

**STATE OF NEW MEXICO
Adult Parole Board**

**Financial Statements and Schedules
With independent Auditor's Report Thereon**

For the Fiscal Year Ended June 30, 2011

**JOSEPH M. SALAZAR, CPA
P.O. BOX 1744
ESPANOLA, NEW MEXICO 87532
505-747-2775 Phone/Fax**

**State of New Mexico
Adult Parole Board**

Table of Contents

June 30, 2011

Introductory Section	<u>Page</u>	
Table of Contents	i	
Official Roster	ii	
Financial Section		
Independent’s Auditor’s Report	1-2	
Basic Financial Statements	<u>Exhibits</u>	<u>Page</u>
Statement of Net Assets	1	3
Statement of Activities	2	4
Balance Sheet-Governmental Funds	3	5
Reconciliation of Governmental Funds Balance Sheets to the Statement of Net Assets	4	6
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Fund	5	7
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statements of Activities	6	8
Statement of Revenues and Expenditures-Budget and Actual (GAAP Basis) - General Fund	7	9
Notes to Financial Statements		10-24
Government Auditing Standards Reports		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		25-26
Prior Year Findings		27
Exit Conference		28

State of New Mexico

Official Roster

June 30, 2011

Name

Title

Ella Frank

Executive Director

Board Members

Sandra Dietz

Chairwoman

Caryn Apodaca

Member

Scott Burton

Member

Gabriel Campos

Member

Danny Carter

Member

Richard Garcia

Member

Barbara Johnson

Member

Amy Loveridge

Member

Ricky Madrid

Member

Verna Morris

Member

Dorothy Pouges

Member

Donna Richmond

Member

Mary Thompson

Member

Vacant

Member

Vacant

Member

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1744
Espanola, New Mexico 87532
Phone/Fax 505-747-2775

Independent Auditor's Report

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
And
Adult Parole Board
Board Members
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, the major fund, and the respective budgetary comparison of the State of New Mexico Adult Parole Board (Board) as of and for the year ended June 30, 2011 which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board'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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and changes in financial position of only that portion of the governmental activities and major fund of the State that is attributable to the transactions of the Board. They do not purport to and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2011 and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and the major fund of the Board as of June 30, 2011 and the respective changes in the financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 08, 2011 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Adult Parole Board has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basis financial statements.

Joseph M. Salazar CPA
November 08, 2011

Basic Financial Statements

**STATE OF NEW MEXICO
ADULT PAROLE BOARD
STATEMENT OF NET ASSETS
June 30,2011**

Exhibit 1

ASSETS	Governmental Activities
Current	
Investment in SGFIP	\$42,655
Prepaid expenses	1,128
Total current assets	<u>43,783</u>
Non current assets	
Furniture, fixtures and equipment	43,217
Less accumulated depreciation	<u>(37,338)</u>
Total capital assets net of depreciation	5,879
Total assets	<u><u>\$49,662</u></u>
 LIABILITIES	
Current liabilities	
Accounts payable	\$3,463
Accrued payroll	10,374
Due to state general fund	28,818
Compensated absences-current	21,833
Total current liabilities	<u>64,488</u>
 NET ASSETS	
Invested in capital assets	5,879
Restricted for prepaid expenses	1,128
Unrestricted	<u>(21,833)</u>
Total net assets	<u>(14,826)</u>
Total liabilities and net assets	<u><u>\$49,662</u></u>

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
ADULT PAROLE BOARD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Exhibit 2

	Governmental Activities
Expenses:	
Current	
General government	\$438,491
Depreciation	1,640
Total program expenses	<u>440,131</u>
 Revenues	
Miscellaneous	<u>80</u>
Net program expenses	<u>440,051</u>
General revenues and transfers:	
State general fund appropriation	458,800
Intra-state federal grant	8,000
Reversions to state general fund	<u>(28,818)</u>
Total general revenues and transfers	<u>437,982</u>
 Changes in net assets	 <u>(2,069)</u>
 Net assets-beginning of year	 <u>(14,357)</u>
Restatement	1,600
Beginning net assets- restated	<u>(12,757)</u>
Net assets -ending of year	<u><u>(\$14,826)</u></u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO Exhibit 3
ADULT PAROLE BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30,2011

ASSETS	General Fund
Investment in SGFIP	\$ 42,655
Prepaid expenses	1,128
Total Assets	\$ 43,783
LIABILITIES AND FUND BALANCES	
Liabilities	
Account payable	\$ 3,463
Accrued payroll	10,374
Due to State General Fund-Reversion FY 2011	28,818
Total Liabilities	42,655
Fund Balances	
Nonspendable-prepaid expenses	1,128
Total Fund Balances	1,128
Total Liabilities and Fund Balance:	\$ 43,783

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
ADULT PAROLE BOARD
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

Exhibit 4

FOR THE YEAR ENDED JUNE 30, 2011

Total fund balances for governmental funds		\$ 1,128
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Furniture, fixtures & Equipment	43,217	
Accumulated depreciation	<u>(37,338)</u>	
Total capital assets		5,879
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences	\$ 21,833	
Total liabilities		<u>(21,833)</u>
Net Assets of Governmental Activities		<u>\$ (14,826)</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO Exhibit 1
ADULT PAROLE BOARD
STATEMENT REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	General Fund
REVENUES	
Miscellaneous revenue	\$ 80
Total Revenues	80
 EXPENDITURES	
Current	
General government	
Personal services and employee benefit	324,625
Contractual services	7,990
Other costs	105,687
Total Expenditures	438,302
 Excess (Deficiency) of Revenue over Expenditure	 (438,222)
 OTHER FINANCING SOURCES (USES)	
Transfers out:	
Reversions to the State General Fund	
FY 2011	(28,818)
Transfers in:	
State General Fund Appropriation-regular	458,800
Intra-state federal grant	8,000
Total other Financing Sources (Uses)	437,982
 Net Changes in Fund Balances	 (240)
 Fund Balances-Beginning of Year	 1,368
 Fund Balance-End of Year	 \$ 1,128

The accompanying notes are an integral part of the financial statements

**STATE OF NEW MEXICO
ADULT PAROLE BOARD
RECONCILIATION OF THE CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Exhibit 6

FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balance – total governmental funds \$ (240)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	\$ -	
Depreciation expense	1,640	
Excess of depreciation expense over capital outlay		(1,640)

Expenses recognized in the Statement of Activities.

Not reported in governmental funds- increase in compensated absences	(189)
--	-------

Changes in Net Assets of Governmental Activities	<u>\$ (2,069)</u>
--	-------------------

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO
ADULT PAROLE BOARD**

Exhibit 7

**STATEMENT REVENUE AND EXPENDITURES- BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS
For Year Ended June 30, 2011**

	<u>GENERAL FUND</u>			
	Budget Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
State general fund appropriation	\$ 458,800	\$ 458,800	\$ 458,800	\$ -
Intra-state federal grant	-	8,000	\$ 8,000	-
Miscellaneous revenue	-	-	80	80
Total Revenues	<u>\$ 458,800</u>	<u>\$ 466,800</u>	<u>\$ 466,880</u>	<u>\$ 80</u>
Expenditures				
Administrative Services:				
Personal services & employee benefit	\$ 315,800	\$ 331,300	\$ 324,625	\$ 6,675
Contractual services	16,900	16,900	7,990	8,910
Other costs	126,100	118,600	105,687	12,913
Total Expenditures	<u>\$ 458,800</u>	<u>\$ 466,800</u>	<u>\$ 438,302</u>	<u>\$ 28,498</u>

The accompanying notes are an integral part of the financial statements

Notes to Financial Statements

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(1) Summary of Significant Accounting Policies

Financial Reporting Entity

The Adult Parole Board (Board) operates under section 31-21-22 thru 31-21-26 NMSA 1978 compilation; this act may be cited as the “Parole Board Act”.

The purpose of the Board is to investigate applicants for parole and to grant, deny or revoke parole. The fifteen members of the Board are appointed by the Governor of New Mexico with the consent of the State Senate and serve for six year terms.

The accounting policies of the Board conform to generally accepted accounting principles as applicable to governmental units. A summary of the Board’s significant accounting policies follows.

The financial reporting entity as defined by GASB Statement 14 consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the “cornerstone of all financial reporting in government.”

The Adult Parole Board is a component unit of the State of New Mexico and these financial statements include all funds and activities over which the Board has oversight responsibility. The Board is part of the primary government of the State of New Mexico and its financial data of the State. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government. The Board has decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters, The Board has no component units that are required to be reported in its financial statements.

The Board applies Government Accounting Standards Board (GASB) pronouncements as well as relevant pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB Pronouncements.

The accounting policies of the Adult Parole Board conform to generally accepted accounting principles (GAAP) as applicable to governments. A summary of the Board’s significant accounting policies follow:

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(1) Summary of Significant Accounting Policies (continued)

A. Basis of Accounting-GASB Statement No. 34

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as governmental activities.

B. Basis of Presentation-Fund Accounting

Government –Wide Financial Statements

The statement of net assets and the statement of activities display information about the Board, the primary government, as a whole, without displaying individual funds or fund types. Generally, these statements distinguish between activities that are governmental and those that are considered business-type activities. The Board has no business-type activities; therefore these statements only reflect governmental activities. Government-wide financial statements exclude information about fiduciary funds and component units that are fiduciary in nature.

The government-wide statements are prepared using the “economic resources” measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. Grant revenue is recorded when all applicable eligibility or reimbursement requirements are met.

Fund Financial Statements

The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days in order to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(1) **Basis of Presentation – Fund Accounting (continued)**

This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Board's actual experience conforms to the budget and fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented on the page following each fund statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the government-wide presentation.

The accounts of the Board are organized on a fund basis, 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 equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which spending activities are controlled. The following fund types are used by the Board:

Governmental Funds

General Funds (SHARES Fund 90500):

The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. Any unencumbered balance remaining in the General Fund at the end of the year reverts to the General Fund of the State of New Mexico. The General Fund is funded primarily through State General Fund appropriations. The SHARE number and description is #90500 - Adult Parole Board.

C. **Assets, Liabilities and Equity**

Investments with the State Treasurer

The Board's cash and cash equivalents are demand deposits with the State Treasurer.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid expenses. Prepaid expenses are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

C. Assets, Liabilities and Equity (continued)

Capital Assets

In the government-wide financial statements, furniture, fixtures and equipment is accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets with a value exceeding \$5,000 are capitalized and depreciated. Any software acquired is also included in capital assets and depreciated.

New Mexico Laws of 2005, Chapter 237 Section 1 changed the capitalization threshold for movable chattel and equipment from items costing more than \$1,000 to \$5,000. Under this law, items in the capital asset inventory that do not meet the new capitalization threshold continue to be depreciated in future periods until they are fully depreciated.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and equipment	6 years
Data processing equipment	5 years
Furniture and fixtures	10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Liabilities

Compensated Absences

The Board's policies regarding annual leave permits employees to accumulate earned but unused annual leave. The liability for these compensated absences is recorded as current liabilities in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

C. Assets, Liabilities and Equity (continued)

Fund Balance

Government Wide-Statements

Fund balance is classified as net assets and displayed in three component units:

1. Invested in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and reduced by any outstanding debt. The Board has no outstanding debt relating to capital assets.
2. Restricted net assets consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments: or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned depending on the constraints that control how the Board can spend the amounts.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

D. Budgetary Procedures and Budgetary Accounting

The State Legislature makes annual appropriations to the Board. 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 level.

Budgeted category amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

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

- (1) No later than September 1, the Board 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 Committee. The final outcome of those hearings is incorporated into the state's General Appropriation Act.
- (3) The Act is 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) The budget for the governmental funds is adopted on a basis consistent with generally accepted accounting principles (GAAP) and the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978), that must be paid out of the next year's budget. Under the modified accrual basis of accounting, encumbrances are excluded from budgeted expenditures. Budgetary comparisons presented for these funds in this report are on that basis.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

D. Budgetary Procedures and Budgetary Accounting (continued)

- (5) The Board submits, not later than May 1, 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 opening budget which becomes effective on July 1. All subsequent budgetary adjustment must be approved by the Director of the DFA-Budget Division.
- (6) Legal budgetary control for expenditures and encumbrances is by appropriation unit.
- (7) Formal budgetary integration is employed as a management control devise during the fiscal year for the General Fund.
- (8) Appropriations lapse at the end of the fiscal year.
- (9) The Board's budget for the fiscal year ending June 30, 2011 was amended in a legally permissible manner by increasing or reallocating appropriation unit totals as the need arose during the fiscal year. Individual amendments were not material in relation to the original budget.

E. Compensated Absences Payable

Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semiannually to qualified employees for hours accumulated above 600 hours at a rate equal to 50 percent of their hourly rate, not to exceed 120 hours each semiannual period.

Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50 percent hourly rate. Accrued vacation and sick leave pay expected to be liquidated with current financial resources, if any, is recorded as a liability and as expenditure in the General Fund.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(1) **Organization and Summary of Significant Accounting Policies** (continued)

E. Compensated Absences Payable

Qualified employees accumulate annual leave to a maximum of 240 hours as follow:

<u>Years Of Service</u>	<u>Hours Earned Per Pay Period</u>
Less than 3 years	3.08 hours
3 but less than 7 years	3.69 hours
7 but less than 11 years	4.61 hours
11 but less than 15 years	5.54 hours
15 years or more	6.15 hours

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employment terminates, they are compensated for accumulated unpaid annual leave as of the date of termination up to the maximum of 240 hours.

F. Use of Estimates

Management uses estimate and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Accordingly, actual results could differ from those estimates

G. Program Revenues

The Board does not have Program revenue or grant revenue.

H. Expenditures

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Board first uses restricted resources then unrestricted resources.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER

All cash of the Board is on deposit with the New Mexico State Treasurer. These monies are held on deposit with the State Treasurer and are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements which disclose the collateral pledged to secure these deposits. Cash on deposit with the State Treasurer at year end is as follows:

<u>Fund</u>	<u>SHARES</u> <u>Fund #</u>	<u>Book</u> <u>Balance</u>
Operating account	90500	\$ 42,655

The Board has cash on deposit with the State Treasurer in the General Fund Investment Pool (GFIP). The State Treasurer has the authority to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Section 6-10-10.I through O NMSA 1978 as amended. The State Treasurer, with the advice and consent of the state board of finance can invest money held in demand deposits and not immediately needed for the operations of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies that are either direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government.
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States or its agencies or by other securities backed by the United States or its agencies or instrumentalities having a market value of at least one hundred two percent of the amount of the contract. The securities required as collateral shall be delivered to a third-party custodian bank and delivery shall be made simultaneously with the transfer, no later than the same day the funds are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER (continued)

- (c) Contracts for the temporary exchange of state owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or cash equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required shall be delivered to the fiscal agent of New Mexico or the designee simultaneously with the transfer of funds, no later than the same day the state-owned securities are transferred. The contracting bank, brokerage firm or institutional investor must have a net worth in excess of five hundred million dollars.
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated “prime” quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalents by a nationally recognized rating service.
- (e) Shares of an open-ended diversified investment company that is registered with the United States securities and exchange commission, complies with the diversification, quality and maturity requirements of Rule 2a-7, or any successor rule, or the United States securities and exchange commission applicable to money market mutual funds; and assesses no fees pursuant to Rule 12b-1, or any successor rule, on sales load on the purchase of shares and no contingent deferred sales charge or other similar charges, provided that the state shall not, at any time, own more than five percent of a money market mutual fund’s assets.
- (f) Individual common or collective trust funds of banks or trust companies that invest in U.S, fixed income securities or debt instruments authorized pursuant to (a), (b), and (d) above, provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(2) INVESTMENT DEPOSITED WITH THE STATE TREASURER (continued)

Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For additional disclosures information regarding the investment in the State Treasurer's GFIP, the reader should see the separate audit report for the State Treasurer's for the fiscal year ended June 30, 2011, review the State Treasurer's Investment Policy at and review Sections 2.60.4.1 through 2.60.4.15 of the New Mexico Administrative Code, regarding Investment of Deposits of Public Funds Depository Bank Requirements, Collateral Level Requirements and Custodial Bank Requirements.

(3) Accounts Payable

Accounts payable represent expenditures for goods and services received prior to June 30, 2011 and paid after June 30.

(4) Accrued Payroll

A portion of payroll expenditures pertaining to the year ended June 30, 2011 was accrued. Disbursement occurred subsequent to June 30, 2011. Accrued payroll and benefits payable totaling \$10,374 have been reflected in the balance sheet.

(5) Capital Assets

Governmental Activities

Capital assets activity for the year end June 30, 2011 was as follows:

<u>Cost</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Furniture, fixtures and equipment	\$ 43,217	-	-	-	\$43,217
Accumulated depreciation	(37,298)	(1,640)	-	1,600	37,338
Net capital assets	<u>\$ 5,919</u>	<u>\$ (1,640)</u>	<u>\$ -</u>	<u>\$1,600</u>	<u>\$ 5,879</u>

Current year depreciation expense is \$1,640 charged to general government.

State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011

(6) Compensated Absences Payable

A summary of changes in Compensated Absences Payable follows:

	Balance	Increase	Decrease	Balance	Due
	June 30, 2010			June 30, 2011	Within
					One Year
Compensated absences	<u>\$ 21,644</u>	<u>\$ 14,005</u>	<u>\$13,816</u>	<u>\$ 21,833</u>	<u>\$21,833</u>

The Board's general fund is used to pay compensated absences.

(7) Commitments-Operating Leases

The Board entered into an operating lease agreement with the New Mexico General Services Department for a twelve month period beginning on July 1, 2010 and ending on June 30, 2011 for a vehicle on July 17 2010 The Board will pay the General Services Department \$408 a month for twelve months for a total of \$4,896. The Board had no capital leases in effect during the fiscal year.

(8) PERA Retirement Plan

Plan Description. Substantially all of the Adult Parole Board's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 7.42% of their gross salary. The Adult Parole Board is required to contribute 16.59% of their gross covered salary. The Board is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Board are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Board's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$ 36,180 and \$33,624 and \$40,110 respectively, which equal the amount of the required contributions for each fiscal year.

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

(9) Deferred Compensations

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

There are employees that are making contributions to a Deferred Compensation Plan. Neither the Board nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Board have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

10) Post-Employment Benefits- State Retiree Health Care Plan

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

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

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

**State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011**

10) Post-Employment Benefits- State Retiree Health Care Plan (continued)

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute requires each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contributions rates for employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Adult Parole Board's contributions to the RHCA for the years ended June 30, 2011, 2010 and 2009 were \$3,970, \$2,887 and \$3,143, respectively, which equal the required contributions for each year.

State of New Mexico
Adult Parole Board
Notes to Financial Statements
June 30, 2011

(11) Risk Management

The Adult Parole Board is exposed to various risks of loss. The Board carries insurance with the Risk Management Division of New Mexico General Services Department. Coverage is provided for General Liability, Surety Bond, Property and Workers Compensation.

(12) Deficit Net Assets

GASB #34 requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in unrestricted net assets of (\$21,833). This deficit is created by compensated absences liabilities which will be paid from subsequent years State General Fund Appropriations.

(13) Operating Transfers

The Board had operating transfers from the Department of Finance and Administration for the State General Fund Appropriation Laws of 2010 Chapter 6 Section 4 totaling \$458,800 from shares fund # 85300 to the Board's shares fund #76000.

(14) Due to State General Fund

Due to the State General Fund at June 30, 2011 is the reversion of \$28,818 from the Board share fund #76000 to the State General Fund share fund 858300.

(15) Net Assets Restatement

Prior year net asset amount was understated by \$1,600. A capital asset had been fully depreciated in fiscal year 2009 however \$1,600 was depreciated in fiscal year 2010 in error in prior year financial statements.

(16) Federal Grant

The Board received American Recovery and Reinvestment Act monies of \$8,000 for furlough prevention through the New Mexico Office of Recovery and Reinvestment from the government service fund. The \$8,000 was budgeted and expended for personal services during the fiscal year.

JOSEPH M. SALAZAR
CERTIFIED PUBLIC ACCOUNTANT
P.O. Box 1744
Espanola, New Mexico 87532
Phone/Fax 505-747-2775

Report on Internal Control
Over Financial Reporting and on Compliance
And Other Matters Based on an
Audit of Financial Statements performed in
Accordance with *Government Auditing Standards*

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico
and
Board Members
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, major fund, and the respective budgetary comparison for the general fund of the State of New Mexico, Adult Parole Board (Board) as of and for the year ended June 30, 2011 which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 08, 2011. 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

In planning and performing our audit we considered the Board's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board'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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis.

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 weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatements, we perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 solely for the information and the use of the Board's management, others within the Board, the State Auditor, Department of Finance and Administration and the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Joseph M. Salazar, CPA
November 08, 2011

**State of New Mexico
Adult Parole Board
Prior Year Audit Findings
June 30, 2011**

No prior year audit findings

Financial Statement Preparation

The financial statements, notes to the financial statements and schedule were prepared by the independent certified public accountant performing the audit. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance. Management has the knowledge and experience to prepare, review and approve financial statements. Management has reviewed and approved the financial statements, notes to the financial statements.

**State of New Mexico
Adult Parole Board
Exit Conference
June 30, 2011**

The contents of this report were discussed at an exit conference on November 08, 2011. Those attending were as follows:

Sandra Dietz, Board Chairwoman

Ella Frank, Executive Director

Sherry Stephens, Chief Financial Officer

Independent Auditor

Joseph M. Salazar CPA

