



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD**

**INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2017**



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ADULT PAROLE BOARD  
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**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
OFFICIAL ROSTER  
As of June 30, 2017**

**Board Members**

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Sandra Dietz	Chairwoman
Abram Anaya	Member
Caryn Apodaca	Member
Laura Chavez	Member
Barbara Johnson	Member
Amy Loveridge	Member
Ricky Madrid	Member
Dorothy Pouges	Member
Vacant	Member
Vacant	Member
Vacant	Member
Vacant	Member
Vacant	Member
Vacant	Member
Vacant	Member

**Administrative Officials**

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Joann Martinez	Executive Director
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**INDEPENDENT AUDITOR'S REPORT**

Ms. Joann Martinez,  
Executive Director  
State of New Mexico Adult Parole Board  
and  
Mr. Tim Keller, New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

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

**Other Matters****Required Supplementary Information**

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the Board's financial statements and the budgetary comparison. The other schedule, listed as "*other supplementary information (audited)*" in the table of contents, required by *Section 2.2.2 NMAC*, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, 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 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.



Hinkle + Landers, P.C.  
Albuquerque, NM  
October 13, 2017

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
STATEMENT OF NET POSITION  
As of June 30, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
<b>Current assets</b>	
State general fund investment pool	\$ 15,731
Other receivables	572
Prepaid expenses	1,329
Total current assets	<u>17,632</u>
Total assets	<u><u>\$ 17,632</u></u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 6,196
Accrued payroll and taxes	10,300
Stale dated warrants	3
Compensated absences payable - expected to be paid within one year	8,104
Total current liabilities	<u>24,603</u>
Total liabilities	<u>24,603</u>
<b>NET POSITION</b>	
Restricted for prepaid expenses	1,329
Unrestricted	<u>(8,300)</u>
Total net position	<u>(6,971)</u>
Total net position and liabilities	<u><u>\$ 17,632</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

	<b>Governmental Activities</b>
<b>EXPENSES</b>	
<b>General government</b>	
Administrative services	\$ 414,319
Total program expenses	<u>414,319</u>
Net program (expenses)/revenue and changes in net position	<u>(414,319)</u>
 <b>GENERAL REVENUES AND TRANSFERS</b>	
<b>Transfers</b>	
State general fund appropriation	476,200
Reversion to state general fund	<u>(49,805)</u>
Total general revenues and transfers	<u>426,395</u>
Change in net position	12,076
Net position, beginning of year	(19,047)
Net position, end of year	<u>\$ (6,971)</u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2017**

		<b>(90500) General Fund</b>
<b>ASSETS</b>		
State general fund investment pool	\$	15,731
Other receivables		572
Prepaid expenses		1,329
Total assets	\$	<u><u>17,632</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$	6,196
Accrued payroll		10,300
Stale dated warrants		3
Total liabilities		<u>16,499</u>
<b>FUND BALANCES</b>		
<b>Nonspendable:</b>		
Prepaid expenses		1,329
<b>Unassigned:</b>		
Total fund balances		<u>(196)</u>
Total liabilities and fund balances	\$	<u><u>17,632</u></u>
<b>Reconciliation of the Governmental Fund Balance to the Statement of Net Position</b>		
Total fund balance governmental funds	\$	1,133
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds.		<u>(8,104)</u>
Net position of governmental activities	\$	<u><u>(6,971)</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	<b>(90500) General Fund</b>
<b>EXPENDITURES</b>	
Current	
General government:	
Personal services and employee benefits	\$ 314,744
Contractual services	7,512
Other costs	104,239
Total expenditures	426,495
 Excess (deficiency) of revenue over (under) expenditures	 (426,495)
<b>OTHER FINANCIAL SOURCES (USES)</b>	
State general fund appropriation	476,200
Less: reversion to state general fund	(49,805)
Net other financing sources (uses)	426,395
 Net change in fund balances	 (100)
 Fund balances, beginning of year	 1,233
Fund balances, end of year	\$ <u>1,133</u>
 <b>Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to Statement of Activities</b>	
 Net change fund balance in governmental funds	 (100)
 Some items reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds	
These activities consist of:	
(Increase) decrease in compensated absences	12,176
 Change in net position - governmental activities	 \$ <u>12,076</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
NEW MEXICO ADULT PAROLE BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (MODIFIED GAAP BUDGETARY BASIS)  
GENERAL FUND 90500  
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>EXPENDITURES</b>				
Current:				
General government				
Personal services/employee benefits	\$ 331,400	331,400	314,744	16,656
Contractual services	7,500	7,600	7,512	88
Other costs	137,300	137,200	104,435	32,765
Total expenditures	<u>476,200</u>	<u>476,200</u>	<u>426,691</u>	<u>49,509</u>
Excess (deficiency) of revenues over expenditures	<u>(476,200)</u>	<u>(476,200)</u>	<u>(426,691)</u>	<u>49,509</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
<b>Inter-agency Transfers</b>				
State general fund appropriations	476,200	476,200	476,200	-
Less: Reversion to state general fund	-	-	(49,805)	(49,805)
Total Interagency transfers	<u>476,200</u>	<u>476,200</u>	<u>426,395</u>	<u>(49,805)</u>
Net change in fund balance	-	-	(296)	(296)
Fund balances, beginning of year			<u>1,233</u>	
Fund balances, end of year			<u>\$ 937</u>	
Total modified GAAP budget basis expenditures for FY 17			\$ 426,691	
Less: Amounts expensed in fiscal year 2016 financial statements and paid out of FY17 budget			<u>(196)</u>	
Total modified GAAP Basis Governmental Fund Expenditures for fiscal year ended June 30, 2017			<u>\$ 426,495</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 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."

These financial statements include all funds and activities over which the Board has oversight responsibility. The Board has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. Additionally, the Board is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State, when it issues an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB Statement 14 and 61. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Board is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units identified or excluded from the reporting entity.

**1. Financial Reporting Entity**

Governmental Accounting Standards Board Statement (GASBS) 14, "The Financial Reporting Entity," effective for periods beginning, after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASBS 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASBS 14 apply at all levels to all state and local governments.

GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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." A primary government is any state government or general-purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Board, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State. However, New Mexico issues an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government, which can be found at [www.dfafcd.state.nm.us](http://www.dfafcd.state.nm.us).

The Audit Act, Sections 12-6-1 through 12-6-14, NMSA 1978, requires the financial affairs of every agency to be thoroughly examined and audited each year, and a complete written report to be made. Moreover, the New Mexico State Auditor requires that each agency shall prepare financial statements in accordance with accounting principles generally accepted in the United States of America. As a result, the Board has prepared and issued its own audited, agency Annual Financial Report.

Included within the Board for this purpose are the following: All of the programs that are administered and/or controlled by the Board have been included.

No entities were noted that should be considered component units of the Board. No entities were specifically excluded from the Board because no entities were noted as meeting any of the criteria for potential inclusion. Also, there were no fiduciary funds held by the Board as of June 30, 2017.

**2. Basic Financial Statements**

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted Standard-setting body for establishing governmental Accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Board's accounting policies are described below.

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The reporting model focus is on either the Board as a whole or major individual fund (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources measurement focus basis, which incorporates long-term assets, deferred outflows and receivables as well as long-term debt and obligations. The Board did not have any business-type activities during the year ended June 30, 2017.

For its government-wide activities, the Board has elected to apply all applicable GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB

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ADULT PAROLE BOARD  
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pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

General Revenues (General Fund appropriation, transfers-in from other state agencies, Federal aid, etc.) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity. Grant revenues are recognized as soon as the eligibility requirements are met. The Board did not have any grant revenues during fiscal year 2017.

This government-wide focus is more on the sustainability of the Board as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. 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 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 activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column on the governmental wide presentation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with specific function or segment. *Program revenues* derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry as a whole and include operating grants and contracts that are restricted to meeting the operational necessities of a particular compliance grant requirement. The only charges for services are for photocopies and small miscellaneous charges.

**3. Basis of Presentation**

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

Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

The reporting model, GASB Statement 34, sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined. All funds of the Board are considered major funds.

In the governmental fund financial statements, per GASB Statement No. 54, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive

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For the Year Ended June 30, 2017**

Branch's intent to be used for specific purposes or in some cases by legislation. See Notes 8, 9, and 10 for additional information about fund balances.

**The following is the Board's major Governmental Funds:**

**General Fund (90500)** – The general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in other funds. Any unencumbered balance remaining in the General Fund at the end of the fiscal year reverts to the State of New Mexico, with the exception of what is noted as unencumbered balances presented on the schedule of special, deficiency, specific and capital appropriation located in the other supplementary information section of the audit report, if applicable. All appropriations received in this fund are revertible funds if not expended in the appropriate time frame. Please refer to the schedule of interagency transfers for details of state appropriations and other financing sources.

**4. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented on a full-accrual basis of accounting. The governmental funds in the fund financial statements are presented on a modified accrual basis.

The statement of net position and the statement of activities are prepared using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. By definition, the resources of fiduciary funds are not available to support Board's programs. Therefore, fiduciary funds are excluded from the government-wide financial statements.

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

**5. 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:

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ADULT PAROLE BOARD  
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For the Year Ended June 30, 2017**

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

1. No later than September 1<sup>st</sup>, 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.
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 adjustments 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 device during the, fiscal year for the General Fund.
8. Appropriations lapse at the end of the fiscal year. The Board's General Fund is a reverting fund.
9. The Board's budget for the fiscal year ending June 30, 2017 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.

**6. Encumbrances**

Encumbrances outstanding at year-end related to single year appropriations are classified as unreserved fund balance and as a liability recorded to recognize any amounts subject to reversion to the State General Fund. The Board has no encumbered funds outstanding as of June 30, 2017.

**7. Net Position**

The government-wide financial statements utilize a net position presentation. Net position is



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ADULT PAROLE BOARD  
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For the Year Ended June 30, 2017**

categorized as investment in capital assets (net of related debt), restricted and unrestricted.

*Investment in Capital Assets* (net of related debt) – is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Board did not have any related debt during the year ended June 30, 2017.

*Restricted Net Position* – is intended to reflect the portion of net position that has third party limitations on their use.

*Unrestricted (Deficit) Net Position* – represents net position of the Board that is not restricted for any project or other purpose.

**8. GASB Statement #54**

In February 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement 54.

As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported as nonspendable, restricted, or unrestricted (committed, assigned or unassigned).

**9. Net Position Restricted by Enabling Legislation**

The government-wide statement of net position reports restricted net position. All the restricted net position is considered restricted by enabling legislation. The enabling legislation has been determined to be legally enforceable. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

**10. Fund Balance**

The Board's fund balance is classified under the following GASB Statement 54 components:

- **Nonspendable**: Nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. The Board had \$1,329 of prepaid expenses in the category of nonspendable fund balance for the year ended June 30, 2017.

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ADULT PAROLE BOARD  
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For the Year Ended June 30, 2017**

- **Restricted:** Restricted fund balance represents amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government) The Board has no amounts in the category of restricted fund balance for the year ended June 30, 2017.
- **Committed:** Committed fund balance is constrained to specific purposes by the highest level of decision-making authority (the New Mexico Legislature and Governor). The Board does not have any committed fund balance for the year ended June 30, 2017.
- **Assigned:** Assigned fund balance is constrained by the Legislature and Executive branch's intent to be used by the government for specific purposes or in some cases by legislation. Intent can be expressed by the governing body or an official or body to which the governing body delegates authority. The Board does not have any assigned fund balance for the year ended June 30, 2017.
- **Unassigned:** Unassigned fund balance is the residual classification for the general fund. The Board does not currently have a minimum fund balance policy. The Board has a deficit of \$196 of unassigned fund balance for the year ended June 30, 2017, as a result of prior year budgetary reversion requirements.

**11. Spending Policy**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Board's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Board's policy to spend committed resources first.

**12. Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period which is considered to be within sixty days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of July 1, 2001 by the Board, the provider should recognize liabilities, deferred inflows and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue/unearned revenue by the recipient.

The interfund transactions are eliminated. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "transfers in or out from other funds". If the New Mexico State Legislature provides a

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new appropriation for a specific encumbrance, it is carried forward to a new appropriation period to be charged against the new budget. If the Legislature does not provide a new appropriation for an encumbrance, the encumbrance is no longer authorized.

**13. Capital Assets**

Property and equipment including software, purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market values as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The State's capitalization policy, i.e., the dollar value above which asset acquisitions including software are added to the capital accounts, was changed to \$5,000 as of July 1, 2005 from \$1,000. Assets with historical cost under \$5,000 and over \$1,000 that capitalized prior to July 1, 2005 remain on the Board's capital assets schedule. However, all capital outlay purchases may not necessarily be capitalized. The Board does not capitalize any interest in regards to its capital assets. Computer software which has been developed for internal use and which meets the capitalization minimum of \$5,000 is capitalized and depreciated in accordance with the Board's depreciation guidelines. There is no related debt relating to capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. Range of estimated useful lives by type of asset is as follows:

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

**14. Accrued Compensated Absences**

Qualified employees accumulated annual leave as follows:

Qualified employees, per the schedule approved by the Board, accumulate annual leave to a maximum of 240 hours as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
Less than 3 years	3.08
Between 3 to 7 years	3.69
Between 7 and 11 years	4.61
Between 11 and 15 years	5.54
15 years or more	6.15

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the aforementioned maximums at their current hourly rate. At June 30, 2017, accrued compensated absences payable for accumulated annual leave totaled \$8,104.

**15. Accrued Sick Leave**

Chapter 150 Laws of 1983, provides for the payment to employees for accumulated sick leave under certain conditions. Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours on July 1<sup>st</sup> and January 1<sup>st</sup> of each year. However, the sick leave will be paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over

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600 hours of accumulated sick leave. Employees who terminate receive no payment for accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2017 over 600 hours. In accordance with GASB 16, accrued compensated absences consisted of accumulated annual leave and related salary payments (employers' matching FICA and Medicare payroll taxes).

Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a liability in the governmental-wide financial statements. As of June 30, 2017, the Board had no accrued leave benefits in excess of 600 hours.

**16. Revenues, Expenditures and Expenses**

Substantially all governmental fund revenues are accrued. The only revenues the Board receives other than State appropriations are due to reimbursements of investigation and trial costs. Expenditures are recognized when the related fund liability is incurred.

**17. 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**18. Inter-fund Activity**

Inter fund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**19. Program Revenue**

The Board does not have program or grant revenue.

**20. Cash and Cash Equivalents**

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

**21. Prepaid expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2017 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. The Board had the following balance in prepaid expenses as of June 30, 2017, \$1,329.

**22. Other Required Individual Fund Disclosures**

Generally accepted accounting principles of the United States of America require disclosures of certain information concerning individual funds including:

- No funds maintained a deficit fund balance as of June 30, 2017.
- No funds exceeded approved budgetary authority for the year ended June 30, 2017.

**23. Concentrations**

The Board depends on financial resources flowing from, or associated with the State of New Mexico. Because of this dependency, the Board is subject to changes in specific flows of intergovernmental revenues based on modification to State laws and State appropriations.

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**24. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applied to a future period and so will not be recognized as an expense or expenditure until then. The Board has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applied to a future period and so will not be recognized until then. The Board has no items that meet this criterion.

**25. Subsequent Events**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Board recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Board's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Board has evaluated subsequent events through October 13, 2017, which is the date the financial statements were available to be issued.

**B. CASH AND INVESTMENTS POLICY WITH STATE TREASURER**

**Investments in the State Treasurer's General Fund Investment Pool**

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

At June 30, 2017 the Board had the following invested in the SGFIP:

<u>Fund Type</u>	<u>Location</u>	<u>BU/Fund No.</u>	<u>Per Depository</u>	<u>Financial Statements</u>
General	STO	76000/90500	\$ 15,731	15,731

There were no deposits in transit as of June 30, 2017. The Office of the State Treasurer (STO) accounts are interest bearing accounts, but no interest income was allocated to the Board.

**Custodial Credit Risk—Investment Accounts**

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Board. Therefore, collateralization of the Board's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Board is not permitted to have any investments other than what is held at the State Treasurer's Office and the Board did not have any other investments during the year ended June 30, 2017. There is no custodial risk at the Board's level since the Board's investments are under the contract of the Office of the State Treasurer.

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**General Fund Investment Pool Reconciliation**

On August 8, 2016, the New Mexico Department of Finance and Administration, Financial Control Division issued a memorandum regarding the reconciliation of the State General Fund Investment Pool. It stated that the Financial Control Division in collaboration with the State Treasurer's Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report for fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. Successfully addressing this issue allowed the Department to reinstate \$100M that had been reserved as a loss contingency.

For fiscal year 2016, and subsequent years, the following assertions are provided;

1. The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range < \$200k standard deviation) over the last twelve months;
2. Resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP, and
3. All claims will be honored at face value.

With specific reference to the Adult Parole Board, the Board has provided copies of the referenced diagnostic reports to the IPA. The Board has also explained and provided copies to the IPA what policies and procedures are in place that ensures that the cash balances in SHARE are correct to the extent that the Board has control (i.e. collection, depositing, reconciling, bank statement validation, and documentation of outstanding reconciling items) of the cash it receipts and transfers to the state general fund and other state agencies pursuant to state statute.

The Board has an interest in the State General Fund Investment Pool allocated between their funds operating under the oversight of SHARE and the State Treasurers Office. The cash transactions processed by the Board flow through the state general fund investment pool.

The Board developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Board. Monthly reconciliation procedures throughout the fiscal year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities and a review of outstanding warrants. The Board conducts ongoing tracking of all cash deposits and financial transactions to ensure that they are accurately recorded and posted to the SHARE system. This monthly internal reconciliation of cash receipts and disbursements flowing through the Board share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period.

**Credit Risk for Investments**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The SGFIP is not rated for credit risk.

**Interest Rate Risk for Investments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have an investment policy that limits investment interest rate risk.

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For the Year Ended June 30, 2017**

**C. RECEIVABLES**

The Board had receivables of \$572, as of June 30, 2017.

**D. COMPENSATED ABSENCES PAYABLE**

A summary of changes in compensated absences payable for the year ended June 30, is as follows:

	<b>2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>2017</b>	<b>Current Portion</b>
Compensated absences payable	\$ 20,280	3,872	(16,048)	8,104	8,104

Prior year compensated absences have been liquidated by the general fund.

**E. CONTINGENCIES**

**Risk of Loss**

The Board is insured through the Risk Management Division of the General Services Department, which is accounted for as an internal service fund of the State of New Mexico. In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workers' compensation and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process. The actuarial gains and losses of Risk Management Division were not available and were not included in this report. However, the Board is not liable for more than the premiums paid.

**F. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS**

The following difference between the budgetary basis and the modified GAAP basis for the Board for the year ended June 30, 2017, was as follows:

<b>Fund Name</b>	<b>Fund #</b>	<b>2017</b>
General Fund	90500	
Amounts expensed in fiscal year 2016, and paid out of fiscal year 2017's budget		\$ (196)
Total General Fund		\$ (196)

**G. REVERSIONS AND DUE TO STATE GENERAL FUND**

Section 6-5-10 NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts revert to the State General Fund within ten days of the audit report.

The Board's reversion of funds totaled \$49,805 as of June 30, 2017. All amounts in the general fund, of the Board's fund balance revert.

**H. DUE FROM/TO OTHER GOVERNMENTS**

As of June 30, 2017, no funds were due from or to other governments.

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For the Year Ended June 30, 2017**

**I. CAPITAL ASSETS**

A summary of changes in the capital assets for the year ended June 30, as follows:

	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
Capital assets depreciated:				
Furniture, fixtures, and equipment	33,375	-	-	33,375
Total capital assets depreciated	33,375	-	-	33,375
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	(33,375)	-	-	(33,375)
Total accumulated depreciation	(33,375)	-	-	(33,375)
Total capital assets, net	\$ -	-	-	-

Depreciation expense for the year ended June 30, 2017 was \$0. All of the depreciation expense, when applicable, relates to the general government function.

**J. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description.** Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2017.

The Board, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the next pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**Funding Policy.** Plan members are required to contribute 8.92% of their gross salary. The Board is required to contribute 16.99% 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, 2017, 2016, and 2015 were \$39,442, \$39,398, and \$38,736, respectively, which equal the amount of the required contributions for each fiscal year.

**K. DEFERRED COMPENSATION**

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 made any contributions to the Deferred Compensation Plan. All contributions withheld from



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participants by the Board have been paid to the New Mexico Public Employee's Retirement Association, which administers the plan.

**L. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN**

***Plan Description.*** The 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 event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

***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](http://www.nmrhca.state.nm.us).

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the

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For the Year Ended June 30, 2017**

statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Board's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$4,643, \$4,638 and \$4,561, respectively, which equal the required contributions for each year.

**M. COMMITMENTS—OPERATING LEASES**

The Board entered into an operating lease agreement, on July 1, 2016, with the New Mexico General Services Department Transportation Services Division for a twelve-month period beginning on July 1, 2016 and ending on June 30, 2017 for a vehicle. The Board will pay the General Services Department \$180 a month for twelve months for a total of \$2,160.

Additionally, the Board renewed an operating lease for a mailing machine in February 2016. This lease is for 48 months, with a monthly cost of \$127, which is billed quarterly. For the year ended June 30, 2017, the Board had \$1,625 in expenses related to this lease. The following is a schedule of future minimum payments under the current lease agreement:

<b>Fiscal Year</b>		<b>Amount</b>
<b>Ending June 30,</b>		
2018	\$	1,524
2019		1,524
2020		889
2021		-
2022		-
Total \$		3,937

All leases may be terminated at any time with sixty days of notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Board decides that termination is necessary to protect the best interests of the State of New Mexico. The Board had no capital leases in effect during the fiscal year.

**N. INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS**

Interfund receivables and payables reflect short-term (current) borrowings in the normal course of business. The Board had no due to/from other funds as of June 30, 2017.

**O. JOINT POWER AGREEMENTS**

The Board did not have any joint power agreements for the year ended June 30, 2017.

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
SCHEDULE OF INTERAGENCY TRANSFERS  
For the Year Ended June 30, 2017**

Description	Agency Transferred From	From Fund	To Fund	Reference	Amount Transferred In
<b>State Appropriations</b>					
<b>General Fund</b>					
General Fund Appropriation	DFA	34101	90500	Laws 2016, 2nd Ses. Ch 11, Sec 4(G)	\$ <u>476,200</u>
<b>Total Transfers In</b>					<b>\$ <u>476,200</u></b>
Description	Agency Transferred To	From Fund	To Fund	Reference	Amount Transferred Out*
<b>General Fund</b>					
General Fund Appropriation	DFA	90500	34100	Reversion of FY17	\$ <u>49,805</u>
<b>Total Transfers Out</b>					<b>\$ <u>49,805</u></b>

\*Note: The reversions presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds are expected to be reverted in FY 18



**INDEPENDENT AUDITOR'S 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**

Ms. Joann Martinez,  
Executive Director  
State of New Mexico Adult Parole Board  
and  
Mr. Tim Keller, New Mexico State Auditor  
Office of the State Auditor  
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the State of New Mexico, Adult Parole Board (Board) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 13, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the agency'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 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. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

October 13, 2017

**INDEPENDENT AUDITOR'S 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, continued**

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 2016-002.

**The Board's Response to Finding**

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.  
Albuquerque, NM  
October 13, 2017

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

**SUMMARY OF FINDINGS AND RESPONSES**

Current and prior year findings are as follows:

<u>Reference #</u>	<u>Findings</u>	<u>Status of Findings</u>	<u>Type of Finding*</u>
<b>PRIOR YEAR</b>			
<b>2016-001</b>	<b>Disposition of Property</b>	<b>Resolved</b>	<b>D</b>
2016-002	Chief Procurement Officer Certification	Modified/ Repeated	D
<b>CURRENT YEAR</b>			
None			

\* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

**PRIOR YEAR FINDINGS**

**2016-002 – Chief Procurement Officer Certification**

**Type of Finding: D**

**Statement of Condition**

During the fiscal year, a member of the Board’s staff did not have a designated Chief Procurement Officer certification.

**2017 Progress**

The Board had not completed the required training, in order to obtain the Chief Procurement Officer certification.

**Criteria**

New Mexico Administrative Code section 1.4.1.94 C:

On or before January 1, 2015, the state purchasing agent shall establish a certification program for chief procurement officers that includes initial certification and recertification every two years for all chief procurement officers. In order to be certified and recertified, a chief procurement officer shall obtain such education and training as deemed appropriate by the secretary of the general services department and pass a certification or recertification examination, as appropriate, approved by the secretary of the general services department.

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017**

According to section 1.4.1.94 D, on or after July 1, 2015, only certified Chief Procurement Officers may:

- Make determinations, including determinations regarding exemptions, pursuant to the Procurement Code.
- Issue purchase orders and authorize small purchases pursuant to the Procurement Code.
- Approve procurement pursuant to the Procurement Code.

**Cause**

The Board was not aware they were required to have a Chief Procurement Officer certification.

**Effect**

The Board is not in compliance with the New Mexico Administrative Code regarding Chief Procurement Registration and Certification.

**Recommendation**

We recommend the Board's ED/CFO complete the certification as soon as possible.

**Management Response**

The current agency chief financial officer/executive director was made aware of this requirement during the audit process. There are no current classes available, with the exception of a class that is scheduled in October 2017 which will not be practicable due to time constraints. There are no other classes scheduled at this time. Contact has been attempted with NM Edge for further class times.

**Finding Resolution Timeline:** The Board will have the certification by the end of fiscal year 2018.

**Designated Employee Position:** Chief Financial Officer/Executive Director

**CURRENT YEAR FINDINGS**

**None**

**STATE OF NEW MEXICO  
ADULT PAROLE BOARD  
EXIT CONFERENCE  
For the Year Ended June 30, 2017**

An exit conference was held in a closed session on October 13, 2017. Present at the exit conference were:

State of New Mexico, Adult Parole Board

Sandra Dietz  
Joann Martinez  
Veronica Rivera

Board Chairwoman  
Executive Director  
Administrative Coordinator

Hinkle + Landers, P.C.

Farley Vener, CPA, CFE, CGMA  
Katelyn Constantin

Managing Shareholder  
Audit Manager

**PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Board as of June 30, 2017, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.