

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2008

(With Independent Auditor's Report Thereon)

**FIDEL A. BERNAL, PC
CERTIFIED PUBLIC ACCOUNTANT
ALBUQUERQUE, NEW MEXICO**

STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
JUNE 30, 2008

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**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
JUNE 30, 2008**

OFFICIAL ROSTER

BOARD

Chris Kapnison
Maria Stops
Suely Porter

Chair
Member
Member

ADMINISTRATIVE OFFICIALS

Bill O'Neill
Emili Jon Gonzales

Executive Director
Deputy Director

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
and

Members of the Board of Directors
Juvenile Parole Board
3411 Pan American Fwy. NB
Albuquerque, New Mexico 87107

We have audited the accompanying financial statements of the governmental activities, the major fund, and budget comparison of the Juvenile Parole Board (Board) as of and for the year ended June 30, 2008, which collectively comprise the Board's 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 1A, the financial statements of the Juvenile Parole Board of New Mexico are intended to present the financial position and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the major fund and budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2008, 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 major fund of the Board as of June 30, 2008, and the respective changes in financial position 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 December 12, 2008 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 the internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by the accounting principals generally accepted in the United States of America. Additionally, the Schedule of Performance Measures on page 21 is not a required part of the basis financial statements but is supplementary information required by 2.2.2 NMAC. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis and the Schedule of Performance Measures. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Fidel A. Bernal". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

December 12, 2008
Fidel A. Bernal, P.C.

STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
Management's Discussion and Analysis
June 30, 2008

As management of the State of New Mexico Juvenile Parole Board (the Board), we offer readers of the Board's financial statements this narrative overview and analysis of the Board's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the Board's financial statements, which follow this section.

Financial Highlights

- During the fiscal year the Board operated within the confines of the approved budget.

Overview of the Financial Statements

This annual report includes this management's discussion and analysis report, the independent auditor's report, the basic financial statements of the Board, governmental fund statements, a reconciliation of governmental fund statements to the basic financial statements and required supplemental information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The financial statements of the Board report information of the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Assets includes all of the Board's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Board's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Board and assessing the liquidity and financial flexibility of the Board.

All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the Board's operations over the past year.

The fund financial statements provide information about the Board's significant funds. Funds are used to track specific sources of funding and spending for the Board's activities. The Board operates with appropriations approved each year by the State Legislature.

Financial Analysis of the Board

The Statement of Net Assets and the Statement of Activities report information about the Board's activities in a way that will show the change in the Board's financial condition. These two statements report the net assets of the Board and the changes in them. One can think of the Board's net assets, the difference between assets and liabilities, as one way to measure financial health or financial position.

STATE OF NEW MEXICO
 JUVENILE PAROLE BOARD
 Management's Discussion and Analysis
 June 30, 2008

CHANGE IN STATEMENT OF NET ASSETS

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Assets			
Investment account with State Treasurer	\$ 46,995	\$ 33,290	\$ 13,705
Capital assets, net of accumulated depreciation	<u>12,476</u>	<u>13,929</u>	<u>(1,453)</u>
Total assets	<u>59,471</u>	<u>47,219</u>	<u>(12,252)</u>
Liabilities			
Current liabilities	46,888	33,290	13,598
Accrued compensated absences	<u>27,882</u>	<u>28,119</u>	<u>(237)</u>
Total liabilities	<u>74,770</u>	<u>61,409</u>	<u>13,361</u>
Net Assets			
Investment in capital assets	12,476	13,929	1,453
Unrestricted	<u>(27,775)</u>	<u>(28,119)</u>	<u>(344)</u>
Total net assets	<u>\$ (15,299)</u>	<u>\$ (14,190)</u>	<u>\$ (1,109)</u>

Assets include Investment account with State Treasurer of \$46,995, which increased \$13,705 over the prior year. The second component of assets is capital assets, including furniture and equipment. Capital assets decreased by \$1,453, the amount taken as depreciation for the current year. During the same period, liabilities decreased \$13,361 due to the decrease in accounts payable and accrued payroll of \$4,824 a increase in due to state general fund reversions of \$18,422 and a corresponding decrease in compensated absences of \$237. The Board's net assets at the end of the year were negative \$15,299, a decrease of \$1,109 from the pervious year. The decrease in net assets is due to the nature of the Board's operations where by the Board is funded by state appropriations and must return any unexpended appropriations at year end. The economic resource measurement focus requires the accrual of compensated absences and capital assets which effect net assets by the decrease. The Board does not encumber funds for expenditures for products or services that have not been received because the appropriations for the year lapse at year end.

STATE OF NEW MEXICO
 JUVENILE PAROLE BOARD
 Management's Discussion and Analysis
 June 30, 2008

CHANGE IN STATEMENT OF ACTIVITES

	<u>2008</u>	<u>2007</u>	<u>Change</u>
General government expenditure:			
Personnel services	\$ 349,091	\$ 356,438	\$ (7,347)
Contractual services	5,878	5,391	487
Other cost	<u>54,603</u>	<u>44,555</u>	<u>10,048</u>
Total general government expenditures:	409, 572	406,384	3,188
Depreciation	<u>1,453</u>	<u>2,541</u>	<u>(1,088)</u>
Total Expenses	<u>411,025</u>	<u>408,925</u>	<u>2,100</u>
State General Fund			
Appropriations (Net transfers)	409,809	395,131	14,678
Miscellaneous revenue	<u>107</u>	<u>0</u>	<u>107</u>
Total Revenue	<u>409,916</u>	<u>395,131</u>	<u>14,785</u>
Change in Net Assets	(1,109)	(13,794)	(12,685)
Net Assets Beginning	<u>(14,190)</u>	<u>(396)</u>	<u>13,794</u>
Net Assets Ending	<u>\$ (15,299)</u>	<u>\$ (14,190)</u>	<u>\$ (1,109)</u>

During the 2008 fiscal year the Board received an increase of \$33,100 in appropriations over the previous year with reversions increasing by \$18,422 causing the net change in transfers of \$14,678. General government expenditures also increased during the fiscal year in the amount of \$3,188. As mentioned on the prior page, appropriations lapse at year end which caused the decrease in net assets.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the Board. Amendments to the budget require approval by the Budget Division of the Department of Finance and Administration. The Board had no budget adjustments during the year. The Board operated within the budget as required by state statute.

The budget for 2008-2009 is similar in amount to the budget for the current fiscal year.

Future Years

The Board expects to be funded through appropriations in future years.

Contacting The Board's Financial Staff

This financial report is designed to provide our citizens with a general overview of the Board's finances and to demonstrate The Board's accountability for the money it receives. The Board has no knowledge of any facts, decisions, or conditions that would have a significant effect of Juvenile Parole Board's financial position or results of operations. If you have questions about this report or need additional financial information you may contact the Board at 3411 Pan American Freeway, Albuquerque, NM 87107.

STATE OF NEW MEXICO
 JUVENILE PAROLE BOARD
 STATEMENT OF NET ASSETS
 JUNE 30, 2008

Assets	
Investment account with New Mexico State Treasurer	\$ 46,995
Capital assets, net of accumulated depreciation	12,476
	59,471
Liabilities and Net Assets	
Liabilities:	
Accounts payable	4,939
Accrued payroll	17,279
Stale date checks	79
Due to state general fund reversions	24,591
Accrued compensated absences	27,882
	74,770
Net Assets	
Invested in capital assets	12,476
Unrestricted	(27,775)
	(15,299)
Total Net Assets	\$ (15,299)

See accompanying notes to the financial statements and accountant's report.

JUVENILE PAROLE BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Expenses

General government:	
Personnel services	\$ 349,091
Contractual services	5,878
Other costs	54,603
Depreciation	1,453
	<hr/>
Total expenses	411,025
	<hr/>

General Revenues

State general fund appropriations	434,400
Miscellaneous	107
	<hr/>
Total general revenues	434,507
	<hr/>

Change in net assets before transfers 23,482

Transfers

Reversions to state general fund (24,591)

Change in net assets (1,109)

Net assets, beginning of year (14,190)

Net assets, end of year \$ (15,299)

See accompanying notes to the financial statements and accountant's report.

JUVENILE PAROLE BOARD
BALANCE SHEET
GOVERNMENT FUND
JUNE 30, 2008

Assets		
Investment account with New Mexico State Treasurer		\$ 46,995
Total Assets		\$ 46,995
Liabilities and Fund Balances		
Liabilities:		
Accounts payable		\$ 4,939
Accrued payroll		17,279
Stale date checks		79
Due to state general fund reversions		24,591
Total liabilities		46,888
Fund Balances		
Unreserved-undesignated		107
Total fund balance		107

AMOUNTS REPORTED IN 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		12,476
Long-term liabilities applicable to the Board's activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		(27,882)
Net Assets-page 7		\$ (15,299)

See accompanying notes to the financial statements and accountant's report

STATE OF NEW MEXICO
 JUVENILE PAROLE BOARD
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
 GENERAL FUNDS
 FOR THE YEAR ENED JUNE 30, 2008

Expenditures

Current:	
Personnel services	\$ 349,328
Contractual services	5,878
Other costs	54,603
	409,809
Total Expenditures	409,809
Excess (deficiency) of Revenue over Expenditures	(409,809)

Other financing sources (Uses)

State general fund appropriations	434,400
Miscellaneous revenue	107
Due to other state agencies	-
Reversions to state general fund	(24,591)
Prior year accounts payable that was paid from the current years budget	1,057
	408,859
Total Other Financing Sources (Uses)	408,859

Net Change in Fund Balance	(950)
Fund balance, beginning of year	1,057
Fund balance, end of year	\$ 107

AMOUNTS REPORTED IN STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Change in fund balance	\$ 107
Long-term liabilities applicable to the Board's activities are not due and payable in the current period and accordingly are not reported as fund liabilities	
Compensated absenses	237
Capital assets used in governmental activities are not financial resources and therefore depreciation, purchases and dispositions are not reported in the funds	
Depreciation	(1,453)
Change in net assets-page 8	\$ (1,109)

See accompanying notes to the financial statements and accountant's report.

STATE OF NEW MEXICO
 JUVENILE PAROLE BOARD
 STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year Ended June 30, 2008

	BUDGET AMOUNTS		Actual	Variable
	Original	Final	Amounts Budgetary Basis	Favorable (Unfavorable)
Revenue				
State general fund appropriations	\$ 434,400	\$ 434,400	\$ 434,400	\$ -
Total Revenue	434,400	434,400	434,400	-
Expenditures				
Current:				
Personnel services	373,800	370,800	349,328	21,472
Contract services	5,600	5,900	5,878	22
Other costs	55,000	57,700	54,603	3,097
Total Expenditures	434,400	434,400	409,809	24,591
Excess of revenue over (under) expenditures			24,591	(24,591)
Other financing sources (uses)				
Miscellaneous revenue	-	-	107	(107)
Due to other state agencies	-	-	(6,170)	6,170
Total Other Financing Sources (Uses)			(6,063)	6,063
Net change in fund balance			18,528	(18,528)
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	\$ -	\$ -	\$ 18,528	\$ (18,528)

See accompanying notes to financial statements and accountant's report

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of New Mexico Juvenile Parole Board (The Board) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 more significant of The Board's accounting policies are described below,

A. Financial Reporting Entity

The Board was created by the Juvenile Parole Board Act, Chapter 32[32A], Article 7, NMSA 1978, Section 32A-7.1 through 32A-7.9. The Board is a special purpose entity, created to investigate applicants for parole, and to grant, deny or revoke parole. The three members of The Board are appointed by the Governor of New Mexico and serve six-year terms. These members have authority to make decisions, designate management, and significantly influence operation. They are accountable for fiscal matters. The Board is a component unit of the State of New Mexico, administratively attached to the Children, Youth and Families Department. These financial statements include all activities over which The Board is responsible. There are no component units of the Board.

In evaluating how to define the Board 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. The first 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 operation, and accountability for fiscal matters. A second criterion used in evaluating potential components units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Board, or whether the activity is conducted within the geographic boundaries of the Board.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationship, regardless of whether the Board is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief of each potential component unit addressed in defining the Board's reporting entity.

Included within the reporting entity:

All funds and functions which are under the Board's control and responsibility, including those which are included in the Board's reports to the New Mexico Department of Finance and Administration.

No other entities meet the criteria for inclusion in the reporting entity. 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. However, New Mexico does not at present issue an audited Comprehensive Annual Financial Report inclusive of all agencies of the primary government.

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements GASB Statement No. 34

The basic financial statements include both government-wide (based on the Board as a whole) and fund financial statements. The new reporting model focus is on either the Board as a whole, or major individual funds (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.

The Board has only governmental type activities. In the government-wide Statement of Net Assets, the governmental column reflects a full accrual, economic resources basis, which incorporates long-term assets as well as long-term debt obligations if any.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of applying FASB pronouncements issued after November 30, 1989 to business-type activities and to enterprise funds, subject to this same limitation. The Board did not have any business-type activities during the year ended June 30, 2008.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which is otherwise being supported by general government revenues. The Statement of Activities reduced gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. The Board includes only one function (general government). There are neither fiduciary funds nor component units, which are fiduciary in nature.

General Revenues (General Fund appropriation, transfers-in from other state agencies) normally cover the net cost (by function). Historically, the previous model did not summarize or present net cost by function or activity. This government-wide focus is more on the sustainability of the Board as an entity and the change in aggregate financial position. The fund financial statements are similar to the financial statements presented in the previous accounting model.

C. Fund Accounting

The Board uses funds to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The Board resources are allocated to and accounted for in individual funds based upon the purpose for which spending activities are controlled. The various funds are grouped, in the financial statements of this report, into generic fund types and categories, as follows:

GOVERNMENTAL FUND TYPES

General Fund -- 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.

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

The term measurement focus is used to denote what is being measured and reported in the Board's operating statement. The government-wide financial statements of the Board are accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Board is better or worse off economically as a result of events and transactions of the period.

The term basis of accounting is used to determine when a transaction or event is recognized on the Board's operating statement. The Board uses the full accrual basis of accounting for the government-wide financial statements. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The governmental funds use the current financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., both measurable and available. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

E. Budget and Budgetary Accounting

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

1. Prior to September 1, The Board submits to State Budget-Financial control Division, Department of Finance and Administration (DFA), and the Legislative Finance Committee (LFC) and appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Following their budget hearing with the Board, the DFA and the LFC prepare their own budget recommendations to the legislature.
3. Budget hearings are then scheduled before the finance committees of the New Mexico House of Representatives and Senate. The final outcome of these hearings is incorporated into the General Appropriations Act.
4. The Board then submits, on or before May 1, an annual operating budget request to the State Budget-Financial control division who reviews the request and subsequently approves the budget based upon the appropriation made by the legislature. All subsequent budget transfers and increases must be authorized by the Director of the State Budget-Financial Control Division.
5. Legal budget control for expenditures is by category of line item.

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget and Budgetary Accounting (continued)

6. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund. The budget of the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Per the General Appropriation Act, Laws of 2006, chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on 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 per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget.
7. When the appropriations lapse, so does the authority for the budget. Encumbrances can no longer be charged to that budget. All unspent appropriations in the General Fund revert to the State General Fund.
8. Any adjustment to the appropriated budget must be submitted to DFA in the form of a budget adjustment request (BAR). The original budget for the Board for the year ended June 30, 2008, has not been amended.

F. Use of Estimates

Preparation of financial statements in conformity with GAAP required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Investments

The Board's funds are held on deposit with the State Treasurer's office.

H. Capital Assets

Capital assets are defined by statute as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets of the Board consist of office furniture, fixtures, and equipment and are recorded at historical cost. There are no infrastructure items. Depreciation is charged as an expense against operations and is computed using the straight-line method over the estimated useful life of the asset.

<u>Asset</u>	<u>Life/Years</u>
Vehicle	10
Computer equipment and software	5
Furniture and equipment	10

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Annual Leave

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

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>
To 3 Years	3.08
Over 3 to 7 Years	3.69
Over 7 to 11 Years	4.61
Over 11 to 15 Years	5.54
Over 15 Years	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. All annual leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. 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 in a fiscal 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 600 hours for 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 year-end over 600 hours. 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 Statement of Net Assets. At June 30, 2008, there was no accrued sick leave in excess of 600 hours.

K. Revenues and Expenses

GAAP requires that revenues and expenses be distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Board's principal ongoing operations.

Operating expenses include the costs associated with carrying out the duties of the Board, administrative expenses and depreciation on capital assets. Revenues and expenses that do not meet these definitions would be reported as non-operating revenues and expenses. The Board did not have any non-operating revenues or expenses.

L. Operating Revenues

Operating revenues of the Board are budgetary allocations of the State General Fund.

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reversions

Revenues that have not been expended and are not appropriated for a period of longer than one year revert to the State General Fund. Accordingly, reversions have been recorded in the current year for State General Fund appropriations.

N. Taxes

The Board is exempt from federal and state income taxes.

O. Use of Restricted Unrestricted Net Assets

When an expense is incurred for purposes for which both a restricted and unrestricted net assets are available, the Board's policy is to apply unrestricted net assets first.

2. INVESTMENT ACCOUNTS AND INVESTMENT POLICY

The following is the investment account the Board has on Deposit with the New Mexico State Treasurer which represents the Board's interest in the State of New Mexico General Fund Investment Pool as reported by the New Mexico Department of Finance and Administration (DFA SHARE Fund No. 90600):

State Treasurer's reported balance	\$ 330,556
Less outstanding warrants	<u>283,561</u>
Total per financial statements	<u>\$ 46,995</u>

All investments of the Board are on deposit with the New Mexico State Treasurer upon which only the State Treasurer has withdrawal authority. State law requires that deposits in excess of federally insured amounts be collateralized at a minimum level of fifty percent, the State Treasurer monitors the collateral for all deposits held, which include the investments of the Board. Reports on compliance with this law may be obtained from the State Treasurer's Office. The Office of the State Treasurer has its own separate annual independent audit which the collateral pledged to secure these accounts is disclosed. That report may be obtained by contacting the State of New Mexico, State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608. The Board is not permitted to have any investments, and the Board did not have any investments during the year ended June 30, 2008. The Board has no custodial risk in relation to such accounts. Any custodial risk belongs to the New Mexico State Treasurer.

3. ACCOUNTS PAYABLE

Accounts payable of \$4,939 represent expenditures for goods and services received or provided on or before June 30, 2008, but were not paid until after that date.

4. SHORT TERM DEBT

The Board has no short term debt activity.

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

5. COMPENSATED ABSENCES

A summary of changes in accrued compensated absences is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in one year</u>
Compensated Absences	\$ 28,119	\$ 39,150	\$ 39,387	\$ 27,882	\$ -

Compensated absences are liquidated from the General Fund.

6. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Capital assets being depreciated:				
Vehicle	\$ -	\$ -	\$ -	\$ -
Computer equipment	29,283	-	-	29,283
Furniture and equipment	23,805	-	-	23,805
Total capital assets being depreciated	<u>53,088</u>	<u>-</u>	<u>-</u>	<u>53,088</u>
Less accumulated depreciation				
Vehicle	-	-	-	-
Computer equipment	29,283	-	-	29,283
Furniture and equipment	9,876	1,453	-	11,329
Total accumulated depreciation	<u>39,159</u>	<u>1,453</u>	<u>-</u>	<u>40,612</u>
Capital assets being depreciated, net	<u>\$ 13,929</u>	<u>\$(1,453)</u>	<u>\$ -</u>	<u>\$ 12,476</u>

Current period depreciation expense was charged to the function of the primary government as follows:

Governmental Activities General	\$ 1,453
Total depreciation expense governmental activities	\$ 1,453

7. PERA PENSION PLAN

A. Plan Description

The Board's full-time employees are eligible to 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, 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. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

7. PERA PENSION PLAN (continued)

B. Funding Policy

Plan members are required to contribute 7.42% (range from 4.0% to 16.3% depending on the division) of their gross salary. The Board is required to contribute 16.59% (range from 7.0% to 25.72% depending on the division) of the gross covered salary. The contribution requirements of plan members and the Board are established 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 year ended June 30, 2008, 2007 and 2006 were \$41,879, \$42,163, and \$34,212, respectively, equal to the amount of the required contributions for the year.

8. POST EMPLOYMENT BENEFITS

The Retiree Health Care Act (ACT) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments if eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirements Act.

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 Retiree Health Care Act on the person's behalf unless that person retired before the employer's NMRHCA 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; or 2) retirees defined by the act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan.

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

8. POST EMPLOYMENT BENEFITS (Continued)

That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, New Mexico, 87107. For the fiscal year ended June 30, 2008, the Board remitted \$3,282 in employer contributions and \$1,641 in employee contributions to the Retiree Health Care Authority.

The Retiree Health Care Authority is implementing GASB 45 in FY07. As part of the State of New Mexico, all state agencies will need to implement GASB 45 in FY08. The existence of the new GASB 45 standard and its expected impact (or unknown impact) on the Board could not be determined at this time.

9. RISK MANAGEMENT

The Board's employees are covered by the public employee fidelity bond, insured through the State of New Mexico - General Service Department — Risk Management Division. The Risk Management Division (RMD) is responsible for the acquisition and administration of all insurance purchased by the state. Various statutes have been passed which allow the RMD to insure, self-insure or use a combination of both in all areas of insurance.

The insurance programs apply to all state agencies as defined in the Tort Claims Act. RMD provides coverage in the following areas:

1. Liability and civil rights protection for claims made by others against the state;
2. Coverage to protect the State's assets;
3. Fringe benefit coverage for the State's employees. However, Universities provide their group health programs.

10. DFA SHARE FUND NO. 90600

The Department of Finance and Administration (DFA) SHARE Fund No. 90600 is a Reverting Fund

11. INTERAGENCY TRANSFERS

The Board received inter-agency operating transfers from the NM Department of Finance and Administration (DFA) for general appropriations made by the NM State Legislature in the Laws of 2006. Each of the transfers was posted to the Board's General Fund account with NM Department of Finance and Administration. The following are the transfers that were made:

SHARE Fund	AGENCY NAME & NUMBER	TRANSFERS	
		In	Out
(1) 85300	Department of Finance and Administration (34100)	\$ 417,100	\$
(2) 85300	Department of Finance and Administration (34100)	17,300	
(3) 90600	Juvenile Parole Board (76500)		24,591
		<u>\$ 434,400</u>	<u>\$ 24,591</u>

- (1) State General Fund Appropriation
- (2) State General Fund Appropriation – Compensation package
- (3) Reversions to Agency # 34101, SHARE # 85300

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
SCHEDULE OF PERFORMANCE MEASURES
JUNE 30, 2008**

Purpose: To provide fair and impartial hearings through reviews to incarcerated youth so they can mainstream into society as law abiding citizens.(From fiscal year 2007 to fiscal year 2008 the board has changed the performance measures that were used to determine the success of the program.)

Performance measures:	Target Level	Year End Results	Met Target
#1 Output Percent of clients reviewed at 40-days.	95%	86%	No

Year end results narrative – The Children’s Code states that all youth are eligible for parole at 40 days. Within the first 40 days of a youth’s commitment a plan of care is developed in which a youth’s risk and needs are assessed so that everyone involved with the youth is aware of what rehabilitative services are needed prior to release to the community. Although the target of 95% was not met, we did increase our results by 44% form FY07 with a result of 86%. One issue of importance is that although a youth is committed from a judicial district on a certain date they sometimes are not transported on the same day. These youth remain in short term detention for 1-3 weeks before they are actually transported to a long term facility. This in actuality is “dead time” as they do not have a plan of care developed until they are placed at CYFD Central Intake Unit.

#2 Output Percent of clients reviewed every 90 days.	95%	100%	Yes
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Year end results narrative – Staff members were able to conduct reviews on every client at the CYFD facilities. The main purpose of the review is to track parole readiness of committed youth. Reviews were conducted in person at YDDC. With increased funding staff will be able to meet face to face.

#3 Output Number of client reviews held by staff.	1453-95%	816-57%	No
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Year end results narrative – The target numbers are contingent on the population at the CYFD facilities i.e. FY 07 the targets were 1,453 with results being 821. This does not accurately reflect the work that our hearing officers do. The target level was based on the premise that population would remain the high and did not take into consideration the changes in the Children’s Code regarding mandatory parole for all clients. The result was that the number of reviews we do has been reduced dramatically.

#4 Outcome Percent of residents paroled that successfully complete the conditions of their parole.	60%	47%	No
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Year end results narrative - During FY 06 the Children’s Code changed to allow for mandatory parole for all incarcerated youth, which has affected both the Juvenile Parole Board and CYFD, Probation/Parole discharges in fiscal year 2008. It is believed that the decrease in satisfactory discharges is due to some clients not being ready for community supervision.

#5 Outcome Number of individual parole hearings held by the Juvenile Parole Board.	300	250	No
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Year end results narrative – The number of parole hearings is based on facility population. The population for fiscal year 2008 was 261.

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*

Hector H. Balderas,
New Mexico State Auditor
And
Members of the Board of Directors
Juvenile Parole Board
3411 Pan American Fwy. NE
Albuquerque, New Mexico 87107

We have audited the financial statements of the governmental activities, the major fund, and the budget comparison of the Juvenile Parole Board (the Board), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. 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 our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over reporting as item 08-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 08-1.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, the State of New Mexico Department of Finance and Administration and the New Mexico State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be "F. J. ...", written in a cursive style.

December 12, 2008

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
INDEPENDENT AUDITORS' FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

PRIOR YEAR FINDINGS:

06-01 Reversions — Resolved
07-1 Audit Report — Resolved

CURRENT YEAR FINDINGS:

FINDINGS

08-1 Auditor Preparation of Financial Statements

Condition

The Board does not have controls over the preparation of the financial statements which would prevent or detect a misstatement in the financial statements. The Board's employees and management lack the training and qualifications to apply generally accepted accounting principles in recording the Board's financial transactions and preparation of the financial statements.

Criteria

A system of internal control over financial reporting includes controls over financial statement preparation (including footnote disclosures). Employees and management need to have training and qualifications to apply generally accepted accounting principles in recording the Board's financial transactions and preparation of the financial statements. (SAO Rule 2.2.2.8.J.(4) and SAS 112)

Cause

The auditor prepared the audited financial statements (including footnote disclosures) because the Board's employees and management lack the proper training and qualifications to apply generally accepted accounting principles in recording the Board's financial transactions and preparation of the financial statements.

Effect

The financial statements (including footnotes) could have misstatements that are not discovered on a timely basis.

Recommendation

The Board should adopt policies and procedures for controls over financial statement preparation (including footnotes). Also the Board should invest in its employees and management so they may receive the proper training and qualifications to apply generally accepted accounting principles in recording the Board's financial transactions and preparation of the financial statements.

Agency Response:

The Board will consider adopting policies and procedures for controls over financial statement preparation (including footnotes).

**STATE OF NEW MEXICO
JUVENILE PAROLE BOARD
REQUIRED DISCLOSURE
JUNE 30, 2008**

FINANCIAL STATEMENT PREPARATION

The financial statements contained herein were primarily prepared from the original books and records of the Juvenile Parole Board as of June 30, 2008 by Fidel A. Bernal, P.C. Maintaining the audited entity's books and records is the responsibility of its management. Accordingly, management is responsible for ensuring that these books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that the Board's records are current and in balance.

EXIT CONFERENCE

Fidel A. Bernal, CPA, held an exit conference on December 12, 2008 with Chris Kapnison, Chairman of the Board, Bill O'Neill, Executive Director, Emili-Jon Gonzales, Deputy Director and Concha Lee Garcia, Business Operations Specialist of the Juvenile Parole Board. The findings were discussed.