

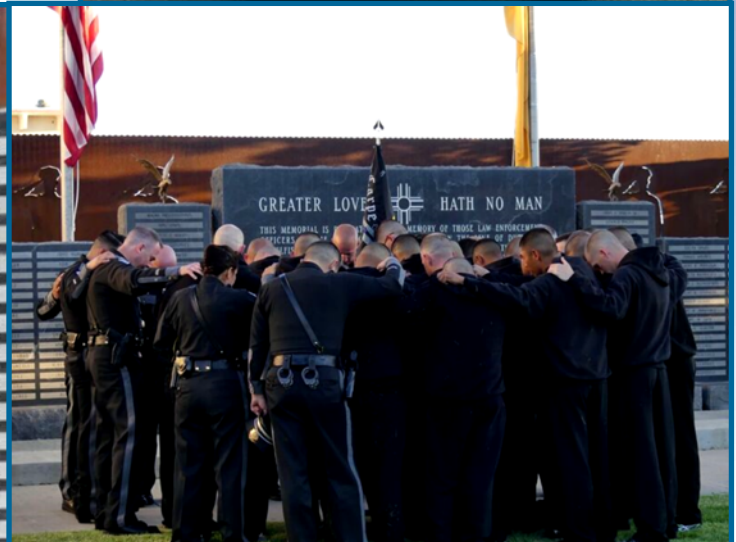
# New Mexico Department of Public Safety



## FINANCIAL STATEMENTS & OTHER FINANCIAL INFORMATION

WITH REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Year Ending June 30, 2017





**STATE OF NEW MEXICO  
DEPARTMENT OF PUBLIC SAFETY**

**FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2017**



**State of New Mexico Department of Public Safety**  
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**State of New Mexico Department of Public Safety  
Official Roster**

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**Year Ended June 30, 2017**

<b>Name</b>	<b>Title</b>
Scott Weaver	Cabinet Secretary
Pete N. Kassetas	Deputy Secretary - Law Enforcement Program/NMSP Chief
Amy Orlando	Deputy Secretary, Statewide Law Enforcement Support Program, Administrative Services Division (ASD)

**Division Directors**

David Martinez	Deputy Chief, Special Investigations & Special Operations Bureau, NMSP Division
Jimmy Glascock	Deputy Chief, Commercial Vehicle Enforcement Bureau, NMSP Division
Adrian Armijo	Deputy Chief, Uniform & Training Bureaus, NMSP Division
Stephan Marshall	Training and Recruiting Division
Melvin Lee	Chief Information Officer
Dianna DeJarnette	Deputy ASD Director

**Chief Finance Officer**

Bridgette Long	Chief Finance Officer/Finance Director
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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Mr. Scott Weaver, Cabinet Secretary  
State of New Mexico  
Department of Public Safety  
and  
Mr. Timothy Keller  
New Mexico State Auditor  
Santa Fe, New Mexico

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, the budgetary comparisons for the general fund, the nonmajor special revenue funds, and the aggregate remaining fund information of the State of New Mexico Department of Public Safety (the Department) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department'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.

### Auditors' 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 auditors' 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, the non-major special revenue funds, and the aggregate remaining fund information of the Department as of June 30, 2017, and the respective changes in financial position and budgetary comparisons for the general fund, the non-major special revenue funds and the remaining fund information for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Reporting Entity*

As discussed in Note B1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the budgetary comparison statement and aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2016, and the changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### *Net Pension Liability Disclosure*

As discussed in footnotes, the State of New Mexico, as a single employer, follows GASB Statement 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2017, Comprehensive Annual Financial Report (CAFR). Accordingly, there is no allocation of the proportionate share of the net pension liability to individual agencies or to the Department's financial statements. All other required disclosures and supplementary information required by GASB 68 are included in the State of New Mexico CAFR for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

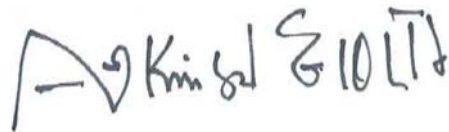
### *Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements, the combining and individual non-major fund financial statements, and respective budgetary comparisons. The accompanying schedules of changes in fiduciary assets and liabilities – agency funds, schedule of cash, schedule of joint powers agreements and schedule of special appropriations required by 2.2.2 NMAC and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the *2 US Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC and the schedule of expenditures of federal awards are the responsibility of management and were 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 schedule of changes in fiduciary assets and liabilities - agency funds, the schedule of cash, the schedule of joint powers agreements, the schedule of special appropriations and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a smaller 'K'.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
October 31, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

State of New Mexico Department of Public Safety  
Management's Discussion and Analysis  
June 30, 2017

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The following **Management's Discussion and Analysis**, or MD&A, for the State of New Mexico, Department of Public Safety (the Department) introduces the basic financial statements and provides an analytical overview of the Department's financial condition and results of operations as of and for the year ended June 30, 2017. The MD&A also provides a discussion of significant changes in the account categories presented in the entity-wide **Statement of Net Position and Statement of Activities**. This summary should not be taken as a replacement for the basic financial statements.

The MD&A is a required element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in GASB Statement No. 34, **Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments** issued in June 1999; GASB Statement No. 37, **Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus**, an amendment to GASB Statements No. 21 and No. 34 issued in June 2001; and GASB Statement No. 38, **Certain Financial Statement Note Disclosures** issued in June 2001.

## OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Department's financial statements include the following three elements: (1) **Management's Discussion and Analysis**, (2) the **Basic Financial Statements**, and (3) **Other Supplementary Information**. The basic financial statements include two types of statements that present different views of the Department:

The first two statements are **Entity-Wide Financial Statements** that report information about the Department's overall financial condition and results of operations, both long-term and short-term, using accounting methods similar to those used by private-sector companies. The **Statement of Net Position** includes all of the Department's assets, liabilities, and net position. All revenues and expenses are accounted for in the **Statement of Activities** regardless of when cash is received or disbursed.

**Governmental Fund Financial Statements**, including the **Balance Sheet** and the **Statement of Revenues, Expenditures, and Changes in Fund Balance**, focus on individual parts of the Department, reporting the Department's financial condition and results of operations in more detail than the entity-wide statements, and tell how general government services were financed in the short-term as well as what remains for future spending. Emphasis is on the general and major funds. Other governmental funds are summarized in a single column.

**Statement of Revenues and Expenditures – Budget and Actual** reports the original approved budget, final approved budget and actual results presented on the budgetary basis of reporting for all funds and dedicated appropriations. A separate column is presented to report any variances between the final budget and actual amounts.

**State of New Mexico Department of Public Safety  
Management's Discussion and Analysis  
June 30, 2017**

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**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS – CONTINUED**

**Statement of Fiduciary Assets and Liabilities** provides information about the financial relationships in which the Department acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Additional details about the basic financial statements are found in the **Notes to Financial Statements** and the **Supplementary Information** sections.

**FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE**

The following condensed financial information was derived from the entity-wide financial statements and compares the current year to the prior year:

	Current Year June 30, 2017	Prior Year June 30, 2016	Increase or (Decrease)	Percent Change
<b>Assets</b>				
Current assets	\$ 18,258,190	\$ 20,163,603	\$ (1,905,413)	-9.45%
Capital assets	<u>16,777,496</u>	<u>16,502,355</u>	<u>275,141</u>	1.67%
<b>Total Assets</b>	<u>35,035,686</u>	<u>36,665,958</u>	<u>(1,630,272)</u>	-4.45%
<b>Liabilities</b>				
Current liabilities	14,919,747	13,996,119	923,628	6.60%
Long-term liabilities	<u>2,283,759</u>	<u>2,372,669</u>	<u>(88,910)</u>	-3.75%
<b>Total Liabilities</b>	<u>17,203,506</u>	<u>16,368,788</u>	<u>834,718</u>	5.10%
<b>Net Position</b>				
Net investment in capital assets	16,777,496	16,502,355	275,141	1.67%
Restricted	1,288,290	4,028,421	(2,740,131)	-68.02%
Unrestricted	<u>(233,606)</u>	<u>(233,606)</u>	<u>-</u>	0.00%
<b>Total Net Position</b>	<u>\$ 17,832,180</u>	<u>\$ 20,297,170</u>	<u>\$ (2,464,990)</u>	-12.14%

**State of New Mexico Department of Public Safety  
Management's Discussion and Analysis  
June 30, 2017**

**FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE – CONTINUED**

	Current Year June 30, 2017	Prior Year June 30, 2016	Increase or (Decrease)	Percent Change
<b>Program Revenues and Expenses</b>				
Program revenues	\$ 14,536,179	\$ 16,459,648	\$ (1,923,469)	-11.69%
Program expenses	<u>140,337,801</u>	<u>139,206,855</u>	<u>1,130,946</u>	0.81%
<b>Net Program Revenues (Expenses)</b>	<u>(125,801,622)</u>	<u>(122,747,207)</u>	<u>(3,054,415)</u>	2.49%
<b>General Revenues (Expenses)</b>				
General fund appropriations	120,628,400	116,611,100	4,017,300	3.45%
Weight distance tax permit fund appropriations	1,265,600	1,265,600	-	0.00%
Special appropriations	600,000	-	600,000	100.00%
Severance tax bond appropriations	4,426,979	143,695	4,283,284	2980.82%
Transfers - in (out) from other state agencies	<u>(313,000)</u>	<u>3,760,845</u>	<u>(4,073,845)</u>	-108.32%
	<u>126,607,979</u>	<u>121,781,240</u>	<u>4,826,739</u>	3.96%
Gain or (loss) on disposal of capital assets	504,048	435,940	68,108	15.62%
Reversions - state general fund	<u>(3,775,395)</u>	<u>(546,040)</u>	<u>(3,229,355)</u>	591.41%
<b>Change in Net Position</b>	<u>(2,464,990)</u>	<u>(1,076,067)</u>	<u>(1,388,923)</u>	129.07%
<b>Beginning Net Position</b>	<u>20,297,170</u>	<u>21,373,237</u>	<u>(1,076,067)</u>	-5.03%
<b>Ending Net Position</b>	<u><u>\$ 17,832,180</u></u>	<u><u>\$ 20,297,170</u></u>	<u><u>\$ (2,464,990)</u></u>	-12.14%

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2017 are as follows:

**Total Assets** decreased by \$1,630,272 or 4.45 percent, primarily due to the reduction in receivable balances resulting from improved billing processes.

**Total Liabilities** increased by 5.1% primarily due to an increase in accrued salaries and benefits payable of \$1,132,989. The number of accrued work days increased from nine (9) in FY16 to fourteen (14) in FY17.



## FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE – CONTINUED

**Total Net Position** decreased by 12.14% due to fully expending prior year special appropriations, few new special appropriations and improved billing processes contributed.

The Department's **Unrestricted Net Position** derives from FY15, current management found the account due to state general fund was misstated. This occurred when the estimate reversion was calculated. As the 2010 audit was completed by December 15, 2010 the reversion was sent to DFA as required by September 30, 2010. The Department requested the funds back but it was after the 30 days that is allowed. The Department requested an appropriation but it was not approved. In the FY15 audit a prior year entry was made to properly reflect the over-reversion.

**Program Revenues** decreased by 11.69% primarily due to decrease in special projects and fund balances in interest bearing accounts.

**Program Expenses** increased by 0.81% primarily due to implementing Phase 3 of the pay plan and hiring and purchasing equipment for additional officers.

**Net Program Activity** decreased by 2.49% primarily due to an increase in payroll and equipment for additional officers.

**General Fund Appropriations** increased by 3.45% primarily due to General Fund funding was provided to implement Phase 3 of the pay plan and to hire and equip additional officers.

**Transfers in (out) From Other State Agencies** decreased by 108.32% primarily due to no special appropriations for FY17 and transfers out of fund balance.

**Special Appropriations** is being presented on a separate line for the first time in the FY17 financials, in prior years it was presented as transfers in. There is no statistical information at this time.

**Severance Tax Bonds** increased by 100% primarily due to a bond sale of \$3.2 million to purchase vehicles and equipment for the officers.

The Department recognized a \$504,048 **Gain on Disposal of Capital Assets** for an increase of 15.62% over last year, primarily due to the sale of New Mexico State Police vehicles in FY17 that were fully depreciated.

**Ending Net Position** decreased by 12.14% primarily due to the agencies ability to bill on a timely basis, few new special appropriations and prior years special appropriations were fully expended.

**State of New Mexico Department of Public Safety  
Management's Discussion and Analysis  
June 30, 2017**

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**FINANCIAL ANALYSIS AT THE FUND LEVEL**

The following analysis was derived from the fund financial statements and compares the current year fund balances to the prior year:

The decrease in the **General Fund** balance is due to the agency's ability to fully expend special appropriations in which the revenues were recognized in prior year and not retain carry over balances. The decrease in the **Special Revenues** fund balance is due to a 1.3 million sweep of non-reverting funds from the Concealed Handgun Carry Fund.

	Fund Balance			
	Current Year June 30, 2017	Prior Year June 30, 2016	Increase or (Decrease)	Percent Change
General Fund	\$ 2,573,671	\$ 3,536,825	\$ (963,154)	-27.23%
Special Revenues	3,037,203	4,227,778	(1,190,575)	-28.16%
Capital Projects	-	-	-	0.00%
<b>Total</b>	<b>\$ 5,610,874</b>	<b>\$ 7,764,603</b>	<b>\$ (2,153,729)</b>	<b>-27.74%</b>

**GENERAL BUDGETARY HIGHLIGHTS**

The General Appropriation Act, Laws of 2016, Second Session, Chapter 11, Section 4, included an FY17 base general fund appropriation of \$120,628,400. The appropriation was \$4,367,400 more than the FY16 appropriation of \$116,261,000 for a 3.76% increase of addition-to-base funding primarily for these major items:

- \$1,250,000 to implement Phase III of the Officer Pay Plan;
- \$1,200,000 to fund new recruit officer pay;
- \$532,000 to fund increased General Services Department insurance premiums and Department of Information Technology communication and data charges;
- \$450,000 to partially replace federal forfeiture sharing revenue;
- \$154,000 to fund GSD increased collision deductible;
- \$440,000 to fund increased Forensic Laboratory operational costs;
- \$450,000 to for the criminal justice clearinghouse;

There were no special appropriations for FY17 for the department. We did receive the revenue for the special appropriation from the Laws 2016, 2nd Session, Chapter 11, Section 7, Item 120 of \$150,000 to enhance the consolidated offender query database for the criminal history clearinghouse.

There were no budgetary variances (i.e., excess expenditures over appropriations) to be reported for the fiscal year.

### **CAPITAL ASSETS**

The Department's capital assets, net of depreciation, are \$16,777,496 at June 30, 2017. Capital assets and investment in capital assets increased by \$275,141 or 1.7% based on the June 30, 2016 net balance of \$16,502,355 as FY17 acquisitions were greater than FY16 acquisitions. The Department does not have any debt related to capital assets at June 30, 2017.

### **COMPENSATED ABSENCES**

Total compensated absences as of June 30, 2017, are \$4,671,866. Compensated absences decreased by \$170,315 from FY16 to FY17 resulting from the computation of the accrued sick leave balance.

### **DEBT ADMINISTRATION**

The Department does not have any long-term debt other than compensated absences.

**PERFORMANCE MEASURES**

The Department collects data to measure success in meeting performance measure targets to address requirements of the Accountability in Government Act (AGA), Sections 6-3A-1 through 6-3A-8 NMSA 1978. Performance measures outlined in the General Appropriation Act for the year ended June 30, 2017 were:

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
<b>LAW ENFORCEMENT PROGRAM:</b>			
Output	Number of criminal investigations conducted by agents assigned to criminal investigative and impact positions in the investigations bureau	20	22.3
Output	Number of drug-related investigations conducted by agents assigned to narcotics investigative positions in the investigations bureau	20	55.2
Output	Number of commercial motor vehicle citations issued per filled full-time-equivalent position assigned to enforcement duties	522	385.1
Output	Number of commercial motor vehicle safety inspections conducted per filled full-time-equivalent position assigned to inspection duties	430	686.5

**PERFORMANCE MEASURES - CONTINUED**

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
<b>STATEWIDE LAW ENFORCEMENT SUPPORT PROGRAM:</b>			
Outcome	Percent of forensic biology and deoxyribonucleic (DNA) cases completed per filled full-time-equivalent position within sixty working days	40%	17.60%
Outcome	Percent of forensic latent fingerprint cases completed per filled full-time equivalent position within sixty working days	30%	35.10%
Outcome	Percent of forensic firearm or tool mark cases completed per filled full-time equivalent position within sixty working days	50%	24.40%
Outcome	Percent of forensic chemistry cases completed per filled full-time-equivalent position within sixty working days	40%	30.90%

**FINANCIAL CONTACT**

The Department's financial statements are designed to present users with the general overview of its finances and to demonstrate its accountability. If you have any questions or require additional information, please contact:

New Mexico Department of Public Safety  
Chief Financial Officer  
P.O. Box 1628  
Santa Fe, New Mexico 87504-1628

## **FINANCIAL STATEMENTS**

**State of New Mexico Department of Public Safety  
Statement of Net Position**

**As of June 30, 2017**

	<b>Governmental Activities</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 345,324
Investment in State General Fund Investment Pool (Note 3)	14,794,030
Accounts receivable, net (Note 4)	958,297
Due from:	
Federal government, net (Note 5)	1,284,657
Other state agencies (Note 6)	824,753
Component units of the state (Note 7)	22,740
Prepaid expenses	28,389
<b>Total Current Assets</b>	<u>18,258,190</u>
<b>Non-Current Assets:</b>	
Capital assets, not being depreciated (Note 10)	2,257,254
Capital assets being depreciated, net of accumulated depreciation (Note 10)	14,520,242
<b>Total Non-Current Assets</b>	<u>16,777,496</u>
<b>Total Assets</b>	<u><u>\$ 35,035,686</u></u>
<b>Current Liabilities:</b>	
Accounts payable	\$ 7,699,975
Accrued salaries and benefits payable	4,309,581
Unearned grant revenue	1,200
Due to:	
Federal government	573
Other state agencies (Note 8)	3,501
State general fund (Note 13)	513,370
Local governments (Note 9)	3,440
Current portion of long-term obligations (Note 12):	
Compensated absences	2,388,107
<b>Total Current Liabilities</b>	<u>14,919,747</u>
<b>Long-Term Liabilities:</b>	
Compensated absences due after one year (Note 12)	2,283,759
<b>Total Long-Term Liabilities</b>	<u>2,283,759</u>
<b>Total Liabilities</b>	<u>17,203,506</u>
<b>Net Position:</b>	
Net investment in capital assets	16,777,496
Restricted	1,288,290
Unrestricted	(233,606)
<b>Total Net Position</b>	<u>17,832,180</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 35,035,686</u></u>

**See Report of Independent Certified Public Accountants and Notes to Financial Statements**



**State of New Mexico Department of Public Safety  
Statement of Activities**

Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants	
<b>Governmental Activities:</b>				
Program support	\$ (7,941,726)	\$ 27,699	\$ 9,522,894	\$ 1,608,867
Law enforcement	(114,094,968)	1,182,434	-	(112,912,534)
Statewide law enforcement support	(18,301,107)	3,803,152	-	(14,497,955)
<b>Total Governmental Activities</b>	<b>\$ (140,337,801)</b>	<b>\$ 5,013,285</b>	<b>\$ 9,522,894</b>	<b>(125,801,622)</b>
<b>General Revenues and (Expenses):</b>				
State general fund appropriations				120,628,400
Weight distance tax permit fund appropriations				1,265,600
Special appropriations				600,000
Severance tax bond appropriations				4,426,979
Interagency transfer in (out) (Note 11)				(313,000)
Reversions - state general fund (Note 13)				(3,775,395)
Gain on sale of capital assets				504,048
<b>Total General Revenues</b>				<b>123,336,632</b>
<b>Change in Net Position</b>				<b>(2,464,990)</b>
<b>Net Position, Beginning</b>				<b>20,297,170</b>
<b>Net Position, Ending</b>				<b>\$ 17,832,180</b>

**State of New Mexico Department of Public Safety  
Balance Sheet - Governmental Funds**

As of June 30, 2017

	General Fund	Other Non-Major Governmental Funds	Total Governmental Funds
	(12800)		
<b>Assets:</b>			
Investment in State General Fund			
Investment Pool (Note 3)	\$ 10,239,330	\$ 4,554,700	\$ 14,794,030
Cash in banks	215,332	21,043	236,375
Cash on hand	8,949	100,000	108,949
Accounts receivable, net (Note 4)	919,202	39,095	958,297
Due from:			
Federal government, net (Note 5)	1,284,657	-	1,284,657
Other state agencies (Note 6)	823,953	800	824,753
Component units of the state (Note 7)	22,740	-	22,740
Prepaid expenses - postage	18,000	-	18,000
Prepaid expenses - travel & per diem	10,389	-	10,389
<b>Total Assets</b>	<b>\$ 13,542,552</b>	<b>\$ 4,715,638</b>	<b>\$ 18,258,190</b>
<b>Liabilities:</b>			
Accounts payable	\$ 6,021,540	\$ 1,678,435	\$ 7,699,975
Accrued salaries and benefits payable	4,309,581	-	4,309,581
Unearned grant revenue	1,200	-	1,200
Due to:			
Federal government	573	-	573
Other state agencies (Note 8)	3,501	-	3,501
State general fund (Note 13)	513,370	-	513,370
Local governments (Note 9)	3,440	-	3,440
<b>Total Liabilities</b>	<b>10,853,205</b>	<b>1,678,435</b>	<b>12,531,640</b>
<b>Deferred Inflows of Resources:</b>			
Amounts unavailable (not received within period of availability)	115,676	-	115,676
<b>Total Deferred Inflows of Resources</b>	<b>115,676</b>	<b>-</b>	<b>115,676</b>
<b>Fund Balance:</b>			
Non-Spendable:			
Petty cash and change funds	8,949	-	8,949
Prepaid expenses	28,389	-	28,389
Cash in authorized bank and CD's	215,332	21,043	236,375
Flashroll	-	100,000	100,000
Restricted	2,554,607	2,916,160	5,470,767
Unassigned	(233,606)	-	(233,606)
<b>Total Fund Balance</b>	<b>2,573,671</b>	<b>3,037,203</b>	<b>5,610,874</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 13,542,552</b>	<b>\$ 4,715,638</b>	<b>\$ 18,258,190</b>

See Report of Independent Certified Public Accountants and Notes to Financial Statements

**State of New Mexico Department of Public Safety  
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**

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June 30, 2017

**Total Fund Balance - Governmental Funds**  
**(Balance Sheet - Governmental Funds)** \$ 5,610,874

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds. 16,777,496

Recording of deferred inflows of resources in the Balance Sheet - Governmental Funds and revenue in the Statement of Activities. 115,676

Compensated absences liability, not recorded in the governmental funds, but recorded as liabilities in the Statement of Net Position. (4,671,866)

**Net Position of Governmental Activities (Statement of Net Position)** \$ 17,832,180

**State of New Mexico Department of Public Safety  
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds**

Year Ended June 30, 2017

	General Fund	Other Non-Major Governmental Funds	Total Governmental Funds
	(12800)		
<b>Revenues:</b>			
Federal grants	\$ 10,278,245	\$ -	\$ 10,278,245
State grants	1,366	-	1,366
Other program fees	4,136,023	877,262	5,013,285
Proceeds from sale of property	504,048	-	504,048
<b>Total Revenues</b>	<b>14,919,682</b>	<b>877,262</b>	<b>15,796,944</b>
<b>Expenditures:</b>			
Public safety			
Current			
Personal services and employee benefits	99,128,909	-	99,128,909
Contractual services	4,910,023	-	4,910,023
Other costs	27,293,055	2,491,714	29,784,769
Capital outlay	3,774,291	3,185,265	6,959,556
<b>Total Expenditures</b>	<b>135,106,278</b>	<b>5,676,979</b>	<b>140,783,257</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(120,186,596)</b>	<b>(4,799,717)</b>	<b>(124,986,313)</b>
<b>Other Financing Sources (Uses):</b>			
State general fund appropriations	120,628,400	-	120,628,400
Weight distance tax permit fund appropriations	1,265,600	-	1,265,600
Special appropriations	600,000	-	600,000
Severance tax bond appropriations	-	4,426,979	4,426,979
Reversions - state general fund (Note 13)	(3,775,395)	-	(3,775,395)
Interagency transfer in (out) (Note 11)	-	(313,000)	(313,000)
Interfund transfer in	504,837	-	504,837
Interfund transfer out	-	(504,837)	(504,837)
<b>Total Other Financing Sources (Uses)</b>	<b>119,223,442</b>	<b>3,609,142</b>	<b>122,832,584</b>
<b>Change in Fund Balance</b>	<b>(963,154)</b>	<b>(1,190,575)</b>	<b>(2,153,729)</b>
<b>Fund Balance, Beginning</b>	<b>3,536,825</b>	<b>4,227,778</b>	<b>7,764,603</b>
<b>Fund Balance, Ending</b>	<b>\$ 2,573,671</b>	<b>\$ 3,037,203</b>	<b>\$ 5,610,874</b>

See Report of Independent Certified Public Accountants and Notes to Financial Statements

**State of New Mexico Department of Public Safety  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance -  
 Governmental Funds to the Statement of Activities**

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Year Ended June 30, 2017

**Net Changes in Fund Balance - Total Governmental Funds (Statement of Revenues,  
 Expenditures and Changes in Fund Balance - Governmental Funds)** \$ (2,153,729)

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

Net change in deferred inflows of resources adjustments from prior  
 to current year (reported as deferred inflows of resources in the  
 Balance Sheet - Governmental Funds and reported as revenue in  
 the Statement of Activities). (756,717)

Capital outlays to purchase or build capital assets are reported in  
 governmental funds as expenditures. However, for governmental  
 activities, these costs are shown in the Statement of Net Position  
 and allocated over their estimated useful lives as annual  
 depreciation expense in the Statement of Activities.

Capital asset additions	6,959,556	
Depreciation expense	<u>(6,684,415)</u>	
		275,141

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.

Decrease in compensated absences		<u>170,315</u>
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**Change in Net Position of Governmental Activities (Statement of Activities)** \$ (2,464,990)

**State of New Mexico Department of Public Safety  
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis) -  
General Fund**

Year Ended June 30, 2017

	<b>Fund 12800</b>			
	<b>Program Support - P503</b>			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
General fund appropriation	\$ 4,984,800	\$ 4,984,800	\$ 4,984,800	\$ -
Other appropriations	-	-	-	-
Federal funds	3,695,400	3,695,400	1,903,650	(1,791,750)
Other state funds	45,900	45,900	26,385	(19,515)
Other financing sources	-	-	-	-
<b>Total Revenues</b>	<b>8,726,100</b>	<b>8,726,100</b>	<b>6,914,835</b>	<b>\$ (1,811,265)</b>
<b>Prior Year Fund Balance Budgeted</b>	-	-		
<b>Total Budgeted Revenues</b>	<b>\$ 8,726,100</b>	<b>\$ 8,726,100</b>		
<b>Expenditures:</b>				
Personal services and benefits	\$ 4,532,500	\$ 4,532,500	3,930,984	\$ 601,516
Contract services	125,300	125,300	118,481	6,819
Other	4,068,300	4,068,300	2,633,055	1,435,245
Other financing uses	-	-	-	-
<b>Total Budgeted Expenditures</b>	<b>\$ 8,726,100</b>	<b>\$ 8,726,100</b>	<b>6,682,520</b>	<b>\$ 2,043,580</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>			232,315	
GAAP basis reconciliation				
Reversion to state general fund			(69,950)	
<b>Net Change in Fund Balance</b>			<b>\$ 162,365</b>	

See Report of Independent Certified Public Accountants and Notes to Financial Statements

**State of New Mexico Department of Public Safety  
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis) -  
General Fund**

Year Ended June 30, 2017

	<b>Fund 12800</b>			
	<b>Law Enforcement - P504</b>			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
General fund appropriation	\$ 103,233,900	\$ 100,015,900	\$ 103,233,900	\$ 3,218,000
Other appropriations	1,270,600	1,270,600	1,265,600	(5,000)
Federal funds	11,732,600	11,732,600	7,236,031	(4,496,569)
Other state funds	4,961,200	4,961,200	1,685,008	(3,276,192)
Other financing sources	-	-	-	-
<b>Total Revenues</b>	121,198,300	117,980,300	113,420,539	<u>\$ (4,559,761)</u>
<b>Prior Year Fund Balance Budgeted</b>	-	-		
<b>Total Budgeted Revenues</b>	<u>\$ 121,198,300</u>	<u>\$ 117,980,300</u>		
<b>Expenditures:</b>				
Personal services and benefits	\$ 91,231,900	\$ 90,408,900	84,812,618	\$ 5,596,282
Contract services	3,837,800	3,593,800	1,354,396	2,239,404
Other	26,128,600	23,977,600	23,551,507	426,093
Other financing uses	-	-	-	-
<b>Total Budgeted Expenditures</b>	<u>\$ 121,198,300</u>	<u>\$ 117,980,300</u>	109,718,521	<u>\$ 8,261,779</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>			3,702,018	
GAAP basis reconciliation				
Reversion to state general fund			<u>(3,583,923)</u>	
<b>Net Change in Fund Balance</b>			<u>\$ 118,095</u>	

**State of New Mexico Department of Public Safety  
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis) -  
General Fund**

Year Ended June 30, 2017

	<b>Fund 12800</b>			
	<b>Statewide Law Enforcement Support - P786</b>			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
General fund appropriation	\$ 12,409,700	\$ 12,409,700	\$ 12,409,700	\$ -
Other appropriations	-	-	-	-
Federal funds	1,532,200	2,048,660	1,138,564	(910,096)
Other state funds	2,393,500	3,193,500	2,930,044	(263,456)
Other financing sources	4,220,000	3,420,000	504,837	(2,915,163)
<b>Total Revenues</b>	<b>20,555,400</b>	<b>21,071,860</b>	<b>16,983,145</b>	<b>\$ (4,088,715)</b>
<b>Prior Year Fund Balance Budgeted</b>	<b>-</b>	<b>-</b>		
<b>Total Budgeted Revenues</b>	<b>\$ 20,555,400</b>	<b>\$ 21,071,860</b>		
<b>Expenditures:</b>				
Personal services and benefits	\$ 11,305,700	\$ 11,305,700	10,083,959	\$ 1,221,741
Contract services	2,550,500	2,619,000	1,968,043	650,957
Other	6,699,200	7,147,160	4,638,465	2,508,695
Other financing uses	-	-	-	-
<b>Total Budgeted Expenditures</b>	<b>\$ 20,555,400</b>	<b>\$ 21,071,860</b>	<b>16,690,467</b>	<b>\$ 4,381,393</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>			292,678	
GAAP basis reconciliation				
Reversion to state general fund			(114,150)	
<b>Net Change in Fund Balance</b>			<b>\$ 178,528</b>	



**State of New Mexico Department of Public Safety  
Statement of Fiduciary Assets and Liabilities - Agency Funds**

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As of June 30, 2017

	<u>Agency Funds</u>
<b>Assets:</b>	
Interest in State General Fund Investment Pool	\$ 221,892
Cash in banks	<u>178,571</u>
<b>Total Assets</b>	<u><u>\$ 400,463</u></u>
<b>Liabilities:</b>	
Assets held for others	<u>\$ 400,463</u>
<b>Total Liabilities</b>	<u><u>\$ 400,463</u></u>

**State of New Mexico Department of Public Safety  
Statement of Fiduciary Assets and Liabilities - Agency Funds**

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## **NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – HISTORY AND FUNCTION**

On July 1, 1987, the Department of Public Safety was formed by Section 9-19-4 NMSA 1978. The Department of Public Safety combined the activity that was previously handled by the following:

1. New Mexico State Police
2. Enforcement portion of the Alcoholic Beverage Control
3. Law Enforcement Academy
4. Civil Emergency Preparedness Division of the Office of Military Affairs
5. Hazardous Materials Emergency Response Program
6. Governors Organized Crime Prevention Commission

On July 1, 1998, the Motor Transportation Division (MTD) was transferred to the Department from the New Mexico Taxation and Revenue Department. On July 1, 2007, the Emergency Management Division was transferred from the Department to the New Mexico Department of Homeland Security and Emergency Management.

The basic function of the Department of Public Safety is to establish a single, unified department to consolidate state law enforcement and safety functions. The goal is to provide better management, real coordination and efficient use of state resources and manpower in responding to New Mexico's public safety needs and problems.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the New Mexico Department of Public Safety conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

***Reporting Entity and Component Units***

The chief executive of the Department is the Secretary, who is appointed by the Governor of the State of New Mexico and is a member of the Governor's Cabinet. The Department is a component unit to the executive branch and these financial statements include all funds, programs and activities over which the Department Secretary has oversight responsibility.

In evaluating how to define the Department 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 in accordance with the criteria set forth in GASB 39 and GASB 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 the governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Reporting Entity and Component Units – Continued***

The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, including the existence of a financial benefit or burden relationship. Based upon the application of these criteria, the Department does not have any component units.

The Department is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR). Even though the Department Secretary is appointed by the Governor, the Department Secretary has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GASB is the standard-setting body for governmental accounting and financial reporting. GASB periodically updates its codification of the existing Governmental Accounting and Financial Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

***Basic Financial Statements - Government-Wide Statements***

The Department's basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic statement) categorize primary activities as either governmental or business type, excluding fiduciary funds or component units that are fiduciary in nature. The Department is a single purpose government entity and has no business type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables and deferred outflows as well as long-term debt and obligations and deferred inflows. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. The Department's net position is reported in three parts; net investment in capital assets; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which is otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation on capital assets) by related program revenues, operating and capital grants. This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Basic Financial Statements - Government-Wide Statements – Continued***

Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Items not properly identified as program revenues are reported instead as general revenues. The Department reports all direct expenses by program in the Statement of Activities. Direct expenses are those clearly identifiable with a function. All indirect expenses are recorded in the general government functional expense category. The Department does not employ indirect cost allocation. Program revenue must be directly associated with the function or a business-related activity. The Department has one function (public safety) and three programs: Law Enforcement, Statewide Law Enforcement Support, and Program Support. Law Enforcement revenues consist of federal and state grants, court fines and forfeitures, concealed carry weapon fees, security reimbursements, auction proceeds and insurance claims. Statewide Law Enforcement Support revenues consist of federal grants, law enforcement records bureau photostat and fingerprint fees, state chemist fees, and advanced training fees. Program Support revenues consist of federal grants.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the Department's policy to use restricted resources first, then unrestricted resources, as they are needed.

***Basic Financial Statements - Fund Financial Statements***

Emphasis is on the major fund of the governmental category. Non-major funds are summarized into a single column. The Department's major fund is its General Fund.

The governmental funds in the financial statements are presented on a current financial resource and modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources and to demonstrate how the Department's actual experience conforms with the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Basic Financial Statements - Fund Financial Statements – Continued***

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The Department's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The focus is on the Department as a whole and the fund financial statements, including the major individual funds of the governmental category, as well as the fiduciary fund by category.

The financial transactions of the Department are recorded in individual 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, deferred outflows, liabilities, deferred inflows, 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 following fund types are used by the Department:

**Governmental Fund Types**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financials statements focus on current resources and use of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of governmental funds are narrower than governmental-wide financials statements. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Basic Financial Statements - Fund Financial Statements – Continued***

**Governmental Fund Types – Continued**

**General Fund:** The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund.

12800            General Fund - The operating account for the Department was created by Chapter 29, Article 12 NMSA 1978 may be cited as the “New Mexico State Police Act”. This is a reverting fund.

**Special Revenue Funds:** The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes and non-reverting except as noted.

27200            State Chemist Fees Fund - The State Chemist Fees Fund was established in accordance with Section 31-12-9, NMSA 1978 to account for substance abuse fees collected and expended for the administration of certain Department of Public Safety programs related to controlled substances. It is a non-reverting fund.

34200            State Forfeitures (CSA) Fund - The CSA Forfeitures Fund was established in accordance with Section 30-31-35, NMSA 1978 Compilation to account for property forfeited under the Controlled Substance Act. The funds received are to be utilized by the Law Enforcement Program in the enforcement of the Act. It is a non-reverting fund.

34300            Federal Forfeitures Fund - U.S. Department of Justice (USDOJ) - State Police - The Federal Forfeitures Funds were established in accordance with the authority found in 21 U.S.C. s 881 (e) (1) (A), 18. U.S.C. s 981 (e) and 19 U.S.C. s 1616 to account for the proportionate share of funds received from federal property seizures. Procedures are to be used in accordance with guidelines established in *Asset Forfeiture and Equitable Sharing: An Update*. It is a non-reverting fund.

34600            Peace Officers’ Survival Fund - The Peace Officers’ Survival Fund was established in accordance with Section 29-4A-4, NMSA 1978 Compilation to account for monies held as supplemental death benefits to the spouses and surviving children of New Mexico peace officers killed in the line of duty on or after April 5, 1995. A review committee consisting of the New Mexico Attorney General, State Police Chief and State President of the Fraternal Order of Police determine eligibility. It is a non-reverting fund.



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Basic Financial Statements - Fund Financial Statements – Continued***

**Governmental Fund Types – Continued**

- 59400 Concealed Handgun Carry Fund - The Concealed Handgun Carry Fund was established in accordance with Section 29-19-13, NMSA 1978 to carry out the provisions of the Concealed Handgun Carry Act. It is a non-reverting fund.
- 67000 Orphan Materials Recovery Fund - The Orphan Materials Recovery Fund was established in accordance with Section 12-12-29, NMSA 1978 to contract for the disposal of orphan hazardous materials held in the possession of the Department and identified by state emergency response officers. It is a non-reverting fund.
- 71990 Federal Forfeitures Fund - US Treasury - State Police - The Federal Forfeitures Funds were established in accordance with the authority found in 21 U.S.C. s 881 (e) (1) (A), 18. U.S.C. s 981 (e) and 19 U.S.C. s 1616 to account for the proportionate share of funds received from federal property seizures. Procedures are to be used in accordance with guidelines established in *Asset Forfeiture and Equitable Sharing: An Update*. It is a non-reverting fund.
- 78600 Law Enforcement Advanced Training Fund - The Law Enforcement Training Fund was established in accordance with Section 29-7-12, NMSA 1978 to account for funds obtained in administering special training programs. The funds are used to conduct special training programs by specialized instructors. Laws of 2015, Senate Bill 95, Chapter 3, modified the fund to become a non-reverting fund.
- 88200 Special Donations Fund - The Special Donations Fund was established in accordance with the New Mexico Department of Finance and Administration directive to account for contributions, gifts, bequests, or court-ordered amounts. The use of funds are specified by the donor. It is a non-budgeted and non-reverting fund.
- 89000 ARRA Fund - This fund was established by the New Mexico Department of Finance and Administration (DFA) to account for funds received under the American Recovery and Reinvestment Act (ARRA). It is a non-reverting fund. The Department is no longer using this fund and is waiting for DFA to close the fund.
- 89400 Crime Stoppers Reward Fund - The Crime Stoppers Reward Fund was established in accordance with a New Mexico Department of Finance and Administration directive to account for contributions (gifts, bequests or court-ordered amounts) to the Crime Stoppers program and expenditures from the program. It is a non-budgeted and non-reverting fund.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Basic Financial Statements - Fund Financial Statements – Continued***

**Governmental Fund Types – Continued**

**Capital Projects Funds:** The Capital Projects Funds are used to account for major capital expenditures.

89200 STB Capital Outlay Fund - This fund was created to separately account for the construction of infrastructure on behalf of other governments or other long term Departmental projects in annual legislative appropriations. This is funded through the sale of Severance Tax Bonds and is distributed through the Board of Finance of the Department of Finance and Administration. This fund reverts upon completion of the appropriation project or upon expiration of the appropriation period. Appropriations are received on a reimbursement basis as expenditures occur, therefore only budgetary reversions are made when applicable.

93100 GF Capital Outlay Fund - This fund was established by the Department of Finance and Administration to track all capital outlay appropriations starting in Fiscal Year 2012. This fund replaces fund 09000. It is funded by state appropriations used for buildings and other projects. This fund reverts upon project completion.

**Fiduciary Fund Types**

Fiduciary fund types include trust and agency funds, which are used to account for assets held by the Department in the capacity of trustee or agent.

**Agency Fund:** Agency funds are used to account for assets held as an agent for other governmental units, individuals and other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

40200 DNA Fund - The DNA Identification System Fund was established in accordance with Section 29-16-11, NMSA 1978. It is used to collect fees of \$100 from convicted felons as part of the parole process. Fees are used by New Mexico correctional facilities for blood tests which establish a DNA Identification System in the state. This is a non-reverting fund.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Basic Financial Statements - Fund Financial Statements – Continued***

**Agency Fund Types - Continued**

10560 Evidence Fund - The Evidence Fund was established in Section 29-1-15, NMSA 1978 to account for monies confiscated during the normal course of police operations. Disposition of evidence is by Court order. Property awarded to the State is sold at auction and funds are deposited in the Evidence Fund. No value is assigned to evidence until it is sold. Some evidence is destroyed after it is no longer needed as evidence. This is a non-reverting fund.

***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the economic resources measurement focus. Under the accrual basis, revenues are recorded when earned and expenses are recorded at the time liabilities or obligations are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes, grants and appropriations. On an accrual basis, revenue from gross receipts taxes is recognized in the fiscal year for which the taxes are collected. Revenue from appropriations is recognized in the fiscal year appropriated and made available. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. All significant interfund transactions have been eliminated. Deferred inflows and deferred outflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term “net position” for reporting the residual of all elements in a statement of financial position.

Governmental fund types follow the modified accrual basis of accounting for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period (available meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days). Expenditures, other than vacation, compensatory and with pay, are recorded when they are incurred.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Measurement Focus and Basis of Accounting – Continued***

The Government-wide financial statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis. In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities 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 a liability by the recipient.

The exception to this general rule is principal and interest on general long-term debt, if any, is recognized when due.

The Department follows Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate. It further eliminates the election for proprietary fund and business type reporting entities to apply certain Financial Accounting Standards guidance.

The Department follows Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position* (GASB 63). GASB 63 introduced a fundamental change to the reporting of elements that make up a Statement of Net Position.

Deferred outflows of resources consumed and deferred inflows of resources received and available as they are now included in the elements that make up a Statement of Net Position and GASB 63 introduced the term net position for reporting the residual of all elements in a Statement of Net Position. The Statement of Net Position of the Department conforms to the presentation requirements of GASB 63.

During 2014, the Department implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) changes the classification of various financial statement balances including several more common type transactions for presentation as assets and liabilities to deferred outflows and inflows of resources. Any unearned revenue for federal or state grants whereas eligibility requirements have been met except for time requirements will be classified beginning this year under this standard. Deferred inflows of \$115,676 were recorded in the Governmental Funds where all eligibility requirements of the respective grants were met, but the grants proceeds were not available until after 60 days from June 30, 2017.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Measurement Focus and Basis of Accounting – Continued***

The Department engages in federal grant agreement programs commonly referred to as “reimbursement type” programs. These programs require that the recipient (the Department) must incur allowable costs as defined by the agreement types in order to draw down funds against the particular project. This is the principal eligibility requirement for the recognition of the revenue. Upon incurring an allowable cost, the Department simultaneously recognizes a receivable and revenue in the amount of the expenditures incurred. All other eligibility requirements or grants, as applicable, must also be satisfied.

Revenues are recognized as follows:

- a) State general fund appropriations, which must be used in a specified manner, are recognized when authorized, all eligibility requirements have been met, and the resources are available. Data processing appropriations require project approval from the Department of Information Technology. The Department considers this part of the eligibility requirements and does not recognize the revenue until the approval is obtained.
- b) Federal and other grants revenues are recognized when the applicable eligibility criteria, including time requirements, are met and the resources are available. Resources received for which applicable eligibility criteria have not been met are reflected as deferred inflows in the accompanying financial statements.
- c) Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other state and local agencies are recorded, as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Budgets and Budgetary Accounting***

The State Legislature makes annual appropriations to the Department which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (modified cash basis) and a financial control system which permits a budget-to-actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

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

The General Appropriation Act of 2004 established the modified accrual basis of accounting for governmental funds in accordance with the Manual of Model Accounting Practices issued by the Department of Finance and Administration as the budgetary basis of accounting for the State of New Mexico. The change in policy resulted in the recognition of budgetary control from a fiscal year to an appropriation period. Under the budgetary basis, prior year encumbrances allowed for money to be expended in one fiscal year, while charging the expenditure to another year's budget. Under the new policy, as long as the appropriation period has not lapsed, and a budget has been approved by the Department of Finance and Administration, an encumbrance can be charged against that budget. However, when the appropriation period has lapsed, so does the authority for the budget.

The General Fund, Special Revenues Funds, and the Capital Projects Fund's budgetary legal authorization to incur obligations is on a basis that differs from the basis of accounting required by generally accepted accounting principles (GAAP). The budget is prepared on a modified accrual basis and may include encumbrances for multiple-year appropriations in fund expenditures (commitments for the expenditure of monies relating to unperformed contracts of orders for goods and services). GAAP includes accrued expenditures but does not include encumbrances in fund expenditures.

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

- a) No later than September 1, the Department 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Budgets and Budgetary Accounting – Continued***

- b) Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings are incorporated into the State's General Appropriations Act.
- c) 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.
- d) No later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budgetary adjustments must be approved by the Director of the DFA Budget Division and by LFC.
- e) Per the Annual General Appropriation Act, the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the Manual of Model Accounting Practices issued by the Department of Finance and Administration. 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. The legal level of budgetary control is the appropriation program level. Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

***Cash***

Cash is deposited by the Department into its accounts with the State Treasurer, which are pooled and invested by the State Treasurer, and various financial institutions. The Department considers cash on hand, cash in banks, and the Interest in State Treasurer General Fund Investment Pool to be cash and cash equivalents. Negative cash, if any, is shown as due to state treasurer's office.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Accounts Receivable***

Accounts receivable consists of amounts due from various entities: individuals, private businesses, state and local governmental agencies. The Department provides the following services: advanced and basic training of law enforcement and dispatch personnel (course fee, room and board); certification of law enforcement programs; criminal justice information background checks; fingerprint background checks; concealed handgun carry permit licensing fees; security services for special events, highway construction sites, movies, and the legislature. In addition, the department receives grants from federal, state, and local government agencies. Examples include: law enforcement activity funding such as DWI check points, warrant roundups, highway safety saturation patrols, seat belt and child safety seat enforcement, commercial vehicle safety enforcement, narcotics enforcement, underage drinking law enforcement; forensic case processing to include DNA and chemistry analysis; federal emergency federal response, and provide sub-recipient grants to local law enforcement task forces.

The Department actively pursues collections of all valid accounts receivable and to comply with Article IV, Section 32 of the New Mexico Constitution that mandates that no amounts owed to the state can be exchanged, transferred, remitted, released or postponed. As a result of this policy, the Department does not write off any receivable balances and, instead provides an allowance for uncollectable accounts. A detail listing of all uncollectable accounts is maintained and uncollectable accounts are referred to the Department's legal department for possible legal collections actions. The balance of receivables deemed uncollectable through the end of FY17 was \$903,691 and a net total \$3,331 was moved to the uncollectable account during the fiscal year. (Note 4 and Note 5)

***Due From/To Other Funds***

A due from/to other funds represents an asset/liability account in the general ledger that indicates the amount due from and to other funds within the Department and are included in the governmental fund financials statements. The due from account is typically used in conjunction with a due to account to reconcile which accounts the money is due from and due to. Inter-fund transactions are eliminated in the accrual-basis governmental-wide financial statements.

***Due to State General Fund (Reversions)***

Reversions by the Department are based on the definitions of both reverting and non-reverting funds. The Department calculates reversions by determining the excess of accrued revenues over accrued expenditures for its general fund appropriation, compensation appropriation, weight distance appropriation, and other reverting state funds as of June 30 of each fiscal year. Unexpended and unencumbered balances are generally reverted to the state general fund. Annual appropriations state that unexpended or unencumbered balances of the state general fund appropriation to the Department shall revert.



**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Due to State General Fund (Reversions) - Continued***

Accordingly, reversions have been recorded in the current year for General Fund appropriations. Also, the unexpended and unencumbered balance of special and data processing appropriations are reverted upon expiration.

***Due From/To Component Units of the State***

A due from/to component units of the state is activity that takes place between and among governmental, propriety, and fiduciary funds. The activity is recorded in the general ledger that indicates the amount due from and to local entities within the State of New Mexico (Note 7) and are included in the governmental fund financials statements. Inter-fund transactions are eliminated in the accrual-basis governmental-wide financial statements.

***Due From/To Other State Agencies***

A due from/to other state agencies is recorded as an asset account in the general ledger that indicates the amount due from and to other state agencies within the State of New Mexico (Note 6 and 8) and are included in the governmental fund financial statements. The due from/to account is typically used in conjunction with a fund and fund affiliate so at the state level they are reconciled.

***Capital Assets***

Capital assets purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. In some cases, assets acquired at a value of \$5,000 or less are capitalized. Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value 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 when incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful life with no salvage value.

	<u>Years</u>
Furniture and fixtures	10
Equipment and machinery	5
Automobiles	4
Aircraft	10
Buildings and structures	20
Data processing equipment	3
Livestock and animals	2

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Capital Assets - Continued***

The Department utilizes facilities and buildings that are owned by the Property Control Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The Department does not own any infrastructure assets.

***Accrued Compensated Absences - Annual Leave***

New Mexico State Police officers accumulate annual leave as follows:

Years of Service	Hours Earned Per Pay Period	Days Earned Per Year	Days of Maximum Accrual
1-10	4.61	15	30
11-15	5.54	18	30
16-20	6.46	21	30
20 <sup>th</sup> /Beyond	7.38	24	30

Classified service employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Pay Period	Days Earned Per Year	Days of Maximum Accrual
1-3	3.08	10	30
4-7	3.69	12	30
8-11	4.61	15	30
12-15	5.54	18	30
15 <sup>th</sup> /Beyond	6.15	20	30

Thirty (30) days of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is forfeited. When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of thirty (30) days. Accrued annual leave is recorded as a non-current liability in the government-wide financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Accrued Compensated Absences - Annual Leave - Continued***

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours, in the first full pay period in July or January of each year. However, sick leave is 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 of accumulated sick leave. Therefore, the sick leave accrued represents the hours earned as of June 30, 2017, over 600 hours up to 120 hours per employee. 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 non-current liability in the government-wide financial statements.

***Net Position***

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets (net of related debt), restricted and unrestricted.

**Net Investment in Capital Assets:** is intended to reflect the portion of net position which are 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 Department had net investment in capital assets of \$16,777,496 at June 30, 2017. The Department does not have any related debt.

**Restricted Net Position:** are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use. Such restrictions are legally enforceable.

**Unrestricted Net Position:** represent unrestricted assets.

For the department-wide financial statements, it is the policy of the Department that restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Fund Balance Classifications***

The agency's fund balances represent: 1) Non-spendable category of fund balance consists of the net financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. 2) Restricted purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The amount of net position restricted by statute through enabling legislation is \$5,470,767. 3) Committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 4) Assigned purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. 5) Unassigned purposes, consists of balances that are the least constrained . A summary of the nature and purpose of these reserves by fund type at June 30, 2017, is as follows:

**Non-spendable.** This reserve was created to represent the portion of the fund balance that is not available for expenditures, such categories of fund balance are Flashroll, Certificate of Deposit (CD), Inventory and Prepaid Expenses.

**Restricted.** This reserve consists of liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use.

**Committed or Restricted by Legislation for Multi-Year Appropriations.** This reserve was created for multi-year appropriations for which the Department has received funds for projects which extend into future years.

**Assigned Fund Balance.** Amounts that are constrained by the Department's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that Department has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

**Unassigned Fund Balance.** This is the residual classification of the General Fund. Only the General Fund can report a positive "unassigned fund balance". Other governmental funds might report a negative balance in this classification.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Fund Balance Classifications - Continued***

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, restricted fund balances in most instances will be spent first. When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Details of the fund balances are included in the Balance Sheet - Governmental Funds.

***Unearned Revenue and Deferred Inflows***

**Unearned Revenue**

Unearned revenue represents a liability for the Department when a payment is made to the Department in advance of goods or services being rendered. When goods or services are rendered, unearned revenue is decreased and revenue is recognized and recorded as an increase. Unearned revenue is used to account for amounts received from a vendor in advance of expenditures occurring, whereas certain eligibility requirements have not yet been met.

**Deferred Inflows**

Deferred inflows in the amount of \$115,676 have been reported on the Balance Sheet – Governmental Funds because the Department received grant funds in advance from state (non federal) funds and all eligibility requirements have been satisfied except for time requirements. The deferred inflows are expected to be amortized to revenue in the coming year.

***Other Revenues and Transfers***

Other revenues consist primarily of the State's portion of reimbursements for previous overpayments of benefits.

Transfers in from (out to) other state agencies and governmental units are recorded as other financing sources (uses).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***New Mexico Public Employees Retirement Association (PERA)***

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico implemented the standard in FY15.

The Department, 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 net 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.

***Revenues, Expenditures and Expenses***

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Expenditures are recognized when the related fund liability is incurred, except for the following permitted by accounting principles generally accepted in the United States of America:

Prepaid items and inventory costs are reported in the period when inventory items are consumed, rather than in the period purchased.

When an expense is incurred that meets the requirements of both restricted and unrestricted resources, the Department will first apply it to available restricted net position.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Revenues, Expenditures and Expenses - Continued***

***Classification of Expenses***

The Department has classified its expenses as either operating or non-operating expenses according to the following criteria:

***Operating expenses:*** Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) utilities, supplies, and other services; (3) professional fees; and (4) depreciation expenses related to Department property, plant, and equipment.

***Non-operating expenses:*** Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital asset-related debt and other expenses that are defined as non-operating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34.

***Cost Allocation***

The Department does not employ indirect cost allocation in the financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 – INTEREST IN STATE TREASURER GENERAL FUND INVESTMENT POOL AND CASH**

**Cash Equivalents on Deposit with State Treasurer's Office**

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Office (STO) acts as the State's bank. Agency cash receipts are deposited with STO and pooled in a State Investment Fund. When amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced.

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office, is now in its third year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

The State Controller indicated on August 11, 2017 that as of June 30, 2017, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the State Treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

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.



**NOTE 3 – INTEREST IN STATE TREASURER GENERAL FUND INVESTMENT POOL AND CASH - CONTINUED**

**Cash Equivalents on Deposit with State Treasurer's Office - Continued**

The Department is aware that the General Fund Investment Pool balances have not been reconciled at the Agency and Fund level by the Department of Finance and Administration. However, the Department has established its own internal reconciliation policies and procedures to mitigate the risk that our cash balances would be misstated as of June 30, 2017. The Department is confident that our reconciliation process ensures all incoming and outgoing cash transactions are properly identified and that they are timely and accurately recorded in the financial system. Recording is not final until approved by the State Treasurer's Office who compares the recorded transactions against validated bank deposit slips provided to them by the State's Fiscal Agent Bank. Our agency then compares all deposits to financial system cash transaction and general ledger reports to ensure they have been properly and thoroughly recorded.

Similarly, incoming wire cash transfers and operating cash transfers originating outside our agency and received by the State's Fiscal Agent Bank are identified, reviewed and verified to ensure they are properly authorized, recorded, reported and reconciled to source documents. All outgoing cash transactions are pre-audited for compliance, accuracy and authority before they are approved, paid and recorded in the financial system. These transactions are then verified and reconciled to financial system cash transaction and general ledger reports to ensure they have been properly and thoroughly recorded. Finally, cash management is vital to the Department's daily operations and our agency's CFO monitors cash on an ongoing basis and performs analytical reviews for reasonableness, expected results and trends. Unusual balances and activities are researched and resolved to ensure the accuracy and integrity of our cash balances.

At June 30, 2017, the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool    \$ 14,794,030

**NOTE 3 – INTEREST IN STATE TREASURER GENERAL FUND INVESTMENT POOL AND CASH - CONTINUED**

**Interest Rate Risk.** The New Mexico State Treasurer’s Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

**Credit Risk.** The New Mexico State Treasurer pools are not rated.

For additional GASB No. 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2017.

**Concentration of Credit Risk.** GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk.

State law requires that repurchase agreements be secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the Department’s name. The fair value of the repurchase agreement approximates the cost at June 30, 2017.

**NOTE 4 – ACCOUNTS RECEIVABLE, NET**

The aging of accounts recievable as of June 30, 2017:

<u>Number of Days Outstanding</u>	
0 - 30	\$ 600,544
31 - 60	721
61 - 90	7,630
91 - 120	-
Beyond 120	<u>1,330,569</u>
	1,939,464
Allowance for uncollectable accounts	<u>(981,167)</u>
	<u>\$ 958,297</u>

State of New Mexico Department of Public Safety  
Notes to Financial Statements  
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**NOTE 5 – DUE FROM FEDERAL GOVERNMENTS, NET**

The due from federal governments, net consists of the following as of June 30, 2017:

Agency	Total
Executive Office of the President	\$ 110,917
Miscellaneous Federal Agencies	33,708
U.S. Department of Energy	15,232
U.S. Department of Homeland Security	116,769
U.S. Department of the Interior Bureau of Land Management	5,471
U.S. Department of Justice	2,714
U.S. Department of Justice, Bureau of Justice Assistance	276,968
U.S. Department of Justice Criminal Division	8,031
U.S. Department of Justice, National Institute of Justice	93,800
U.S. Department of Justice, Office of Community Oriented Policing Services	57,638
U.S. Department of Office of Sex Offenders Sentencing, Monitoring, Apprehending, Registering, and Tracking	16,690
U.S. Department of Transportation: (FMCSA)	554,808
U.S. Department of Transportation: (NHTSA)	33,776
	<u>1,326,522</u>
Allowance for uncollectable accounts	(41,865)
	<u><u>\$ 1,284,657</u></u>

State of New Mexico Department of Public Safety  
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**NOTE 6 - DUE FROM OTHER STATE AGENCIES**

The due from other state agencies consists of the following as of June 30, 2017:

Fund Description	Fund Number	Sub-total	Total	Due From Bus Unit	Fund Number
General Operating Fund	12800	\$ 15		36600	60605
		105		62400	49000
Capital Project Fund - STB	89200	800		34103	40220
Total fees due			<u>\$ 920</u>		
General Operating Fund	12800	381,298		36100	20310
		81		35600	17600
		286,139		80500	10010
		31,674		78000	91602
		50,280		79500	20380
		74,361		46000	19100
Total reimbursement due			<u>823,833</u>		
<b>Total Governmental Funds</b>			<u><u>\$ 824,753</u></u>		
ALTSD			\$ 105		
Capital Projects Appropriation			800		
Crime Victims Reparation Commission			31,674		
Department of Information Technology			381,298		
Governor's Security Detail			81		
NMDHSEM			50,280		
NM Department of Transportation			286,139		
NM State Fair			74,361		
PERA			15		
			<u><u>\$ 824,753</u></u>		

**State of New Mexico Department of Public Safety**  
**Notes to Financial Statements**  
**June 30, 2017**

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**NOTE 7 – DUE FROM COMPONENT UNITS OF THE STATE**

The due from component units of the state consists of the following as of June 30, 2017:

Component Units

New Mexico State University	<u><u>\$ 22,740</u></u>
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**NOTE 8 – DUE TO OTHER STATE AGENCIES**

The due to other state agencies consists of the following as of June 30, 2017:

Fund Description	Fund Number	Total	Due To	
			Business Unit	Fund Number
General Fund	12800	\$ 411	33300	99400
		768	70500	99200
		2,322	52100	19900
<b>Total Governmental Funds</b>		<u><u>\$ 3,501</u></u>		
Energy and Minerals and Natural Resources		\$ 2,322		
Department of Military Affairs		768		
NM Taxation & Revenue		411		
		<u><u>\$ 3,501</u></u>		

**NOTE 9 – DUE TO LOCAL GOVERNMENTS**

The due to local governments consists of the following as of June 30, 2017:

Fund Description	Fund Number	Total	Due To
General Fund	12800	\$ 202	City of Alamogordo
		825	City of Farmington
		1,214	City of Las Vegas
		631	City of Raton
		35	City of Roswell
		217	City of T or C
		129	City of Taos
		84	City of Tucumcari
		103	Village of Cuba
<b>Total Governmental Funds</b>		<u><u>\$ 3,440</u></u>	

**State of New Mexico Department of Public Safety**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 10 – CAPITAL ASSETS**

The capital assets activity for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Additions	Retirements
<b>Capital Assets Not Being Depreciated:</b>			
Land	\$ 14,394	\$ -	\$ -
Land improvements	-	37,958	-
Construction in progress	-	2,204,902	-
<b>Total Capital Assets Not Being Depreciated</b>	<b>\$ 14,394</b>	<b>\$ 2,242,860</b>	<b>\$ -</b>
<b>Other Capital Assets:</b>			
Furniture and fixtures	\$ 432,091	\$ -	\$ -
Equipment and machinery	10,336,894	792,212	-
Automobile	33,738,062	3,249,510	(2,437,577)
Aircraft	6,772,900	-	-
Buildings and structures	1,634,192	20,000	-
Data processing equipment	9,157,429	635,174	(7,773)
Livestock and animals	137,493	19,800	-
<b>Total Other Capital Assets</b>	<b>62,209,061</b>	<b>4,716,696</b>	<b>(2,445,350)</b>
<b>Accumulated Depreciation for:</b>			
Furniture and fixtures	174,975	35,604	-
Equipment and machinery	8,881,228	641,746	-
Automobile	23,762,920	4,278,844	(2,437,577)
Aircraft	4,458,826	677,290	-
Buildings and structures	909,230	75,179	-
Data processing equipment	7,419,639	950,066	(7,773)
Livestock and animals	114,282	25,686	-
<b>Total Accumulated Depreciation</b>	<b>45,721,100</b>	<b>6,684,415</b>	<b>(2,445,350)</b>
<b>Other Capital Assets, Net</b>	<b>\$ 16,487,961</b>	<b>\$ (1,967,719)</b>	<b>\$ -</b>
<b>Capital Assets Summary:</b>			
Capital assets not being depreciated	\$ 14,394	\$ 2,242,860	\$ -
Other capital assets, at cost	62,209,061	4,716,696	(2,445,350)
<b>Total Cost of Capital Assets</b>	<b>62,223,455</b>	<b>6,959,556</b>	<b>(2,445,350)</b>
<b>Accumulated Depreciation</b>	<b>(45,721,100)</b>	<b>(6,684,415)</b>	<b>2,445,350</b>
<b>Capital Assets, Net</b>	<b>\$ 16,502,355</b>	<b>\$ 275,141</b>	<b>\$ -</b>

The Department does not have any debt related to capital assets at June 30, 2017. Depreciation expense for the Department amounted to \$6,684,415 and is considered a governmental activity and allocated to all governmental programs.

State of New Mexico Department of Public Safety  
Notes to Financial Statements  
June 30, 2017

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**NOTE 10 – CAPITAL ASSETS - CONTINUED**

Adjustments	Balance June 30, 2017
\$ -	\$ 14,394
-	37,958
-	2,204,902
<u>\$ -</u>	<u>\$ 2,257,254</u>
\$ -	\$ 432,091
-	11,129,106
-	34,549,995
-	6,772,900
-	1,654,192
-	9,784,830
-	157,293
<u>-</u>	<u>64,480,407</u>
-	210,579
-	9,522,974
-	25,604,187
-	5,136,116
-	984,409
-	8,361,932
-	139,968
<u>-</u>	<u>49,960,165</u>
<u>\$ -</u>	<u>\$ 14,520,242</u>
\$ -	\$ 2,257,254
-	64,480,407
<u>-</u>	<u>66,737,661</u>
-	(49,960,165)
<u>\$ -</u>	<u>\$ 16,777,496</u>

Depreciation expense reported to P503 - Program Support	\$ 15,961
Depreciation expense reported to P503 - P504 - Law Enforcement Program	6,339,399
Depreciation expense reported to P503 - P786 - Statewide Law Enforcement Support	<u>329,055</u>
<b>Total Depreciation Expense</b>	<u><u>\$ 6,684,415</u></u>

State of New Mexico Department of Public Safety  
Notes to Financial Statements  
June 30, 2017

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**NOTE 11 - OPERATING TRANSFERS**

Transfers within the Agency - Transfers in (Transfers out):

	General Fund (12800)	State Chemist Fees Fund (27200)	Concealed Handgun Carry Fund (59400)	Law Enforcement Advanced Training Fund (78600)	Total all Intra-agency Transfers
(1)	\$ 212,277	\$ (212,277)	\$ -	\$ -	\$ -
(2)	280,517	-	(280,517)	-	-
(3)	12,043	-	-	(12,043)	-
	<u>\$ 504,837</u>	<u>\$ (212,277)</u>	<u>\$ (280,517)</u>	<u>\$ (12,043)</u>	<u>\$ -</u>

- (1) DPS Intra-agency DTDF per 6-28-2016 A400 Reports.
- (2) DPS Intra-agency DTDF per 6-28-2016 A400 Reports.
- (3) DPS Intra-agency DTDF per 6-28-2016 A400 Reports.



State of New Mexico Department of Public Safety  
Notes to Financial Statements  
June 30, 2017

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**NOTE 11 - OPERATING TRANSFERS - CONTINUED**

**Transfers outside of Agency - Transfer in (Transfer out):**

	<b>DFA 34100</b>	<b>DFA 34100-85300</b>	<b>Total all Inter-agency Transfers</b>
(4)	\$ 1,000,000	\$ -	\$ 1,000,000
(5)	-	(313,000)	(313,000)
(6)	-	(1,000,000)	(1,000,000)
	<u>\$ 1,000,000</u>	<u>\$ (1,313,000)</u>	<u>\$ (313,000)</u>

(4) Transfer to DPS per section 29-13.7, NMSA 1978, to replenish the Peace Officer Survival fund.

(5) To Revert Concealed Carry Unit to DFA (7917OPR044).

(6) Transfer funds from Concealed Carry Unit to DFA (7917OPR022).

**State of New Mexico Department of Public Safety**  
**Notes to Financial Statements**  
**June 30, 2017**

**NOTE 12 – COMPENSATED ABSENCES PAYABLE**

Employees are entitled to accumulate annual leave at a graduated rate based on years of service. A maximum of 240 hours can be carried forward at calendar year-end. The Department has recognized a liability in the Statement of Net Position for annual leave based on current pay rates and hours accumulated at June 30, 2017.

A summary of changes in the compensated absences payable for the year ended June 30, 2017, is as follows:

	Balance June 30, 2016	Increase	Decrease	Balance June 30, 2017
<b>Compensated Absences Payable:</b>				
Due within one year	\$ 2,469,512	\$ 3,145,753	\$ (3,227,158)	\$ 2,388,107
Due after one year	2,372,669	3,022,390	(3,111,300)	2,283,759
<b>Total</b>	<u>\$ 4,842,181</u>	<u>\$ 6,168,143</u>	<u>\$ (6,338,458)</u>	<u>\$ 4,671,866</u>

The general fund pays compensated absences.

**NOTE 13 – REVERSIONS**

Section 6-5-10, NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds and accounts to revert to the State General Fund by September 30. Agencies may adjust the reversion within forty-five days of release of the audit report. Current-year reversions are calculated only for reverting accounts. Expenditures are classified based on the underlying appropriation in calculating the amount to revert.

Current year reversions to the State General Fund for the Department's reversion of expired appropriations and other state funds at June 30, 2017 were as follows:

Fund Description	Fund Number	Description	Total
General Fund	12800	Solvency Laws 2016, 2nd SS, Ch 5, Sec 1-E	\$ 3,218,000
General Fund	12800	FY17 unexpended general fund appropriation	557,395
<b>Grand Total of Reversions</b>			<u>\$ 3,775,395</u>

Current year reversions Due to the State General Fund as of June 30, 2017 were as follows:

Due to state general fund	12800	FY17 unexpended general fund appropriation	<u>\$ 513,370</u>
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**NOTE 14 – LEASE COMMITMENTS**

Future minimum annual lease payments under operating lease agreements for facilities and equipment are as follows:

	<u>Year ended June 30</u>	
	2018	\$ 732,200
	2019	627,117
	2020	536,249
	2021	508,630
	2022	219,527
		<u>\$ 2,623,723</u>

During the year ended June 30, 2017, facilities and equipment rent expense were approximately \$618,308. The Department is party to a number of equipment leases; however, all can be cancelled with 30 days' notice; therefore, no long-term lease commitments exist which require disclosure on these leases.

**NOTE 15 – CONTINGENT LIABILITIES AND JUDGMENTS**

The Department currently has several matters pending with either the New Mexico Human Rights Commission and/or the Federal Equal Opportunity Commission which have been filed by former and current employees. These matters include grievances alleging sexual discrimination, racial discrimination and retaliation. If these matters are ultimately litigated in court, the potential loss to the Department could be substantial should an unfavorable judgment be entered. The Department vigorously denies these claims. Management and legal counsel for the Department are unable to predict the ultimate outcome of these cases and no provision for any liability that may result has been made in the financial statements.

The Department is also involved in numerous other lawsuits for which, in most instances, insurance coverage exists through the Risk Management Division of the State of New Mexico General Services Department. Legal counsel for the Department feels that unfavorable outcomes on these cases are remote.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Department expects such amounts, if any, to be immaterial.

**NOTE 16 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

**Plan Description**

The Department 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.

**NOTE 16 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED**

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. Prior to July 1, 2010, all participating employers and employees contributed the same rates. Effective July 1, 2010, RHCA implemented two rate schedules for regular employees (non-enhanced) and State Police commissioned officers (enhanced) as follows:

<u>Non-Enhanced</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY16	2.000%	1.000%
FY17	2.000%	1.000%
<u>Enhanced</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY16	2.500%	1.250%
FY17	2.500%	1.250%

Employers joining the program after January 1, 1998, are also required to make a surplus amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department’s contributions to RHCA for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,344,825, \$1,252,835, and \$1,083,324, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 17 - INSURANCE COVERAGE**

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2014 through June 30, 2017.

The Department, as a state agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. The Department pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico.
2. Coverage to protect the State of New Mexico's property and assets.
3. Fringe benefit coverages for State of New Mexico employees.

The Department paid Risk Management for the fiscal years ended June 30, 2017 and 2016, of \$4,982,265 and \$4,760,133 in insurance premiums, respectively. The Department's exposure is limited to \$1,000 per any first-party incurred property loss, with the exception of theft, which has a \$5,000 deductible.

After conferring with legal counsel concerning pending litigation and claims, the Department believes that the outcome of pending litigation should not have a materially adverse effect on the financial position or operations of the Department. In addition, for the years ended June 30, 2017, 2016, and 2015, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

**NOTE 18 – SUBSEQUENT EVENTS**

The Department has evaluated events and transactions subsequent to June 30, 2017, through October 30, 2017, the date the financial statements were available for issuance, for possible recording or disclosure. In the opinion of management there are no significant matters to record or disclose.

**SUPPLEMENTARY INFORMATION**

**State of New Mexico Department of Public Safety  
Combining Balance Sheet - Non-Major Governmental Funds**

As of June 30, 2017

	State Chemist Fees Fund (27200)	State Forfeitures (CSA) Fund (34200)	Federal Forfeitures Fund US DOJ State Police (34300)	Peace Officers' Survival Fund (34600)
<b>Assets:</b>				
Investment in State General Fund				
Investment Pool	\$ 884,730	\$ 11,720	\$ 560,881	\$ 351,791
Cash in banks	-	-	-	-
Cash on hand	-	-	100,000	-
Accounts receivable, net	-	-	-	-
Due from:				
Federal government, net	-	-	-	-
Other state agencies	-	-	-	-
Component units of the state	-	-	-	-
Prepaid expenses - postage	-	-	-	-
Prepaid expenses - travel & per diem	-	-	-	-
<b>Total Assets</b>	<b>\$ 884,730</b>	<b>\$ 11,720</b>	<b>\$ 660,881</b>	<b>\$ 351,791</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 250,000
Accrued salaries and benefits payable	-	-	-	-
Unearned grant revenue	-	-	-	-
Due to:				
Federal government	-	-	-	-
Other state agencies	-	-	-	-
State general fund	-	-	-	-
Local governments	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,000</b>
<b>Deferred Inflows of Resources:</b>				
Amounts unavailable (not received within period of availability)	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance:</b>				
Non-Spendable:				
Petty cash and change funds	-	-	-	-
Prepaid expenses	-	-	-	-
Cash in authorized bank and CD's	-	-	-	-
Flashroll	-	-	100,000	-
Restricted	884,730	11,720	560,881	101,791
Unassigned	-	-	-	-
<b>Total Fund Balance</b>	<b>884,730</b>	<b>11,720</b>	<b>660,881</b>	<b>101,791</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 884,730</b>	<b>\$ 11,720</b>	<b>\$ 660,881</b>	<b>\$ 351,791</b>

See Report of Independent Certified Public Accountants



**State of New Mexico Department of Public Safety  
Combining Balance Sheet - Non-Major Governmental Funds**

<b>Concealed Handgun Carry Fund (59400)</b>	<b>Orphan Materials Recovery Fund (67000)</b>	<b>Federal Forfeitures Fund US Treasury State Police (71990)</b>	<b>Law Enforcement Advanced Training Fund (78600)</b>	<b>Special Donations Fund (88200)</b>	<b>ARRA Fund (89000)</b>
\$ 987,416	\$ 5,029	\$ 134,707	\$ 185,205	\$ 5,636	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	39,095	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 987,416</b>	<b>\$ 5,029</b>	<b>\$ 134,707</b>	<b>\$ 224,300</b>	<b>\$ 5,636</b>	<b>\$ -</b>
\$ -	\$ -	\$ -	\$ 50	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	50	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
987,416	5,029	134,707	224,250	5,636	-
-	-	-	-	-	-
<b>987,416</b>	<b>5,029</b>	<b>134,707</b>	<b>224,250</b>	<b>5,636</b>	<b>-</b>
<b>\$ 987,416</b>	<b>\$ 5,029</b>	<b>\$ 134,707</b>	<b>\$ 224,300</b>	<b>\$ 5,636</b>	<b>\$ -</b>

**State of New Mexico Department of Public Safety  
Combining Balance Sheet - Non-Major Governmental Funds**

**As of June 30, 2017**

	<b>Crime Stoppers Reward Fund (89400)</b>	<b>Total Special Revenue Funds</b>
<b>Assets:</b>		
Investment in State General Fund		
Investment Pool	\$ -	\$ 3,127,115
Cash in banks	21,043	21,043
Cash on hand	-	100,000
Accounts receivable, net	-	39,095
Due from:		
Federal government, net	-	-
Other state agencies	-	-
Component units of the state	-	-
Prepaid expenses - postage	-	-
Prepaid expenses - travel & per diem	-	-
<b>Total Assets</b>	<u><u>\$ 21,043</u></u>	<u><u>\$ 3,287,253</u></u>
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 250,050
Accrued salaries and benefits payable	-	-
Unearned grant revenue	-	-
Due to:		
Federal government	-	-
Other state agencies	-	-
State general fund	-	-
Local governments	-	-
<b>Total Liabilities</b>	<u><u>-</u></u>	<u><u>250,050</u></u>
<b>Deferred Inflows of Resources:</b>		
Amounts unavailable (not received within period of availability)	-	-
<b>Total Deferred Inflows of Resources</b>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Fund Balance:</b>		
Non-Spendable:		
Petty cash and change funds	-	-
Prepaid expenses	-	-
Cash in authorized bank and CD's	21,043	21,043
Flashroll	-	100,000
Restricted	-	2,916,160
Unassigned	-	-
<b>Total Fund Balance</b>	<u><u>21,043</u></u>	<u><u>3,037,203</u></u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u><u>\$ 21,043</u></u>	<u><u>\$ 3,287,253</u></u>

**See Report of Independent Certified Public Accountants**

**State of New Mexico Department of Public Safety  
Combining Balance Sheet - Non-Major Governmental Funds**

STB Capital Outlay Fund  (89200)	GF Capital Outlay Fund  (93100)	Total Capital Projects Funds	Total Non-Major Governmental Funds
\$ 1,427,585	\$ -	\$ 1,427,585	\$ 4,554,700
-	-	-	21,043
-	-	-	100,000
-	-	-	39,095
-	-	-	-
800	-	800	800
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 1,428,385</u>	<u>\$ -</u>	<u>\$ 1,428,385</u>	<u>\$ 4,715,638</u>
\$ 1,428,385	\$ -	\$ 1,428,385	\$ 1,678,435
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,428,385</u>	<u>-</u>	<u>1,428,385</u>	<u>1,678,435</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	21,043
-	-	-	100,000
-	-	-	2,916,160
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,037,203</u>
<u>\$ 1,428,385</u>	<u>\$ -</u>	<u>\$ 1,428,385</u>	<u>\$ 4,715,638</u>

See Report of Independent Certified Public Accountants

**State of New Mexico Department of Public Safety  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major  
Governmental Funds**

Year Ended June 30, 2017

	State Chemist Fees Fund (27200)	State Forfeitures (CSA) Fund (34200)	Federal Forfeitures Fund US DOJ State Police (34300)	Peace Officers' Survival Fund (34600)
<b>Revenues:</b>				
Federal grants	\$ -	\$ -	\$ -	\$ -
State grants	-	-	-	-
Other program fees	247,995	-	1,208	1,314
Proceeds from sale of property	-	-	-	-
<b>Total Revenues</b>	<b>247,995</b>	<b>-</b>	<b>1,208</b>	<b>1,314</b>
<b>Expenditures:</b>				
Public safety				
Current				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	1,250,000
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,250,000</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>247,995</b>	<b>-</b>	<b>1,208</b>	<b>(1,248,686)</b>
<b>Other Financing Sources (Uses):</b>				
State general fund appropriations	-	-	-	-
Weight distance tax permit fund appropriations	-	-	-	-
Special appropriations	-	-	-	-
Severance tax bond appropriations	-	-	-	-
Reversions - state general fund	-	-	-	-
Interagency transfer in (out)	-	-	-	1,000,000
Interfund transfer in	-	-	-	-
Interfund transfer out	(212,277)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(212,277)</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>
<b>Change in Fund Balance</b>	<b>35,718</b>	<b>-</b>	<b>1,208</b>	<b>(248,686)</b>
<b>Fund Balance, Beginning</b>	<b>849,012</b>	<b>11,720</b>	<b>659,673</b>	<b>350,477</b>
<b>Fund Balance, Ending</b>	<b>\$ 884,730</b>	<b>\$ 11,720</b>	<b>\$ 660,881</b>	<b>\$ 101,791</b>

See Report of Independent Certified Public Accountants

**State of New Mexico Department of Public Safety  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major  
Governmental Funds**

<b>Concealed Handgun Carry Fund (59400)</b>	<b>Orphan Materials Recovery Fund (67000)</b>	<b>Federal Forfeitures Fund US Treasury State Police (71990)</b>	<b>Law Enforcement Advanced Training Fund (78600)</b>	<b>Special Donations Fund (88200)</b>	<b>ARRA Fund (89000)</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
470,814	-	1,107	154,824	-	-
-	-	-	-	-	-
470,814	-	1,107	154,824	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
470,814	-	1,107	154,824	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(1,313,000)	-	-	-	-	-
-	-	-	-	-	-
(280,517)	-	-	(12,043)	-	-
(1,593,517)	-	-	(12,043)	-	-
(1,122,703)	-	1,107	142,781	-	-
2,110,119	5,029	133,600	81,469	5,636	-
\$ 987,416	\$ 5,029	\$ 134,707	\$ 224,250	\$ 5,636	\$ -

See Report of Independent Certified Public Accountants

**State of New Mexico Department of Public Safety  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major  
Governmental Funds**

Year Ended June 30, 2017

	<b>Crime Stoppers Reward Fund (89400)</b>	<b>Total Special Revenue Funds</b>
<b>Revenues:</b>		
Federal grants	\$ -	\$ -
State grants	-	-
Other program fees	-	877,262
Proceeds from sale of property	-	-
<b>Total Revenues</b>	<b>-</b>	<b>877,262</b>
<b>Expenditures:</b>		
Public safety		
Current		
Personal services and employee benefits	-	-
Contractual services	-	-
Other costs	-	1,250,000
Capital outlay	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>1,250,000</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>-</b>	<b>(372,738)</b>
<b>Other Financing Sources (Uses):</b>		
State general fund appropriations	-	-
Weight distance tax permit fund appropriations	-	-
Special appropriations	-	-
Severance tax bond appropriations	-	-
Reversions - state general fund	-	-
Interagency transfer in (out)	-	(313,000)
Interfund transfer in	-	-
Interfund transfer out	-	(504,837)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(817,837)</b>
<b>Change in Fund Balance</b>	<b>-</b>	<b>(1,190,575)</b>
<b>Fund Balance, Beginning</b>	<b>21,043</b>	<b>4,227,778</b>
<b>Fund Balance, Ending</b>	<b>\$ 21,043</b>	<b>\$ 3,037,203</b>

See Report of Independent Certified Public Accountants

**State of New Mexico Department of Public Safety  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Non-Major  
Governmental Funds**

STB Capital Outlay Fund  (89200)	GF Capital Outlay Fund  (93100)	Total Capital Projects Funds	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	877,262
-	-	-	-
-	-	-	877,262
-	-	-	-
-	-	-	-
1,241,714	-	1,241,714	2,491,714
3,185,265	-	3,185,265	3,185,265
4,426,979	-	4,426,979	5,676,979
(4,426,979)	-	(4,426,979)	(4,799,717)
-	-	-	-
-	-	-	-
4,426,979	-	4,426,979	4,426,979
-	-	-	-
-	-	-	(313,000)
-	-	-	-
-	-	-	(504,837)
4,426,979	-	4,426,979	3,609,142
-	-	-	(1,190,575)
-	-	-	4,227,778
\$ -	\$ -	\$ -	\$ 3,037,203

**State of New Mexico Department of Public Safety  
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis) -  
Agency Wide**

Year Ended June 30, 2017

	<b>Agency Wide excluding multi-year funds Program Support - P503</b>			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
General fund appropriation	\$ 4,984,800	\$ 4,984,800	\$ 4,984,800	\$ -
Other appropriations	-	-	-	-
Federal funds	3,695,400	3,695,400	1,903,650	(1,791,750)
Other state funds	45,900	45,900	26,387	(19,513)
Other financing sources	350,000	1,350,000	1,000,000	(350,000)
<b>Total Revenues</b>	<b>9,076,100</b>	<b>10,076,100</b>	<b>7,914,837</b>	<b>\$ (2,161,263)</b>
<b>Prior Year Fund Balance Budgeted</b>	<b>350,000</b>	<b>350,000</b>		
<b>Total Budgeted Revenues</b>	<b>\$ 9,426,100</b>	<b>\$ 10,426,100</b>		
<b>Expenditures:</b>				
Personal services and benefits	\$ 4,532,500	\$ 4,532,500	\$ 3,930,984	\$ 601,516
Contract services	125,300	125,300	118,481	6,819
Other	4,768,300	5,768,300	3,882,555	1,885,745
Other financing uses	-	-	-	-
<b>Total Budgeted Expenditures</b>	<b>\$ 9,426,100</b>	<b>\$ 10,426,100</b>	<b>7,932,020</b>	<b>\$ 2,494,080</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>			(17,183)	
GAAP basis reconciliation				
Reversion to state general fund			(69,950)	
<b>Net Change in Fund Balance</b>			<b>\$ (87,133)</b>	

See Report of Independent Certified Public Accountants



**State of New Mexico Department of Public Safety  
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis) -  
Agency Wide**

Year Ended June 30, 2017

	<b>Agency Wide excluding multi-year funds Law Enforcement - P504</b>			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
General fund appropriation	\$ 103,233,900	\$ 100,015,900	\$ 103,233,900	\$ 3,218,000
Other appropriations	-	-	1,265,600	1,265,600
Federal funds	11,732,600	11,732,600	7,236,031	(4,496,569)
Other state funds	4,961,200	4,961,200	1,685,008	(3,276,192)
Other financing sources	1,270,600	1,270,600	-	(1,270,600)
<b>Total Revenues</b>	<u>121,198,300</u>	<u>117,980,300</u>	<u>113,420,539</u>	<u>\$ (4,559,761)</u>
<b>Prior Year Fund Balance Budgeted</b>	<u>5,000</u>	<u>665,185</u>		
<b>Total Budgeted Revenues</b>	<u><u>\$ 121,203,300</u></u>	<u><u>\$ 118,645,485</u></u>		
<b>Expenditures:</b>				
Personal services and benefits	\$ 91,231,900	\$ 90,408,900	\$ 84,812,618	\$ 5,596,282
Contract services	3,837,800	3,593,800	1,354,396	2,239,404
Other	26,128,600	24,637,785	23,552,007	1,085,778
Other financing uses	5,000	5,000	-	5,000
<b>Total Budgeted Expenditures</b>	<u><u>\$ 121,203,300</u></u>	<u><u>\$ 118,645,485</u></u>	<u>109,719,021</u>	<u>\$ 8,926,464</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>			3,701,518	
GAAP basis reconciliation				
Reversion to state general fund			<u>(3,583,923)</u>	
<b>Net Change in Fund Balance</b>			<u><u>\$ 117,595</u></u>	

See Report of Independent Certified Public Accountants

**State of New Mexico Department of Public Safety  
Statement of Revenues and Expenditures - Budget and Actual (Modified Accrual Basis) -  
Agency Wide**

Year Ended June 30, 2017

	<b>Agency Wide excluding multi-year funds Statewide Law Enforcement Support - P786</b>			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
General fund appropriation	\$ 12,409,700	\$ 12,409,700	\$ 12,409,700	\$ -
Other appropriations	-	-	-	-
Federal funds	1,532,200	2,048,660	1,138,564	(910,096)
Other state funds	5,033,500	5,833,500	3,803,677	(2,029,823)
Other financing sources	4,220,000	3,420,000	504,837	(2,915,163)
<b>Total Revenues</b>	<b>23,195,400</b>	<b>23,711,860</b>	<b>17,856,778</b>	<b>\$ (5,855,082)</b>
<b>Prior Year Fund Balance Budgeted</b>	<b>1,580,000</b>	<b>1,580,000</b>		
<b>Total Budgeted Revenues</b>	<b>\$ 24,775,400</b>	<b>\$ 25,291,860</b>		
<b>Expenditures:</b>				
Personal services and benefits	\$ 11,305,700	\$ 11,305,700	\$ 10,083,959	\$ 1,221,741
Contract services	2,550,500	2,619,000	1,968,043	650,957
Other	6,699,200	7,147,160	4,638,465	2,508,695
Other financing uses	4,220,000	4,220,000	504,837	3,715,163
<b>Total Budgeted Expenditures</b>	<b>\$ 24,775,400</b>	<b>\$ 25,291,860</b>	<b>17,195,304</b>	<b>\$ 8,096,556</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>			661,474	
GAAP basis reconciliation				
Reversion to state general fund			(114,150)	
<b>Net Change in Fund Balance</b>			<b>\$ 547,324</b>	

See Report of Independent Certified Public Accountants

**OTHER INFORMATION - SCHEDULES REQUIRED UNDER 2.2.2 NMAC**

**State of New Mexico Department of Public Safety  
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds**

As of June 30, 2017

	<u>DNA Fund (40200)</u>	<u>Evidence Fund (10560)</u>	<u>Total Agency Funds</u>
<b>Assets:</b>			
Interest in State General Fund Investment Pool	\$ 221,892	\$ -	\$ 221,892
Cash on hand	-	178,571	178,571
<b>Total Assets</b>	<u>\$ 221,892</u>	<u>\$ 178,571</u>	<u>\$ 400,463</u>
<b>Liabilities:</b>			
Assets held for others	\$ 221,892	\$ 178,571	\$ 400,463
<b>Total Liabilities</b>	<u>\$ 221,892</u>	<u>\$ 178,571</u>	<u>\$ 400,463</u>

**State of New Mexico Department of Public Safety  
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds**

As of June 30, 2017

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance June 30, 2017</u>
<b>DNA Fund (40200)</b>				
<b>Assets:</b>				
Interest in State General Fund Investment Pool	\$ 228,070	\$ -	\$ (6,178)	\$ 221,892
<b>Liabilities:</b>				
Assets held for others	\$ 228,070	\$ -	\$ (6,178)	\$ 221,892
<b>Evidence Fund (10560)</b>				
<b>Assets:</b>				
Cash on hand	\$ 139,780	\$ -	\$ 38,791	\$ 178,571
<b>Liabilities:</b>				
Assets held for others	\$ 139,780	\$ -	\$ 38,791	\$ 178,571
<b>Total Agency Funds</b>				
<b>Assets:</b>				
Interest in State General Fund Investment Pool	\$ 228,070	\$ -	\$ (6,178)	\$ 221,892
Cash on hand	139,780	-	38,791	178,571
<b>Total Assets</b>	<u>\$ 367,850</u>	<u>\$ -</u>	<u>\$ 32,613</u>	<u>\$ 400,463</u>
<b>Liabilities:</b>				
Assets held for others	<u>\$ 367,850</u>	<u>\$ -</u>	<u>\$ 32,613</u>	<u>\$ 400,463</u>

**State of New Mexico Department of Public Safety  
Supplemental Schedule of Severance Tax Bonds**

As of June 30, 2017

<u>Laws</u>	<u>Chapter</u>	<u>Bonds Appropriated</u>	<u>Bonds Sold</u>	<u>Amounts AIPP</u>	<u>Funds Reauthorized</u>
2015	3	\$ 144,000	\$ 144,000	\$ -	\$ -
2015	5	3,218,000	3,218,000	-	-
2016	81	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>-</u>
		<u>\$ 6,362,000</u>	<u>\$ 6,362,000</u>	<u>\$ -</u>	<u>\$ -</u>

**State of New Mexico Department of Public Safety  
Supplemental Schedule of Severance Tax Bonds**

<u>Funds Reverted</u>	<u>Bond Balance After Reauthorization</u>	<u>Funds Received</u>	<u>Expended To Date</u>	<u>Balance Available</u>	<u>Due from Board of Finance</u>
\$ (305)	\$ 143,695	\$ 143,695	\$ 143,695	\$ -	\$ -
-	3,218,000	1,427,085	1,427,085	1,790,915	-
-	3,000,000	2,999,094	2,999,894	906	800
<u>\$ (305)</u>	<u>\$ 6,361,695</u>	<u>\$ 4,569,874</u>	<u>\$ 4,570,674</u>	<u>\$ 1,791,821</u>	<u>\$ 800</u>
				Balance Available	\$ 1,791,821
				Due from Board of Finance	800
				<b>Total</b>	<u><u>\$ 1,792,621</u></u>

**State of New Mexico Department of Public Safety  
Supplemental Schedule of Special Appropriations**

As of June 30, 2017

The schedule below represents the status of special appropriations made by the New Mexico State Legislature.

	<b>Program Area</b>	<b>Fund Department</b>	<b>Reversion Date*</b>	<b>Amount Appropriated</b>	<b>Amount Budgeted</b>
<b>Special Appropriation:</b>					
Laws 2013, Chapter 227, Section 7, Item 019; Laws 2015, Chapter 101, Section 7, item 025 (CAD/RMS)	P504-LEP	Z30719	June 30, 2018	\$ 2,850,000	\$ 2,850,000
Laws 2013, Chapter 227, Section 7, Item 020- Repurposed in Laws 2015, Chapter 101, Section 7, item 025 (CAD and RMS)	P504-LEP	Z30720	June 30, 2017	450,000	450,000
Laws 2014, Chapter 63, Section 7, Item 019 (AFIS Hardware/ Software)	P786 - SLES	Z40719	June 30, 2017	160,000	160,000
Laws 2014, Chapter 63, Section 7, Item 020- Repurposed in Laws 2015, Chapter 101, Section 7, item 025 (CAD and RMS)	P504-LEP	Z40720	June 30, 2017	550,000	550,000
Laws 2015, Chapter 101, Section 7, item 024 (Project Planning for RFP)	P504-LEP	Z50724	June 30, 2018	250,000	250,000
Laws 2016, Chapter 11, Section 5, Item 46- Latent Fingerprint Case Work (contractor for backlogged cases)	P786 - SLES	ZA0546	June 30, 2017	315,000	315,000
Laws 2016, Chapter 11, Section 5, Item 47 - for processing backlogged Rape Kits	P786 - SLES	ZA0547	June 30, 2018	1,200,000	1,200,000
Laws 2016, Chapter 11, Section 5, Item 48 - to replace Law Enforcement Breath instruments	P504-LEP	ZA0548	June 30, 2017	100,600	100,600
Laws 2016, 2nd Session, Chapter 11, Section 7, Item 20	P786 - SLES	ZA0720	June 30, 2018	150,000	150,000
<b>Total Special Appropriations</b>				<b>\$ 6,025,600</b>	<b>\$ 6,025,600</b>

\* The appropriation reverts on the following date unless re-authorized or extended by enabling legislation.



**State of New Mexico Department of Public Safety  
Supplemental Schedule of Special Appropriations**

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<b>Re-Appropriation</b>	<b>Adjusted Budget</b>	<b>Funds Received</b>	<b>Expenditures Prior Year</b>	<b>Expenditures Current Year</b>	<b>Total Expenditures</b>	<b>Funds Reverted</b>	<b>Appropriation Balance</b>
\$ -	\$ 2,850,000	\$ 2,850,000	\$ 755,646	\$ 735,064	\$ 1,490,710	\$ -	\$ 1,359,290
-	450,000	450,000	352,411	97,589	450,000	-	-
-	160,000	160,000	159,300	-	159,300	700	-
-	550,000	550,000	95,914	454,086	550,000	-	-
-	250,000	250,000	19,409	27,883	47,292	-	202,708
-	315,000	315,000	54,000	253,628	307,628	7,372	-
-	1,200,000	1,200,000	-	446,520	446,520	-	753,480
-	100,600	100,600	98,605	-	98,605	1,995	-
-	150,000	150,000	-	-	-	-	150,000
<b>\$ -</b>	<b>\$ 6,025,600</b>	<b>\$ 6,025,600</b>	<b>\$ 1,535,285</b>	<b>\$ 2,014,770</b>	<b>\$ 3,550,055</b>	<b>\$ 10,067</b>	<b>\$ 2,465,478</b>

**See Report of Independent Certified Public Accountants**

**State of New Mexico Department of Public Safety  
Supplemental Schedule of Individual Bank Accounts**

As of June 30, 2017

Name of Depository	Account Name	SHARE Fund No.
<b>Governmental Fund Types:</b>		
<b>General Fund:</b>		
New Mexico State Treasurer	Department of Public Safety	12800
Wells Fargo Bank	Special Investigations Alcohol Contingency	12800
Wells Fargo Bank	Special Investigations Tobacco Contingency	12800
Bank of America	NM State Police Investigations Contingency	12800
Wells Fargo Bank	NMSP HIDTA Confidential Funds	12800
Wells Fargo Bank	Petty Cash and Change Funds	12800
Wells Fargo Bank	Motor Transportation Department	12800
<b>Total General Fund Cash</b>		
<b>Special Revenue Funds:</b>		
New Mexico State Treasurer	State Chemist Fees Fund	27200
New Mexico State Treasurer	State Forfeitures (CSA) Fund	34200
New Mexico State Treasurer	Federal Forfeitures Fund - USDOJ	34300
New Mexico State Treasurer	Peace Officers' Survival Fund	34600
New Mexico State Treasurer	Concealed Handgun Carry Fund	59400
New Mexico State Treasurer	Orphan Materials Recovery Fund	67000
New Mexico State Treasurer	Federal Forfeitures Fund - US Treasury	71990
New Mexico State Treasurer	Law Enforcement Advanced Training Fund	78600
New Mexico State Treasurer	Special Donations Fund	88200
Bank of America	Federal Forfeitures Fund - USDOJ	34300
Bank of America	Crime Stoppers Reward Fund	89400
<b>Total Special Revenue Funds</b>		
<b>Capital Projects:</b>		
New Mexico State Treasurer	STB Capital Outlay Fund	89200
<b>Total Capital Projects Funds</b>		
<b>Total Governmental Fund Types</b>		
<b>Fiduciary Fund Types:</b>		
<b>Agency Funds</b>		
New Mexico State Treasurer	DNA Fund	402000
New Mexico State Treasurer	Evidence Fund	105600
<b>Total Agency Funds</b>		
<b>Total Cash</b>		

**State of New Mexico Department of Public Safety  
Supplemental Schedule of Individual Bank Accounts**

Type of Account	Interest Bearing	Bank Balance at June 30, 2017	Reconciled Balance at June 30, 2017
State Treasury	No	\$ 10,239,330	\$ 10,239,330
Checking	No	50,000	50,000
Checking	No	50,000	50,000
Checking	Yes	100,000	100,000
Checking	No	10,000	10,000
Cash on Hand	N/A	-	8,949
Short Term Investments	Yes	5,332	5,332
		<u>10,454,662</u>	<u>10,463,611</u>
State Treasury	No	884,730	884,730
State Treasury	No	11,720	11,720
State Treasury	Yes	560,881	560,881
State Treasury	Yes	351,791	351,791
State Treasury	No	987,416	987,416
State Treasury	No	5,029	5,029
State Treasury	Yes	134,707	134,707
State Treasury	No	185,205	185,205
State Treasury	No	5,636	5,636
Cash in Vault	N/A	-	100,000
Checking	No	21,043	21,043
		<u>3,148,158</u>	<u>3,248,158</u>
State Treasury	No	1,427,585	1,427,585
		<u>1,427,585</u>	<u>1,427,585</u>
		<u>15,030,405</u>	<u>15,139,354</u>
State Treasury	No	221,892	221,892
Cash on Hand	N/A	-	178,571
		<u>221,892</u>	<u>400,463</u>
		<u>\$ 15,252,297</u>	<u>\$ 15,539,817</u>

See Report of Independent Certified Public Accountants

**State of New Mexico Department of Public Safety  
Supplemental Schedule of Joint Powers Agreements**

Type	Contractor	FY17 Amount
JPA	Bernalillo County (JPA)	\$0.00
JPA	BLM (JPA)	\$0.00
JPA	Chaves County/Roswell PD/DPS (JPA)	\$0.00
JPA	City of Albuquerque for Abq Police Dept (JPA)	\$0.00
JPA	Dona Ana County/Las Cruces Police/NMSU Police (JPA)	\$0.00
JPA	Energy Minerals & Nat Rscs/Dept of Heath/NM Environment/Office of State Marshall, Dept of Homeland Security Emergency Management/DPS (JPA)	\$0.00
JPA	Luna County (JPA)	\$0.00
JPA	McKinley County/Gallup PD/DPS (JPA)	\$0.00
JPA	Mesilla Valley Dispatch Auth (JPA)	\$0.00
JPA	NM State University (JPA)	\$40,000 revenue/year
JPA	NM State Fair Commission (JPA)	\$180,000 (money in)
JPA	San Juan County/Aztec, Bloomfield, Farmington Police (JPA)	\$0.00
JPA	Santa Fe County (JPA)	\$0.00
JPA	San Juan Criminal Just Trng Auth (JPA)	\$0.00
JPA	Sierra County (JPA)	\$0.00
JPA	Village of Maxwell (JPA)	\$0.00
JPA	Village of Pecos (JPA)	\$0.00
JPA	Village of Ruidoso (JPA)	\$23,330.81
JPA	Village of Wagon Mound (JPA)	\$0.00

**State of New Mexico Department of Public Safety  
Supplemental Schedule of Joint Powers Agreements**

Description of Services	Effective Date	End Date	Program
E911 equipment use/maintenance at District 5 Albuquerque	11/24/09	Indefinite	IT
Officer involved shootings investigations	5/4/15	5/3/20	NMSP
Officer involved incident investigations	3/24/09	Indefinite	NMSP
Designate APD Crime Lab as the agency that administers and operates the DNA ID System	1/3/11	Indefinite	TSD
Officer-involved incident investigations	10/14/09	Indefinite	NMSP
Emergency Preparation and Monitoring of shipments to WIPP	5/12/08	Indefinite	NMSP
Authorize Luna County Regional Dispatch Auth to use NM SP CAD	8/15/12	Upon notice	IT
Officer involved incident investigations	3/24/09	Indefinite	NMSP
E911 Service to Dona Ana County	4/19/06	Indefinite	IT
Assistance and Additional Security during Special Events	9/18/17	9/17/18	NMSP
Law Enforcement at NM State Fair (EXPO NM)	8/13/17	2/28/18	NMSP
Officer-involved incident investigations	8/27/09	Indefinite	NMSP
E911 equipment usage Emergency Comm center	11/17/09	Indefinite	IT
Participation in joint training facility	12/20/10	Indefinite	NMSP
Authorize County Regional Dispatch Authority to use NM State Police CAD	3/20/12	Indefinite	IT
Law Enforcement Services	7/1/15	6/30/20	NMSP
Law Enforcement Services	7/1/00	Upon notice	NMSP
Lease of Office Space	7/1/10	Upon notice	NMSP
Law Enforcement Services	7/1/15	6/30/20	NMSP

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**SINGLE AUDIT**

**State of New Mexico Department of Public Safety  
Schedule of Expenditures of Federal Awards**

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

Federal Agency Name/ Federal Program Title	Pass Through Agency	Federal CFDA Number
<b>Direct Assistance Programs:</b>		
U.S. Department of Agriculture Rural Business - Cooperative Service: Rural Business Enterprise Grants		10.769
Total U.S. Department of Agriculture Rural Business		
U.S. Department of the Interior Bureau of Land Management: Recreation Resource Management		15.225
Total U.S. Department of the Interior Bureau of Land Management		
U.S. Department of Justice Bureau of Justice Assistance: Crime Victims Assistance		16.575
Residential Substance Abuse Treatment of State Prisoners		16.593
Project Safe Neighborhoods		16.609
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures of Sexual Assault Cultures of Sexual Assault in Correctional Facilities		16.735
Edward Byrne Memorial Justice Assistance Grant Program		16.738
Edward Byrne Memorial Competitive Grant Program		16.751
Post conviction Testing of DNA Evidence to Exonerate the Innocent		16.820
National Sexual Assault Kit Initiative		16.833
Total U.S. Department of Justice Bureau of Justice Assistance		
U.S. Department of Justice Office of Community Oriented Policing Services: Public Safety Partnership and Community Policing Grants		16.710
Total U.S. Department of Justice Office of Community Oriented Policing Services		
U.S. Department of Justice National Institute of Justice: DNA Backlog Reduction Program		16.741
Paul Coverdell Forensic Sciences Improvement Grant Program		16.742
Total U.S. Department of Justice National Institute of Justice		
U.S. Dept. of Office of Sex Offenders Sentencing, Monitoring, Apprehending, Registering, and Tracking Support for Adam Walsh Act Implementation Grant Program		16.750
Total U.S. Dept. of Office of Sex Offenders Sentencing, Monitoring, Apprehending, Registering, and Tracking		
U.S. Department of Justice Criminal Division: Equitable Sharing Program		16.922
Total U.S. Department of justice Criminal Division		



**State of New Mexico Department of Public Safety  
Schedule of Expenditures of Federal Awards**

Pass-Through Entity Identifying Number	Passed Through to Sub- recipients	Expenditures		
		From Direct Awards	From Pass Through Awards	Total
12-LE-11030200-01	\$ -	\$ 49,452	\$ -	\$ 49,452
	-	49,452	-	49,452
L13PX00458	-	5,471	-	5,471
	-	5,471	-	5,471
L13PX00458	-	73,608	-	73,608
2015-RT-BX-0018	-	43,183	-	43,183
2013-GP-BX-0013	16,120	22,545	-	22,545
2014-PSNISLETAS-FY15	3,750	3,750	-	3,750
2014-XT-BX-0028	-	1,750	-	1,750
2015-XT-BX-0012	47,920	47,920	-	47,920
2016-DJ-BX-0443	639,321	1,720,697	-	1,720,697
2016-XT-BX-0014	-	41,903	-	41,903
2014-DY-BX-K005	178,544	189,115	-	189,115
2016-AK-BX-K007	-	2,714	-	2,714
	885,655	2,147,185	-	2,147,185
2015-AM-WX-0004	-	246,448	-	246,448
	-	246,448	-	246,448
2015-DN-BX-0117	347,134	653,570	-	653,570
2016-CD-BX-0053	130,183	163,679	-	163,679
	477,317	817,249	-	817,249
2016-AW-BX-0008	21,210	38,238	-	38,238
	21,210	38,238	-	38,238
M-17-D51-O-000051	-	20,154	-	20,154
	-	20,154	-	20,154

See Report of Independent Certified Public Accountants

**State of New Mexico Department of Public Safety  
Schedule of Expenditures of Federal Awards**

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

Federal Agency Name/ Federal Program Title	Pass Through Agency	Federal CFDA Number
U.S. Department of Transportation:		
Federal Motor Carrier Safety Administration (FMCSA):		
2016 High Priority Grant		20.218
FFY16 New Entrant Program		
FFY16 MCSAP Basic Award		
FMCSA - Border Enforcement Grants		20.233
FMCSA - Commercial Vehicle Information Systems and Networks		20.237
Total Federal Motor Carrier Safety Administration (FMCSA)		
National Highway Traffic Safety Administration (NHTSA):		
Highway Safety Cluster		
State and Community Highway Safety	NMDOT	20.600
State Traffic Safety Information System Improvement Grants	NMDOT	20.610
National Priority Safety Programs	NMDOT	20.616
Total Highway Safety Cluster		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	NMDOT	20.608
Total U.S. Department of Transportation (FHWA), (FMCSA), and (NHTSA):		
U.S. Department of Energy:		
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant States and Tribal Concerns, Proposed Solutions	NMEMNRD	81.106
Total U.S. Department of Energy		
U.S. Department of Health and Human Services:		
Administration for Children and Families Child Support Enforcement	NMHSD	93.563
Total U.S. Department of Health and Human Services:		
Executive Office of the President:		
High Intensity Drug Trafficking Areas Program		95.001
Total Executive Office of the President		
U.S. Department of Homeland Security:		
Disasters Grants - Public Assistance ( Presidentially Declared Disasters)	NMDHSEM	97.036
Homeland Security Grant Program	Dona Ana Cty	97.067
Homeland Security Grant Program	Luna Cty	97.067
Homeland Security Grant Program	Hidalgo Cty	97.067
Total U.S. Department of Homeland Security:		
<b>Total Federal Financial Assistance</b>		

**State of New Mexico Department of Public Safety  
Schedule of Expenditures of Federal Awards**

Pass-Through Entity Identifying Number	Passed Through to Sub- recipients	Expenditures		
		From Direct Awards	From Pass Through Awards	Total
FM-MHP-0256-16-01-00	-	387,171	-	387,171
FM-MNE-0258-16-01-00	-	144,733	-	144,733
FM-MCG-0313-16-01-00	-	1,594,287	-	1,594,287
FM-BEG-0085-16-01-00	-	555,867	-	555,867
FM-CVN-0131-16-01-00	-	295,202	-	295,202
	-	<u>2,977,260</u>	-	<u>2,977,260</u>
17-ST-02-071	-	-	151,384	151,384
16-HE-64-TE-090	-	-	436,463	436,463
17-ID-05D-071	-	-	448,867	448,867
	-	-	<u>1,036,714</u>	<u>1,036,714</u>
17-AL-64-071	-	-	267,693	267,693
	-	<u>2,977,260</u>	<u>1,304,407</u>	<u>4,281,667</u>
DE-EM0004167	-	-	123,379	123,379
	-	-	<u>123,379</u>	<u>123,379</u>
GSA17-630-7101-0002	-	-	23,337	23,337
	-	-	<u>23,337</u>	<u>23,337</u>
G17SN0005A	-	650,916	-	650,916
	-	<u>650,916</u>	-	<u>650,916</u>
FEMADISASTERS	-	-	8,018	8,018
EMW2015SS00110S01OPS	-	-	104,154	104,154
7900033	-	-	202,154	202,154
16SGHIDLGO	-	-	182,910	182,910
	-	-	<u>497,236</u>	<u>497,236</u>
	<u>\$ 1,384,182</u>	<u>\$ 6,952,373</u>	<u>\$ 1,948,359</u>	<u>\$ 8,900,732</u>

See Report of Independent Certified Public Accountants

**INDEPENDENT AUDITORS' 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***

State of New Mexico  
Department of Public Safety  
and  
Mr. Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, the non-major special revenue funds, the budgetary comparisons for the general fund and the aggregate remaining fund information of the Department of Public Safety (the Department), as of and for the year ended June 30, 2017 and the related notes to the financial statements which collectively comprise the Department's basic financial statements and have issued our report thereon dated October 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 which we consider to be significant deficiencies.

### **Compliance and Other Matters**

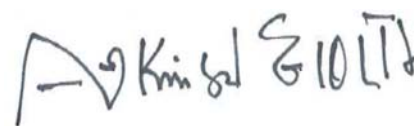
As part of obtaining reasonable assurance about whether the Department's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 2.2.2. NMAC as item 2017-003.

### **The Department's Response to Findings**

The Department's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department'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 results of that testing, and not to provide an opinion on the effectiveness of the Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized initial "A" and a checkmark-like flourish.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
October 31, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

State of New Mexico  
Department of Public Safety  
and  
Mr. Timothy Keller  
New Mexico State Auditor

**Report on Compliance for Each Major Federal Program**

We have audited the Department of Public Safety's (the Department) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2017. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and responses.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

### **Opinion on Each Major Federal Program**

In our opinion the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

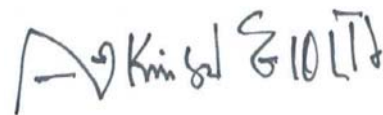
### **Report on Internal Control Over Compliance**

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", written in a cursive style.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
October 31, 2017



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**State of New Mexico Department of Public Safety  
 Schedule of Findings and Questioned Costs**

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**Year Ended June 30, 2017**

**I - SUMMARY OF AUDITORS' RESULTS**

***Financial***

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
Type of auditors' report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CR 200.516(a)	No
Identification of major programs:	
16.738 Edward Byrne Justice Assistance Grant	
20.600 Highway Safety Cluster	
20.616 Highway Safety Cluster	
20.610 Highway Safety Cluster	
20.218 MCSAP	
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

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**Year Ended June 30, 2016**

**II - PRIOR YEAR FINDINGS**

**STATUS**

2016-001	Cashier and Petty Cash Balances (Other Noncompliance)	RESOLVED
2016-002	Documentation for Control Weaknesses and New Federal Standards (Significant Deficiency)	RESOLVED
2016-003	Information Technology General Controls (Significant Deficiency)	MODIFIED AND REPEATED

**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

---

**Year Ended June 30, 2017**

**III - FINANCIAL STATEMENT FINDINGS**

2017-001 Cash Receipts Approval Processes (Significant Deficiency)

2017-002 (2016-003) Information Technology General Controls (Significant Deficiency)

**IV - FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC**

2017-003 Procurement Violation (Other Noncompliance)

**V - FEDERAL AWARD FINDINGS**

None

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**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

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**Year Ended June 30, 2017**

**FINDING 2017-001 CASH RECEIPTS APPROVAL PROCESSES (SIGNIFICANT DEFICIENCY)**

CONDITION

During testing of 40 cash receipts transactions arising from training course fee payments, concealed gun permit fee receipts, and front desk transactions, the following control deficiencies were noted:

1. Lack of signatures on the daily cash receipt report documenting approval in accepting and recording cash deposits to the bank were observed in one third of the test items.
2. Three daily cash reconciliation reports were not available for inspection.
3. Certain daily deposit tickets were not signed or initialed indicating approval for deposits going to the bank.
4. For two cash receipts received by mail, we did not observe a date stamp on receipts documents indicating timely deposit of funds. One other cash receipt report was not legible and the deposit time requirements could not be verified.

CRITERIA

A strong internal control structure is required by the New Mexico Department of Finance and Administration (DFA) Manual of Accounting Practices (MAP) in connection with cash receipts processing and recording.

DPS's cash receipts policies require documented approvals over summary daily cash reports, bank deposit tickets, and daily cash reconciliations. The timely deposit of cash should be documented.

CAUSE

For the current fiscal year management did not adhere to their policy for accepting, recording and taking deposits to the bank for those instances of non-compliance. Adequate controls are not being followed to properly safeguard cash deposits in all cases.

EFFECT

There is an increased possibility of the loss or theft of cash receipts. There is also an increased risk of misstatement due to fraud or error.

**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

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**Year Ended June 30, 2017**

**FINDING 2017-001 CASH RECEIPTS APPROVAL PROCESSES (SIGNIFICANT DEFICIENCY) -  
CONTINUED**

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RECOMMENDATION

Management should ensure that a comprehensive internal control structure is designed, documented, and implemented over the cash receipts function. The daily cash report fully documented and approved should be reviewed daily as a regular procedure.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

Management concurs with the finding. The Law Enforcement Records Bureau (LERB) and the Financial Management Division (FMD) have reviewed procedures and have updated and implemented new procedures.

The LERB daily deposits will be prepared by a staff member and will be reviewed and approved by a supervisor. The deposit will then be delivered to Finance and date stamped. All deposits delivered by mail will be date stamped when received in Finance.

Finance will compile all paperwork for the deposit and will be signed by the preparer. The deposit is then reviewed and signed by another employee in FMD. The deposit is then entered into SHARE. Once the deposit has batched it is given to the finance manager or CFO for final review and approval. The manager/CFO will review all paperwork and the SHARE entry before final approval in SHARE. The manager/CFO will sign off on each individual deposit in the daily batch.

Once all deposits within a batch have been approved, the entire deposit packet will be scanned and saved on the Finance network. Original copies will be kept for the retention period set by the department.

All conditions listed have been addressed in the revised procedures. Procedures available for review upon request.

**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

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**Year Ended June 30, 2017**

**FINDING 2017-002 (2016-003) INFORMATION TECHNOLOGY GENERAL CONTROLS  
(SIGNIFICANT DEFICIENCY) - MODIFIED AND REPEATED**

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CONDITION

A review of information technology general controls revealed the following items:

1. The last IT system security review or penetration testing was conducted in 2013
2. The Department has not tested the backups or attempted to restore the system from these backups for at least two years
3. The Department does not have an established and documented policy over its IT system security.

There was consideration of the finding by the Department during the year but no significant progress was noted in implementation of the prior year recommendations.

CRITERIA

Because the information technology system is an integral part of the internal control system for the Department, the New Mexico Department of Information Technology (DoIT) has issued a number of rules, guidelines and standards that state agencies are to follow. Specifically, NMAC 1.12.20 – Information Security Operations Management states the following related to the three conditions noted above:

- 1) – Section 1.12.20.24 Penetration and Intrusion Testing, states the following:

All state computing infrastructures that provide information through a public network, either directly or through another dedicated circuit, and that provide information externally (such as through the world-wide web), shall be subject to annual independent penetration analysis and intrusion testing by qualified, independent third-party contractor approved by DoIT.

Additionally, section 1.12.20.26 System Security Checking states:

A. Systems that process or store sensitive or confidential information or services that provide support for critical services shall undergo technical security reviews by agency system administrators to ensure compliance with implementation standards and rules as promulgated by DoIT and check for vulnerabilities to threats discovered subsequent to the review. Technical reviews of systems and services essential to the support of critical agency functions shall be conducted by agency system administrators at least once every year. Random reviews of all systems and services shall be conducted at least once every 24 months.



**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

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**Year Ended June 30, 2017**

**FINDING 2017-002 (2016-003) INFORMATION TECHNOLOGY GENERAL CONTROLS  
(SIGNIFICANT DEFICIENCY) - MODIFIED AND REPEATED - CONTINUED**

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(2) – Section 1.12.20.31 Business Continuity, requires each state agency to perform daily backups and to take actions to “minimize interruptions to normal agency business operations and critical agency business applications...”, but does not specifically state how often the backups or processes are required to be performed. However, NMAC 1.12.20 references implementation standards as promulgated by DoIT, one of which is Standard S-STD-003, IT Risk Management which includes an IT Security Assessment that each agency is supposed to complete and return to DoIT. Question F in section 12 is as follows:

F. Backups are tested on a regular basis, as documented, for restorability, recoverability, and to ensure that restored information has not been compromised.

(3) – Section 1.12.20.8 Documentation of Security Operations, states the following:

A. All agency IT technical operations shall have documented security operating instructions, management processes, and formal incident management procedures in place that define roles and responsibilities of individuals who operate or use agency IT technical operations and facilities.

**CAUSE**

The Department has not completed the above testing and documentation due to a lack of both personnel and budget resources.

**EFFECT**

The IT security for the Department could be more vulnerable in a general sense or unknown vulnerabilities may exist, which could compromise the data and integrity of the Department’s network and IT resources. Additionally, the Department does not know if they would be able to fully recover their IT systems if a system critical incident were to occur, and if so how long it would take.

**RECOMMENDATION**

We recommend that a formal security policy be documented and implemented to include penetration and intrusion testing at least annually as well as testing of the ability to restore system operability from the backups and backup systems maintained.

**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

---

**Year Ended June 30, 2017**

**FINDING 2017-002 INFORMATION TECHNOLOGY GENERAL CONTROLS (SIGNIFICANT DEFICIENCY) - MODIFIED AND REPEATED - CONTINUED**

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

Management has corrected item (1) the NMDPS Network Server Bureau (NSB) has created a file in the Finance folder that is not used by financial personnel. Annually, there will be a ticket opened in NMDPS's KACE Ticketing System to delete this file and restore it from backups from the Data Domain backup alliance located at the LEA. A successful restoration will be recorded within the KACE ticket. New tickets will be opened each fiscal year.

Management has corrected item (2) the NSB is currently counting internal and external nodes. The Applications Bureau is currently assessing the size and complexity of NMDPS Web Applications. This data will be presented to Risk Sense so they can accurately quote the costs to be incurred by NMDPS for this independent vendor to conduct a Security Assessment/Penetration test of NMDPS networks.

In regards to item #3, NSB and the CIO is currently developing the security policy to accurately reflect the current technical infrastructure. The security policy will be completed in FY18.

**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

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**Year Ended June 30, 2017**

**FINDING 2017-003 PROCUREMENT VIOLATION (OTHER NONCOMPLIANCE)**

CONDITION

The Department incurred expenses for individuals from the NM State Police to attend the NM Trucking Association event held May 4, 2017 to May 7, 2017, before completing the necessary documentation to properly document approvals to encumber funds prior to the event. The amount of the Unauthorized Procurement was \$14,439. The Department self-reported this Unauthorized Procurement.

CRITERIA

Section 6-5-3 of NMSA 1978 and the Department of Finance and Administration's (DFA) Model Accounting Practices (MAP) 4.4 require that there be an encumbering document in place prior to the expenditure of funds (i.e. before products or services are received).

CAUSE

Management had approved certain individuals from the NM State Police to attend the NM Trucking Associations event, and had proper budget in place for payment of the event, they inadvertently overlooked the completion of an Internal Purchase Requisition (IPR) which would have properly led to the encumbrance of the funds and issuance of an approved purchase order (PO).

EFFECT

The Department is in violation of the established policies and procedures governing procurements as well as placing the department at risk of incurring expenditures that have not been properly authorized and encumbered.

RECOMMENDATION

Management should ensure that responsible individuals are reminded of the importance of following the established procurement policies and procedures so as not to put the Department at risk by incurring unauthorized procurements of violating established policies and procedures in the future.

**State of New Mexico Department of Public Safety  
Schedule of Findings and Questioned Costs**

---

**Year Ended June 30, 2017**

**FINDING 2017-003 PROCUREMENT VIOLATION (OTHER NONCOMPLIANCE) - CONTINUED**

**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**

The Chief Procurement Officer was made aware of the situation and immediately contacted the State Purchasing Agent to self-report the occurrence. The State Purchasing Agent deemed the potential procurement violation between DPS and Isleta Casino & Resort, as an "Unauthorized Procurement" and Not a procurement code violation.

The State Purchasing Agent stated "Following my review of the facts and law, it is my determination there was no violation of the New Mexico Procurement Code. Specifically, services procurements for small purchases under \$20,000 are excluded from the procurement code under Section 13-1-125(C) NMSA 1978 and a state agency may procure services of less than \$20,000 upon the best obtainable price. Because the expenditure is under \$20,000 this action does not rise to the level of a Procurement Code violation as I am unable to identify any specific section of the Procurement Code that has been violated. The unauthorized expenditure does however, violate Sec. 6-5-3 NMSA 1978 statutory and DFA's Model Accounting Practices (MAPS) FIN 4.4, for "Encumbrance" only. This merely means that the procurement was authorized by DPS without a prior purchase order to the vendor to commence work."

Further correspondence was prepared and forwarded to DFA regarding this action. DPS requested that DFA pay directly to vendor all expenses incurred in the amount not to exceed \$14,439.36.

**State of New Mexico Department of Public Safety  
Exit Conference**

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**Year Ended June 30, 2017**

The financial statements were presented in this report have been prepared by the Department and are the responsibility of management.

\* \* \* \* \*

An exit conference was held with the Department on October 30, 2017, at the Department's offices in Santa Fe, New Mexico. In attendance were:

**Representing the Department of Public Safety:**

Scott Weaver	Cabinet Secretary
Amy Orlando	Deputy Secretary
Robert Eshom	Deputy Chief, NMSP
David Martinez	Deputy Chief, NMSP
Ryan Suggs	Deputy Chief, NMSP
Dianna DeJarnette	Deputy ASD Director
Bridgette Long	CFO/Finance Director
Melvin Lee	Chief Information Officer
Randy Herrera	Chief Procurement Officer
Sylvia Serna	Grants Management Director
AmberRae Quintana	Finance Manager
Sheila McDonald	Grants Management Supervisor
Jessica Gibson	Grants Management Supervisor
Heather Toya	Budget Director

**Representing Atkinson & Co., Ltd.:**

Marty Mathisen, CPA, CGFM	Audit Director
Mike Reeves, CPA	Audit Manager