



**STATE OF NEW MEXICO
SENTENCING COMMISSION**

FINANCIAL STATEMENTS

JUNE 30, 2013

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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STATE OF NEW MEXICO SENTENCING COMMISSION

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SENTENCING COMMISSION**

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**STATE OF NEW MEXICO
SENTENCING COMMISSION
Official Roster
June 30, 2013**

Chair - Marron Lee

Vice Chair - Bob Cleavall

Members

Jorge Alvarado
Cynthia Aragon
Matt Chandler
Raymond Cobos
Yolanda Deines
Mark Donatelli
Gorden E. Eden, Jr.
Joel Garnett
Gary King
Gregg Marcantel
Max Minzner
Kay Monaco
Amy Orlando
Arthur Pepin
Jerry Ritter
David Schmidt
Hanna Skandera
Martin Suazo
Judge Michael Vigil
Michael Vigil

Staff

Tony Ortiz, Executive Director
Linda Freeman, Deputy Director
Renee Cordova, Business Manager
Amir Chapel, Professional Intern

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison for the general fund of the State of New Mexico Sentencing Commission (Commission) as of and for the year ended June 30, 2013, 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 Commission'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 Commission'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Commission as of June 30, 2013, 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.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Commission are intended to present the financial position and changes in financial position of only that portion of the governmental activities, the major 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, 2013, and the changes in its financial position and budgetary comparison for the year then ended in conformity 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 5 through 8 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 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 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 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.

Mess Adams LLP

Albuquerque, New Mexico
December 12, 2013

**STATE OF NEW MEXICO
SENTENCING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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 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 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, 2013**

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 Position (Unrestricted Net Position) 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, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position – Governmental Activities

	2013	2012
Current assets	<u>\$ 85,045</u>	84,267
Current liabilities	<u>\$ 85,045</u>	84,267
Net position		
Unrestricted	<u>\$ -</u>	-

The assets and liabilities increased 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 2013.

Statement of Activities

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

	2013	2012
State General Fund appropriations	\$ 529,800	529,800
Transfers-in	30,000	30,000
Reversions to the State General Fund	<u>(127)</u>	<u>(49)</u>
Total revenue	559,673	559,751
Program expenses	<u>559,673</u>	580,856
Change in net position	-	(21,105)
Net position, beginning of year	<u>-</u>	<u>21,105</u>
Net position, end of year	<u>\$ -</u>	-

Revenues and expenses decreased due to no legislative changes in the Commission's budget for FY13 along with no contract activity in FY13.

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, 2013**

BUDGETARY HIGHLIGHTS

There were no significant changes to the overall original operating budget. There were no budget adjustment requests 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 POSITION
 June 30, 2013**

	Governmental Activities
ASSETS	
Interest in State General Fund Investment Pool	\$ 85,045
Total assets	<u>85,045</u>
LIABILITIES	
Accounts payable	84,918
Due to State General Fund	<u>127</u>
Total liabilities	<u>85,045</u>
NET POSITION	
Unrestricted	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

	<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	\$ (559,673)	-	-
			\$ (559,673)
General Revenues			
State General Fund appropriations			529,800
Reversions			(127)
Transfers in			30,000
			<u>559,673</u>
Total general revenues			<u>559,673</u>
Change in net position			-
Net position, beginning of year			<u>-</u>
Net position, end of year			<u><u>\$ -</u></u>

See Notes to Financial Statements.

STATE OF NEW MEXICO
 SENTENCING COMMISSION
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2013

	<u>General Fund</u>
ASSETS	
Interest in State General Fund Investment Pool	\$ 85,045
Total assets	<u>\$ 85,045</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 84,918
Due to State General Fund	<u>127</u>
Total liabilities	85,045
Fund balance	
Unassigned	<u>-</u>
Total liabilities and fund balance	<u>\$ 85,045</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

Fund balances - total governmental fund	\$ -
Net position 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, 2013**

	<u>General Fund</u>
Revenue	<u>\$ -</u>
Expenditures	
Current	
In-state travel	4,473
Professional services	<u>555,200</u>
Total expenditures	<u>559,673</u>
 Excess of expenditures over revenue	 <u>(559,673)</u>
Other Financing Sources (Uses)	
State General Fund appropriations	529,800
Reversions to State General Fund	(127)
Transfers in	<u>30,000</u>
	<u>559,673</u>
Excess (deficiency) of revenues over expenditures and other financing sources	-
Fund balance, beginning of year	<u>-</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, 2013**

Net change in fund balances - total governmental fund \$ -

Change in net position of governmental activities **\$ -**

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, 2013

	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	-	-	(127)	(127)
Total revenues	559,800	559,800	559,673	(127)
Expenditures				
Contractual services	555,200	555,200	555,200	-
Other	4,600	4,600	4,473	127
Total expenditures	559,800	559,800	559,673	127
Excess of revenue over expenditures	-	-	-	-
Fund balance budgeted	-	-		
	\$ -	-		

See Notes to Financial Statements.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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, 2013**

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 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).

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.

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, 2013. The Commission's major fund is its general fund.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

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). This is a reverting fund.

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.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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.

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.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting (Continued)

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.

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 (House Bill, General Appropriations Act of 2012) 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 2013 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.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.
- 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 Position

The government-wide statements utilize a net position presentation. Net Position is categorized as net investment in capital assets, restricted and unrestricted.

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

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a “business unit by fund” level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled “Current State Diagnostic of Cash Control,” also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State’s SHARE system configuration, cash accounting policies and procedures, business practices,

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 3. INTEREST IN THE GENERAL FUND INVESTMENT POOL (CONTINUED)

and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund. However, the Commission has internal controls to ensure the balance is accurately reported.

The Commission employs internal controls and cash management practices and techniques in order to monitor and verify the Commission's cash position. The cash management processes of the Commission include, regular monitoring of the agency's balance in the State General Fund Investment Pool (SGFIP) reflected in the SHARE accounting system, monthly reconciliation of all activity in the SGFIP.

At June 30, 2013 the Department had the following invested in the General Fund

Investment Pool:

Interest in State General Fund Investment Pool	\$85,045
--	----------

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, 2013.

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 4. 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, 2013 was \$1,596.

NOTE 5. 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, 2013.

NOTE 6. MEMORANDUM OF UNDERSTANDING

For the fiscal year ended June 30, 2013, 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 7. 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, 2013:

General Fund - SHARE Fund 00347

Budget year 2013 reversion	\$ <u>127</u>
Total reversions due to State General Fund	\$ <u>127</u>

**STATE OF NEW MEXICO
SENTENCING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013**

NOTE 8. 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 2013 and 2012 for its annual appropriation pursuant to the County Detention Facility Reimbursement Act (NMSA 33-3B-4(2)).

NOTE 9. 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. During the fiscal year ended June 30, 2013, the insurance premiums paid not including employee health insurance premiums to the Risk Management Division were \$1,850.

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the State of New Mexico Sentencing Commission (Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 12, 2013.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

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 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 Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
December 12, 2013

**STATE OF NEW MEXICO
SENTENCING COMMISSION
SCHEDULE OF AUDIT FINDINGS
June 30, 2013**

Status of Prior Year Findings

None

Current Year Findings

None

**STATE OF NEW MEXICO
SENTENCING COMMISSION
EXIT CONFERENCE
June 30, 2013**

An exit conference was held on December 12, 2013, 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

Jason Galloway, Senior Manager
Jenny Harrington, Manager

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