo
Michael Vigil
Kevin Washburn

Staff

Tony Ortiz, Executive Director
Linda Freeman, Deputy Director
Renee Cordova, Business Manager

Report of Independent Auditors

Mr. Hector H. Balderas
New Mexico State Auditor
and
State of New Mexico
Sentencing Commission

We have audited the accompanying financial statements of the governmental activities, the major fund and budgetary comparison, of the State of New Mexico Sentencing Commission (Commission) as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mr. Hector H. Balderas
New Mexico State Auditor
and
State of New Mexico
Sentencing Commission

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 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 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.

Mess Adams LLP

Albuquerque, New Mexico
December 11, 2012

**STATE OF NEW MEXICO
SENTENCING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

The Sentencing Commission (Commission) 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, please read it in conjunction with the Commission's financial statements.

AGENCY BACKGROUND

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 New Mexico Sentencing Commission (Commission) and expanding its duties.

The New Mexico Sentencing Commission (NMSC) serves as a criminal and juvenile justice policy resource to the State of New Mexico. NMSC 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 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.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2012**

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 of the Statement of Net Assets (Unrestricted Net Assets) is designed to be similar to a 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.

The Statement of Activities is focused on cost of various activities which are provided by the Commission's general and other revenues. This is intended to summarize and simplify the user's analysis of the cost of services.

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.

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets – Governmental Activities

	2012	2011
Current assets	<u>\$ 84,267</u>	<u>223,369</u>
Current liabilities	<u>\$ 84,267</u>	<u>202,264</u>
Net assets		
Unrestricted	<u>\$ -</u>	<u>21,105</u>

The assets and liabilities decreased due to timing issues in the final payments of the MOU in the prior year. In addition, the Commission did not have any receivables or payables related to contract activity in 2012.

Statement of Activities

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

	2012	2011
State General Fund appropriations	\$ 529,800	657,700
Contract revenue	-	132,343
Transfers-in	30,000	30,000
Reversions to the State General Fund	<u>(49)</u>	<u>(390)</u>
Total revenue	559,751	819,653
Program expenses	<u>580,856</u>	<u>819,653</u>
Change in net assets	(21,105)	-
Net assets, beginning of year	<u>21,105</u>	<u>21,105</u>
Net assets, end of year	<u>\$ -</u>	<u>21,105</u>

Revenues and expenses decreased due to legislative decreases in the Commission's budget for FY12 along with no contract activity in FY12.

THE COMMISSION'S FUNDS

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

**STATE OF NEW MEXICO
SENTENCING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2012**

BUDGETARY HIGHLIGHTS

There were no significant changes to the overall original operating budget. There was only one budget adjustment request approved to expend the last of the Commission's non-reverting funds in the current fiscal year.

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 CFO at 1915 Los Lomas, Albuquerque, NM 87131.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
STATEMENT OF NET ASSETS
June 30, 2012**

	Governmental Activities
ASSETS	
Interest in State General Fund Investment Pool	\$ 84,627
Total assets	<u>84,627</u>
LIABILITIES	
Accounts payable	84,578
Due to State General Fund	<u>49</u>
Total liabilities	<u>84,627</u>
NET ASSETS	
Unrestricted	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants
			Governmental Activities
Governmental Activities			
Judicial research services	\$ (580,856)	-	-
			\$ (580,856)
General Revenues			
State General Fund appropriations			529,800
Reversions			(49)
Transfers in			30,000
			<u>559,751</u>
Total general revenues			<u>559,751</u>
Change in net assets			(21,105)
Net assets, beginning of year			<u>21,105</u>
Net assets, end of year			<u>\$ -</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
 SENTENCING COMMISSION
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2012**

	<u>General Fund</u>
ASSETS	
Interest in State General Fund Investment Pool	\$ 84,627
Total assets	<u>\$ 84,627</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 84,578
Due to State General Fund	49
Total liabilities	<u>84,627</u>
Fund balance	
Unassigned	<u>-</u>
Total liabilities and fund balance	<u>\$ 84,627</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Fund balances - total governmental fund

\$ -

Net assets of governmental activities

\$ -

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	<u>General Fund</u>
Revenue	<u>\$ -</u>
Expenditures	
Current	
In-state travel	4,551
Professional services	576,305
Total expenditures	<u>580,856</u>
Excess of expenditures over revenue	<u>(580,856)</u>
Other Financing Sources (Uses)	
State General Fund appropriations	529,800
Reversions to State General Fund	(49)
Transfers in	30,000
	<u>559,751</u>
Excess (deficiency) of revenues over expenditures and other financing sources	(21,105)
Fund balance, beginning of year	<u>21,105</u>
Fund balance, end of year	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

Net change in fund balances - total governmental fund \$ (21,105)

Change in net assets of governmental activities \$ (21,105)

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL GENERAL FUND
Year Ended June 30, 2012**

	Budget Original	Final	Actual	Variance Favorable (Unfavorable)
Revenues				
State General Fund appropriation	\$ 529,800	529,800	529,800	-
Intra-State transfers	30,000	30,000	30,000	-
Reversions	-	-	(49)	(49)
Total revenues	559,800	559,800	559,751	(49)
Expenditures				
Contractual services	555,200	576,305	576,305	-
Other	4,600	4,600	4,551	49
Total expenditures	559,800	580,905	580,856	49
Excess of revenue over expenditures	-	(21,105)	(21,105)	-
Fund balance budgeted	-	21,105		
	\$ -	-		

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 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 New Mexico Sentencing Commission (Commission) and expanding its duties. Currently, the Commission is a state agency vouchering through the Department of Finance and Administration (DFA).

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.

NOTE 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 Board of Directors. The Commission is a department of the executive branch 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.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Commission is a single purpose government entity and has no business type activities. In the government-wide Statement of Net Assets, 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).

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. Program revenues consist of contract revenues.

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.

As permitted by GASB Statement No. 20, the Commission has elected not to apply pronouncements of the Financial Accounting Standards Board (FASB) issued subsequent to November 30, 1989.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

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 with the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting 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, 2012. The Commission's major fund is its general fund.

The following fund types are used by the Commission:

GOVERNMENTAL FUND TYPES

All 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 (revenues 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.

General Fund - The General Fund is the general operating fund of the Commission. It is used to account for all financial resources (SHARE Fund #00347).

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

The basis of accounting refers to the point at which revenues or 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 applies. The Government-Wide Financial Statements are presented on an accrual basis of accounting. The Governmental 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.

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period; available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues from taxes are recorded when both earned and are considered available, that is received within 60 days of year-end. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

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. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets 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. No later than September 1, the Commission submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), 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. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriations Act.
3. The Act is then signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. Not later than May 1, the Commission submits to DFA an annual operating budget 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.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

All subsequent budgetary adjustments must be approved by the Director of the DFA-Budget Division and LFC.

The budget is adopted on a modified accrual basis of accounting (General Appropriations Act, Laws of 2006, Chapter 109, Section 3, Subsection O and N) 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. The Commission has not included such reconciliation for fiscal year 2012 as all payable were paid by the statutory deadline.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund.

E. 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 Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54), the Sentencing 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 (CONTINUED)
June 30, 2012**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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 balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

F. Net Assets

The government-wide and business types Fund Financial Statements utilize a net asset presentation. Net Assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Unrestricted Net Assets – represent unrestricted liquid assets. The Commission only has unrestricted net assets.

G. 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.

NOTE 3. INTEREST IN THE GENERAL FUND INVESTMENT POOL

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 3. INTEREST IN THE GENERAL FUND INVESTMENT POOL

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent third-party verification/confirmation of the Commission's balances at the business unit/fund level is not possible. The diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance and Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control. The New Mexico Department of Finance & Administration (DFA) is responsible for the reconciliation of these accounts. However, the Commission has internal controls to ensure the balance is accurately reported.

At June 30, 2012 the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool	\$84,627
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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 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, 2012.

NOTE 4. FUND BALANCE

During the current fiscal year, the Agency was approved by DFA to spend the last of their non-reverting funds that had been carried over as fund balance from a previous year. Non-reverting funds expended as of June 30, 2012 totaled \$21,105. As of June 30, 2012, ending fund balance totaled \$0.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 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 less than one year.

Lease expenditure for the automobile for the year ended June 30, 2012 was \$1,596.

NOTE 6. CONTINGENT LIABILITIES

The Commission, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. Annual premiums are paid to the Office of Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverages to protect the State of New Mexico's property and assets; and
3. The Commission is not involved in pending legal matters as of June 30, 2012.

NOTE 7. MEMORANDUM OF UNDERSTANDING

For the fiscal year ended June 30, 2012, the Commission entered into a memorandum of understanding with the University of New Mexico (UNM). Under this agreement, UNM provides administrative and record keeping services along with office space and other support services. The cost of these services to the Commission shall not exceed \$559,800.

NOTE 8. REVERSIONS

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year end. Reversions due to State General Fund are comprised of the following at June 30, 2012:

General Fund - SHARE Fund 00347

Budget year 2012 reversion	\$ <u>49</u>
Total reversions due to State General Fund	\$ <u>49</u>

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012**

NOTE 9. TRANSFERS FROM OTHER STATE AGENCIES

The Commission received transfers from the State General Fund (SHARE Fund #85300) in the amount of \$30,000 during both fiscal years 2012 and 2011 for its annual appropriation pursuant to the County Detention Facility Reimbursement Act (NMSA 33-3B-4(2)).

Report of Independent Auditors 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. Hector H. Balderas
New Mexico State Auditor
and
State of New Mexico
Sentencing Commission

We have audited the financial statements of the governmental activities, the major fund and budgetary comparison of the New Mexico Sentencing Commission (Commission) as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 11, 2012. 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.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financing reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 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.

Mr. Hector H. Balderas
New Mexico State Auditor
and
State of New Mexico
Sentencing Commission

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management, the Commission, others within the entity, and the State Auditor and the New Mexico Legislature and its committees, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
December 11, 2012

**STATE OF NEW MEXICO
SENTENCING COMMISSION
SCHEDULE OF AUDIT FINDINGS
June 30, 2012**

Status of Prior Year Findings

06-01 Reversions	Resolved
08-01 Contract Accounting & Budget	Resolved

Current Year Findings

None

**STATE OF NEW MEXICO
SENTENCING COMMISSION
EXIT CONFERENCE
June 30, 2012**

An exit conference was held on December 7, 2012, and attended by the following individuals:

New Mexico Sentencing Commission

Marron Lee, Chair
Tony Ortiz, Executive Director
Linda Freeman, Deputy Director, CFO
Renee Cordova, Business Manager

Moss Adams LLP

Larry Carmony, Partner
Jenny Harrington, Senior

The financial statements were prepared with the assistance of Moss Adams LLP from the books and records of the Commission.

