



**NEW MEXICO DEPARTMENT OF PUBLIC SAFETY
ANNUAL FINANCIAL STATEMENTS & SCHEDULES
(INDEPENDENT AUDITORS REPORT INCLUDED)**

FISCAL YEAR ENDING JUNE 30, 2018



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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**For the year ended
June 30, 2018**

State of New Mexico Department of Public Safety

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

Year Ended June 30, 2018

Name	Title
Scott Weaver	Cabinet Secretary Chief Financial Officer
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
Robert Eshom	Deputy Chief, Commercial Vehicle Enforcement Bureau, NMSP Division
Adrian Armijo	Deputy Chief, Uniform & Training Bureaus, NMSP Division
Stephan Marshall	Law Enforcement Academy
Melvin Lee	Chief Information Officer
Bernadette Perez	Deputy ASD Director

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the State of New Mexico Department of Public Safety, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the State of New Mexico Department of Public Safety as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the 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 aggregate remaining fund information, and all respective budgetary comparisons that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2018, and the changes in its financial position, where applicable, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-14 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New Mexico Department of Public Safety's basic financial statements. The combining and individual nonmajor fund financial statements 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The combining and individual nonmajor fund financial statements 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information as required by 2.2.2.10 NMAC has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the State of New Mexico Department of Public Safety'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of New Mexico Department of Public Safety's 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 State of New Mexico Department of Public Safety's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

State of New Mexico Department of Public Safety
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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, 2018**

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, 2018	Prior Year June 30, 2017	Increase or (Decrease)	Percent Change
Assets				
Current assets	\$ 16,236,067	\$ 18,258,190	\$ (2,022,123)	-11.08%
Capital assets	14,354,240	16,777,496	(2,423,256)	-14.44%
Total Assets	<u>30,590,307</u>	<u>35,035,686</u>	<u>(4,445,379)</u>	-12.69%
Liabilities				
Current liabilities	13,236,355	14,919,747	(1,683,392)	-11.28%
Long-term liabilities	2,584,886	2,283,759	301,127	13.19%
Total Liabilities	<u>15,821,241</u>	<u>17,203,506</u>	<u>(1,382,265)</u>	-8.03%
Net Position				
Net investment in capital assets	14,354,240	16,777,496	(2,423,256)	-14.44%
Restricted	648,430	1,288,290	(639,860)	-49.67%
Unrestricted	(233,604)	(233,606)	2	0.00%
Total Net Position	<u>\$ 14,769,066</u>	<u>\$ 17,832,180</u>	<u>\$ (3,063,114)</u>	-17.18%

**State of New Mexico Department of Public Safety
Management's Discussion and Analysis
June 30, 2018**

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE – CONTINUED

	Current Year June 30, 2018	Prior Year June 30, 2017	Increase or (Decrease)	Percent Change
Program Revenues and Expenses				
Program revenues	\$ 15,835,820	\$ 14,536,179	\$ 1,299,641	8.94%
Program expenses	<u>139,108,256</u>	<u>140,337,801</u>	<u>(1,229,545)</u>	-0.88%
Net Program Revenues (Expenses)	<u>(123,272,436)</u>	<u>(125,801,622)</u>	<u>2,529,186</u>	-2.01%
General Revenues (Expenses)				
General fund appropriations	119,068,800	120,628,400	(1,559,600)	-1.29%
Weight distance tax permit fund appropriations	94,500	1,265,600	(1,171,100)	-92.53%
Special appropriations	1,367,778	600,000	767,778	100.00%
Severance tax bond appropriations	-	4,426,979	(4,426,979)	-100.00%
Transfers - in (out) from other state agencies	<u>500,000</u>	<u>(313,000)</u>	<u>813,000</u>	-259.74%
	<u>121,031,078</u>	<u>126,607,979</u>	<u>(5,576,901)</u>	-4.40%
Gain or (loss) on disposal of capital assets	2,606	504,048	(501,442)	-99.48%
Reversions - state general fund	<u>(824,362)</u>	<u>(3,775,395)</u>	<u>2,951,033</u>	-78.16%
Change in Net Position	<u>(3,063,114)</u>	<u>(2,464,990)</u>	<u>(598,124)</u>	24.26%
Beginning Net Position	<u>17,832,180</u>	<u>20,297,170</u>	<u>(2,464,990)</u>	-12.14%
Ending Net Position	<u><u>\$ 14,769,066</u></u>	<u><u>\$ 17,832,180</u></u>	<u><u>\$ (3,063,114)</u></u>	-17.18%

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2018 are as follows:

Total Assets decreased by \$4,445,379 or 12.69% primarily due to the reduction in receivable balances resulting from improved billing processes.

Total Liabilities decreased by 8.05% primarily due to enhanced processing of invoices during the fiscal year resulting in a lower accounts payable accrual at June 30, 2018.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE – CONTINUED

Total Net Position decreased by 17.18% due to an overall net decrease in capital assets, an increase in deferred inflows, and an increase in compensated absences. The majority of the decrease is related to the retirement of capital assets.

The Department's **Unrestricted Net Position** has not changed from fiscal year 2017.

Program Revenues increased by 12.2% primarily due to an increase in special projects related to security services provided by the New Mexico State Police. There was also an increase in the sale of disposed capital assets. The sale included an increase in decommissioned service vehicles at auction.

Program Expenses decreased by 1.98% primarily due to no purchase of patrol vehicles with Severance Tax Bond proceeds in fiscal year 2018.

Net Program Activity decreased by 3.15% as outlined above in program expenses.

General Fund Appropriations decreased by 0.61% the reduction in the general fund that was transferred to the General Services Department. The General Services Department assumed responsibility for the maintenance and repairs of the Santa Fe Headquarters Complex. The reduction was also attributable to the transfer of the New Mexico ports of entry to the Department of Transportation.

Transfers in (out) From Other State Agencies increased by 432% primarily due to no transfer outs and transfer in's for the fallen peace officers fund and implementation of records management system.

Special Appropriations decrease is due to the expenditures of special and data appropriations in fiscal year 2018.

Severance Tax Bonds decreased by 100% as the Department did not request any capital outlay draws during fiscal year 2018.

The Department recognized a \$593,108 **Gain on Disposal of Capital Assets** for an increase of 17.67% over last year, primarily due to the sale of New Mexico State Police vehicles in FY18 that were fully depreciated.

Ending Net Position decreased by 17.18% due to the net changes described above.

**State of New Mexico Department of Public Safety
Management's Discussion and Analysis
June 30, 2018**

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 expend special and data processing appropriations in which the revenues were recognized in prior fiscal years. The decrease **Special Revenues Fund Balance** is final expenditure of federal forfeiture funds whose revenues were recognized in fiscal year 2014.

	Fund Balance			
	Current Year June 30, 2018	Prior Year June 30, 2017	Increase or (Decrease)	Percent Change
General Fund	\$ 2,118,455	\$ 2,573,671	\$ (455,216)	-17.7%
Special Revenues	2,944,605	3,037,203	(92,598)	-3.0%
Capital Projects	-	-	-	0.0%
Total	\$ 5,063,060	\$ 5,610,874	\$ (547,814)	-9.8%

GENERAL BUDGETARY HIGHLIGHTS

The General Appropriation Act, Laws of 2017, Chapter 73, Section 4 included a FY18 base general fund appropriation of \$119,068,800. The appropriation was \$1,559,600 less than the FY17 revised appropriation of \$120,628,400. The Department transferred \$1,000,000 to the New Mexico State General Services Department for the operations and maintenance of the Department's state owned buildings. The reduction of other state funds in the amount of \$1,171,100 to the New Mexico Department of Transportation for the New Mexico ports-of-entry.

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 \$14,354,240 at June 30, 2018. Capital assets and investment in capital assets decreased by \$2,423,256 or 14.4%. The decrease is due to an increase in current year depreciation and retirements. The Department does not have any debt related to capital assets at June 30, 2018.

COMPENSATED ABSENCES

Total compensated absences as of June 30, 2018, are \$5,286,412. Compensated absences increased by \$614,547 from FY17 to FY18 resulting from the computation of the accrued sick leave balance. This increase was due to the implementation of Phase IV of the Officer Pay Plan.

DEBT ADMINISTRATION

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

**State of New Mexico Department of Public Safety
 Management's Discussion and Analysis
 June 30, 2018**

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, 2018 were:

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
LAW ENFORCEMENT PROGRAM:			
Output	Number of data-driven traffic-related enforcement projects held	1,700	1,926
Output	Number of driving-while-intoxicated saturation patrols conducted	975	3,184
Output	Number of driving-while-intoxicated arrests	2,250	2,574
Output	Number of commercial motor vehicle safety inspections conducted	70,000	88,078

State of New Mexico Department of Public Safety
 Management's Discussion and Analysis
 June 30, 2018

PERFORMANCE MEASURES - CONTINUED

<u>TYPE</u>	<u>MEASURE</u>	<u>TARGET</u>	<u>RESULT</u>
STATEWIDE LAW ENFORCEMENT SUPPORT PROGRAM:			
Outcome	Percent of forensic firearm/toolmark cases completed	90%	113.1%
Outcome	Percent of forensic latent fingerprint cases completed	90%	104.7%
Outcome	Percent of forensic chemistry cases completed	90%	90.6%
Outcome	Percent of forensic biology and DNA cases completed	65%	115.8%

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, 2018

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 336,625
Investment in State General Fund Investment Pool (Note 3)	11,826,601
Accounts receivable, net (Note 4)	423,728
Due from:	
Federal government, net (Note 5)	3,211,805
Other state agencies (Note 6)	419,081
Components of the state (Note 7)	13,146
Prepaid expenses	5,081
Total Current Assets	<u>16,236,067</u>
Non-Current Assets:	
Capital assets, not being depreciated (Note 12)	52,352
Capital assets being depreciated, net of accumulated depreciation (Note 12)	14,301,888
Total Non-Current Assets	<u>14,354,240</u>
Total Assets	<u>\$ 30,590,307</u>
Current Liabilities:	
Accounts payable	\$ 5,743,576
Accrued salaries and benefits payable	4,501,562
Unearned grant revenue	28,280
Due to:	
Federal government (Note 8)	4,858
Other state agencies (Note 9)	411
State general fund (Note 15)	221,190
Local governments (Note 10)	25,195
Components of the state (Note 11)	9,757
Current portion of long-term obligations: (Note 14)	
Compensated absences	2,701,526
Total Current Liabilities	<u>13,236,355</u>
Long-Term Liabilities:	
Compensated absences due after one year (Note 14)	2,584,886
Total Long-Term Liabilities	<u>2,584,886</u>
Total Liabilities	<u>15,821,241</u>
Net Position:	
Net investment in capital assets	14,354,240
Restricted	648,430
Unrestricted	(233,604)
Total Net Position	<u>14,769,066</u>
Total Liabilities and Net Position	<u>\$ 30,590,307</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, 2018

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants	
Governmental Activities:				
Program support	\$ (5,501,082)	\$ 93,972	\$ 1,208,309	\$ (4,198,801)
Law enforcement	(115,837,688)	1,807,614	6,405,369	(107,624,705)
Statewide law enforcement support	(17,769,486)	5,220,295	1,100,261	(11,448,930)
Total Governmental Activities	<u>\$ (139,108,256)</u>	<u>\$ 7,121,881</u>	<u>\$ 8,713,939</u>	<u>(123,272,436)</u>
General Revenues:				
State general fund appropriations (Note 13)				119,068,800
Weight distance tax permit fund appropriations (Note 13)				94,500
Special appropriations				1,367,778
Gain on disposal of assets and adjustments				2,606
Total General Revenues				<u>120,533,684</u>
Transfers				
Interagency transfer in (out) (Note 13)				500,000
Reversions - state general fund (Note 15)				(824,362)
Net Transfers				<u>(324,362)</u>
Change in Net Position				(3,063,114)
Net Position, Beginning				<u>17,832,180</u>
Net Position, Ending				<u>\$ 14,769,066</u>

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

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

As of June 30, 2018

	General Fund (12800)	Other Non-Major Governmental Funds	Total Governmental Funds
Assets:			
Investment in State General Fund			
Investment Pool (Note 3)	\$ 8,629,584	\$ 3,197,017	\$ 11,826,601
Cash in banks	315,332	21,043	336,375
Cash on hand	250	-	250
Accounts receivable, net (Note 4)	385,542	38,186	423,728
Due from:			
Federal government, net (Note 5)	3,211,805	-	3,211,805
Other state agencies (Note 6)	419,081	-	419,081
Components of the state (Note 7)	13,146	-	13,146
Prepaid expenses - travel & per diem	5,081	-	5,081
Total Assets	\$ 12,979,821	\$ 3,256,246	\$ 16,236,067
Liabilities:			
Accounts payable	\$ 5,443,740	\$ 299,836	\$ 5,743,576
Accrued salaries and benefits payable	4,492,298	9,264	4,501,562
Unearned grant revenue	28,280	-	28,280
Due to:			
Federal government (Note 8)	2,317	2,541	4,858
Other state agencies (Note 9)	411	-	411
State general fund (Note 15)	221,190	-	221,190
Local governments (Note 10)	25,195	-	25,195
Components of the state (Note 11)	9,757	-	9,757
Total Liabilities	10,223,188	311,641	10,534,829
Deferred Inflows of Resources:			
Amounts unavailable (not received within period of availability)	638,178	-	638,178
Total Deferred Inflows of Resources	638,178	-	638,178
Fund Balance:			
Non-Spendable:			
Petty cash and change funds	250	-	250
Prepaid expenses	5,081	-	5,081
Cash in authorized bank and CD's	-	-	-
Restricted	2,346,728	2,944,605	5,291,333
Unassigned	(233,604)	-	(233,604)
Total Fund Balance	2,118,455	2,944,605	5,063,060
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 12,979,821	\$ 3,256,246	\$ 16,236,067

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**

June 30, 2018

Total Fund Balance - Governmental Funds
(Balance Sheet - Governmental Funds) \$ 5,063,060

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. 14,354,240

Recording of deferred inflows of resources in the Balance Sheet - Governmental Funds and revenue in the Statement of Activities. 638,178

Compensated absences liability, not recorded in the governmental funds, but recorded as liabilities in the Statement of Net Position. (5,286,412)

Net Position of Governmental Activities (Statement of Net Position) \$ 14,769,066

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

Year Ended June 30, 2018

	General Fund	Other Non-Major Governmental Funds	Total Governmental Funds
	(12800)		
Revenues:			
Federal grants	\$ 8,191,437	\$ -	\$ 8,191,437
Other program fees	5,983,949	1,137,932	7,121,881
Total Revenues	<u>14,175,386</u>	<u>1,137,932</u>	<u>15,313,318</u>
Expenditures:			
Public safety			
Current			
Personal services and employee benefits	100,004,469	381,717	100,386,186
Contractual services	5,063,249	46,476	5,109,725
Other costs	25,544,952	456,453	26,001,405
Capital outlay	4,329,476	834,164	5,163,640
Total Expenditures	<u>134,942,146</u>	<u>1,718,810</u>	<u>136,660,956</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(120,766,760)</u>	<u>(580,878)</u>	<u>(121,347,638)</u>
Other Financing Sources (Uses):			
State general fund appropriations (Note 13)	119,068,800	-	119,068,800
Weight distance tax permit fund appropriations (Note 13)	94,500	-	94,500
Proceeds from sale of property	593,108	-	593,108
Special appropriations	1,367,778	-	1,367,778
Reversions - state general fund (Note 15)	(812,642)	(11,720)	(824,362)
Interagency transfer in (out) (Note 13)	-	500,000	500,000
Total Other Financing Sources (Uses)	<u>120,311,544</u>	<u>488,280</u>	<u>120,799,824</u>
Change in Fund Balance	(455,216)	(92,598)	(547,814)
Fund Balance, Beginning	<u>2,573,671</u>	<u>3,037,203</u>	<u>5,610,874</u>
Fund Balance, Ending	<u>\$ 2,118,455</u>	<u>\$ 2,944,605</u>	<u>\$ 5,063,060</u>

**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**

Year Ended June 30, 2018

**Net Changes in Fund Balance - Total Governmental Funds (Statement of Revenues,
 Expenditures and Changes in Fund Balance - Governmental Funds)** \$ (547,814)

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). 522,502

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	5,163,640	
Depreciation expense	(6,996,394)	
Sale of capital assets and adjustments, net book value	<u>(590,502)</u>	(2,423,256)

Governmental funds only report the disposal of capital assets to the
 extent proceeds are received from the sale. In the Statement of
 Activities, a gain or loss is reported for each disposal. This is the
 amount of the net book value of the capital assets disposed of.

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.

Increase in compensated absences	<u>(614,546)</u>
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Change in Net Position of Governmental Activities (Statement of Activities) \$ (3,063,114)

**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, 2018

	Fund 12800 excluding multi-year funds Program Support - P503			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
General fund appropriation	\$ 4,067,000	\$ 4,067,000	\$ 4,067,000	\$ -
Other appropriations	-	-	-	-
Federal funds	3,695,400	3,695,400	1,208,309	(2,487,091)
Other state funds	45,900	45,900	6,322	(39,578)
Other financing sources	-	-	-	-
Total Revenues	<u>7,808,300</u>	<u>7,808,300</u>	<u>5,281,631</u>	<u>\$ (2,526,669)</u>
Prior Year Fund Balance Budgeted	<u>-</u>	<u>-</u>		
	<u>\$ 7,808,300</u>	<u>\$ 7,808,300</u>		
Expenditures:				
Personal services and benefits	\$ 4,256,300	\$ 4,196,300	3,617,003	\$ 579,297
Contract services	152,300	287,300	269,306	17,994
Other	3,399,700	3,324,700	1,356,515	1,968,185
Other financing uses	-	-	-	-
Total Budgeted Expenditures	<u>\$ 7,808,300</u>	<u>\$ 7,808,300</u>	<u>5,242,824</u>	<u>\$ 2,565,476</u>
Excess (Deficiency) of Revenue Over Expenditures			38,807	
GAAP basis reconciliation				
Reversion to state general fund			<u>(38,807)</u>	
Net Change in Fund Balance			<u>\$ -</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, 2018

	Fund 12800 excluding multi-year funds Law Enforcement - P504			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 102,800,700	\$ 102,800,700	\$ 102,800,700	\$ -
Other appropriations	-	-	94,500	94,500
Federal funds	11,157,500	12,501,500	5,882,867	(6,618,633)
Other state funds	4,311,200	4,311,200	2,499,195	(1,812,005)
Other financing sources	99,500	99,500	-	(99,500)
Total Revenues	<u>118,368,900</u>	<u>119,712,900</u>	<u>111,277,262</u>	<u>\$ (8,435,638)</u>
Prior Year Fund Balance Budgeted	<u>-</u>	<u>-</u>		
Total Budgeted Revenues	<u>\$ 118,368,900</u>	<u>\$ 119,712,900</u>		
Expenditures:				
Personal services and benefits	\$ 90,127,100	\$ 90,546,100	85,664,832	\$ 4,881,268
Contract services	2,579,800	2,579,800	1,500,101	1,079,699
Other	25,662,000	26,587,000	23,576,817	3,010,183
Other financing uses	-	-	-	-
Total Budgeted Expenditures	<u>\$ 118,368,900</u>	<u>\$ 119,712,900</u>	<u>110,741,750</u>	<u>\$ 8,971,150</u>
Excess (Deficiency) of Revenue Over Expenditures			535,512	
GAAP basis reconciliation				
Reversion to state general fund			<u>(535,512)</u>	
Net Change in Fund Balance			<u>\$ -</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, 2018

	Fund 12800 excluding multi-year funds Statewide Law Enforcement Support - P786			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 12,201,100	\$ 12,201,100	\$ 12,201,100	\$ -
Other appropriations	-	-	-	-
Federal funds	2,592,200	2,896,466	1,100,261	(1,796,205)
Other state funds	4,131,500	4,131,500	4,071,541	(59,959)
Other financing sources	-	-	-	-
Total Revenues	<u>18,924,800</u>	<u>19,229,066</u>	<u>17,372,902</u>	<u>\$ (1,856,164)</u>
Prior Year Fund Balance Budgeted	<u>-</u>	<u>-</u>		
Total Budgeted Revenues	<u>\$ 18,924,800</u>	<u>\$ 19,229,066</u>		
Expenditures:				
Personal services and benefits	\$ 11,215,000	\$ 10,855,000	10,413,270	\$ 441,730
Contract services	1,897,400	2,561,666	1,976,298	585,368
Other	5,812,400	5,812,400	4,760,083	1,052,317
Other financing uses	-	-	-	-
Total Budgeted Expenditures	<u>\$ 18,924,800</u>	<u>\$ 19,229,066</u>	<u>17,149,651</u>	<u>\$ 2,079,415</u>
Excess (Deficiency) of Revenue Over Expenditures			223,251	
GAAP basis reconciliation				
Reversion to state general fund			<u>(223,251)</u>	
Net Change in Fund Balance			<u>\$ -</u>	

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

As of June 30, 2018

	<u>Agency Funds</u>
Assets:	
Interest in State General Fund Investment Pool	\$ 203,753
Cash in banks	<u>192,338</u>
Total Assets	<u><u>\$ 396,091</u></u>
Liabilities:	
Assets held for others	<u>\$ 396,091</u>
Total Liabilities	<u><u>\$ 396,091</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

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 of 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. The Laws of 2015, 1st Session, Chapter 152 prohibit agencies from seizing money and property starting July 1, 2015. Agencies with fund balances at June 30, 2014 were allowed to expend these remaining funds through June 30, 2018. Any remaining balance must be reverted to

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: The Laws of 2015, 1st Session, Chapter 152 prohibit agencies from seizing money and property starting July 1, 2015. Agencies with fund balances at June 30, 2014 were allowed to expend these remaining funds through June 30, 2018. Any remaining balance must be reverted to the U.S. Department of Justice.

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

Special Revenue Funds – 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.
- 67950 Taxation and Revenue Department Distribution Sexual Assault Evidence Kit (SAEK) Program - The SAEK Program Fund was established in accordance with Laws of 2017, 1st Session, Chapter 116 to reduce the backlog of sexual assault evidence kits via voluntary check-off on the Personal Income Tax - D form starting tax year January 1, 2017. This 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*. Agencies with fund balances at June 30, 2014 were allowed to expend these remaining funds through June 30, 2018. Any remaining balance must be reverted to the U.S. Department of Treasury.
- 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basic Financial Statements - Fund Financial Statements – Continued

Governmental Fund Types – Continued

Special Revenue Funds – Continued

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.

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

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 \$638,178 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, 2018.

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
- 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

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

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 FY18 was \$621,521 and a net total \$282,170 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 Components of the State

A due from/to components 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 Note 11) 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 9) 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 their acquisition value at the time of acquisition. 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 th /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 th /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, 2018, 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 \$14,354,240 at June 30, 2018. 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 \$5,291,333; 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; and 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, 2018, 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 petty cash for the Law Enforcement Records Bureau and Prepaid Expenses for travel.

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. This includes the Certificate of Deposit for Motor Transportation, stand alone bank accounts and the New Mexico State Police Flashroll.

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. There is a deficit fund balance in the category of unassigned fund balance in the General Fund in the amount of \$233,604. This amount occurred due to a misstatement of amounts owed to the State General Fund in 2009. The fiscal year 2015 audit report reflected a restatement due for over reversion to the State General Fund.

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 \$638,178 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 13, 2018 that as of June 30, 2018, 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, 2018. 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, 2018, the Department had the following invested in the General Fund Investment Pool:

General Fund Investment Pool \$ 11,826,601

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, 2018.

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

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, 2018.

Cash in Banks

The Department holds cash balances in Bank of America and Wells Fargo, N.A. The amounts in each bank do not exceed federal deposit insurance corporation limits.

The short term investment is managed by the Department in an authorized bank account at Wells Fargo, NA. The sources of the investment is a certificate of deposit origination from the Motor Transportation Division. The amount of the short term investment is covered by the federal deposit insurance corporation and does not require collateralization. See the Schedule of Cash Balances in the Other Supplementary Information Section.

NOTE 4 – ACCOUNTS RECEIVABLE, NET

The aging of accounts recievable as of June 30, 2018:

<u>Number of Days Outstanding</u>	
0 - 30	\$ 14,795
31 - 60	940
61 - 90	795
91 - 120	9,900
Beyond 120	<u>1,018,819</u>
	1,045,249
Allowance for uncollectable accounts	<u>(621,521)</u>
	<u>\$ 423,728</u>

State of New Mexico Department of Public Safety
Notes to Financial Statements
June 30, 2018

NOTE 5 – DUE FROM FEDERAL GOVERNMENTS, NET

The due from federal governments, net consists of the following as of June 30, 2018:

Agency	Total
Executive Office of the President	\$ 146,006
Miscellaneous Federal Agencies	71,035
U.S. Department of Energy	34,236
U.S. Department of Homeland Security	178,316
U.S. Department of the Interior Bureau of Land Management	1,000
U.S. Department of Justice	2,812
U.S. Department of Justice, Bureau of Justice Assistance	313,546
U.S. Department of Justice, Bureau of Justice Statistics	6,111
U.S. Department of Justice, National Institute of Justice	37,587
U.S. Department of Justice, Office of Community Oriented Policing Services	1,023
U.S. Department of Office of Sex Offenders Sentencing, Monitoring, Apprehending, Registering, and Tracking	67,488
U.S. Department of Transportation: (FMCSA)	1,856,076
U.S. Department of Transportation: (NHTSA)	496,569
	<u>\$ 3,211,805</u>

NOTE 6 - DUE FROM OTHER STATE AGENCIES

The due from other state agencies consists of the following as of June 30, 2018:

Fund Description	Fund Number	Sub-total	Total	Due From	
				Bus Unit	Fund Number
General Operating Fund	12800	104,720		46000	19100
		170,355		80500	10010
		144,006		80500	20100
Total reimbursement due			<u>\$ 419,081</u>		
Total Governmental Funds			<u>\$ 419,081</u>		
EXPO New Mexico			\$ 104,720		
NM Department of Transportation			314,361		
			<u>\$ 419,081</u>		

State of New Mexico Department of Public Safety
Notes to Financial Statements
June 30, 2018

NOTE 7 – DUE FROM COMPONENTS OF THE STATE

The due from components of the state consists of the following as of June 30, 2018:

<u>Component</u>	<u>Purpose</u>		
New Mexico State University	Event Security	\$	1,481
University of New Mexico	Event Security		11,665
		<u>\$</u>	<u>13,146</u>

NOTE 8 – DUE TO FEDERAL GOVERNMENT

The due to federal government consists of the following as of June 30, 2018:

<u>Federal Agency</u>	<u>Purpose</u>		
U.S. Department of Justice	Federal Forfeitures	\$	4,391
U.S Department of the Treasury	Federal Forfeitures		467
		<u>\$</u>	<u>4,858</u>

NOTE 9 – DUE TO OTHER STATE AGENCIES

The due to other state agencies consists of the following as of June 30, 2018:

<u>Fund Description</u>	<u>Fund Number</u>	<u>Total</u>	<u>Due To</u>	<u>Business Unit</u>	<u>Fund Number</u>
General Fund	12800	\$ 411	33300		99400
Total Governmental Funds		<u>411</u>			
NM Taxation & Revenue		411			
		<u>\$ 411</u>			

State of New Mexico Department of Public Safety
Notes to Financial Statements
June 30, 2018

NOTE 10 – DUE TO LOCAL GOVERNMENTS

The due to local governments consists of the following as of June 30, 2018:

Fund Description	Fund Number	Total	Due To
General Fund	12800	\$ 25,195	City of Clovis
Total Governmental Funds		<u>\$ 25,195</u>	

NOTE 11 – DUE TO COMPONENTS OF THE STATE

The due to components of the state consists of the following as of June 30, 2018:

Component	Purpose	
University of New Mexico	Medical Services	\$ 9,757
		<u>\$ 9,757</u>

State of New Mexico Department of Public Safety
Notes to Financial Statements
June 30, 2018

NOTE 12 – CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2018, is as follows:

	Balance June 30, 2017	Additions	Retirements
Capital Assets Not Being Depreciated:			
Land	\$ 14,394	\$ -	\$ -
Land improvements	37,958	-	-
Construction in progress	2,204,902	-	-
Total Capital Assets Not Being Depreciated	\$ 2,257,254	\$ -	\$ -
Other Capital Assets:			
Furniture and fixtures	\$ 432,091	\$ 36,610	\$ -
Equipment and machinery	11,129,106	104,520	-
Automobile	34,549,995	4,310,343	(3,598,165)
Aircraft	6,772,900	-	-
Buildings and structures	1,654,192	-	-
Data processing equipment	9,784,830	712,167	-
Livestock and animals	157,293	-	-
Total Other Capital Assets	64,480,407	5,163,640	(3,598,165)
Accumulated Depreciation for:			
Furniture and fixtures	210,579	35,663	-
Equipment and machinery	9,522,974	526,202	-
Automobile	25,604,187	4,597,599	(3,583,727)
Aircraft	5,136,116	677,290	-
Buildings and structures	984,409	69,810	-
Data processing equipment	8,361,932	1,079,930	-
Livestock and animals	139,968	9,900	-
Total Accumulated Depreciation	49,960,165	6,996,394	(3,583,727)
Other Capital Assets, Net	\$ 14,520,242	\$ (1,832,754)	\$ (14,438)
Capital Assets Summary:			
Capital assets not being depreciated	\$ 2,257,254	\$ -	\$ -
Other capital assets, at cost	64,480,407	5,163,640	(3,598,165)
Total Cost of Capital Assets	66,737,661	5,163,640	(3,598,165)
Accumulated Depreciation	(49,960,165)	(6,996,394)	3,583,727
Capital Assets, Net	\$ 16,777,496	\$ (1,832,754)	\$ (14,438)

The Department does not have any debt related to capital assets at June 30, 2018. Depreciation expense for the Department amounted to \$6,996,394 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, 2018

NOTE 12 – CAPITAL ASSETS - CONTINUED

Adjustments	Balance June 30, 2018
\$ -	\$ 14,394
-	37,958
(2,204,902)	-
<u>\$ (2,204,902)</u>	<u>\$ 52,352</u>
\$ -	\$ 468,701
(333,395)	10,900,231
1,308,538	36,570,711
-	6,772,900
-	1,654,192
624,895	11,121,892
-	157,293
<u>1,600,038</u>	<u>67,645,920</u>
-	246,242
(290,535)	9,758,641
(61,782)	26,556,277
-	5,813,406
-	1,054,219
323,517	9,765,379
-	149,868
<u>(28,800)</u>	<u>53,344,032</u>
<u>\$ 1,628,838</u>	<u>\$ 14,301,888</u>
\$ (2,204,902)	\$ 52,352
1,600,038	67,645,920
<u>(604,864)</u>	<u>67,698,272</u>
28,800	(53,344,032)
<u>\$ (576,064)</u>	<u>\$ 14,354,240</u>

Depreciation expense reported to P503 - Program Support	\$ 8,258
Depreciation expense reported to P503 - P504 - Law Enforcement Program	6,543,705
Depreciation expense reported to P503 - P786 - Statewide Law Enforcement Support	444,431
Total Depreciation Expense	<u>\$ 6,996,394</u>

State of New Mexico Department of Public Safety
Notes to Financial Statements
June 30, 2018

NOTE 13 - OPERATING TRANSFERS

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

<u>Agency</u>	<u>Transferring Agency</u>	<u>DFA 34100</u>	<u>Taxation and Revenue 33300</u>	<u>Total all Inter-agency Transfers</u>
Weight Distance Tax Permit Appropriation	Taxation and Revenue Department - Fund 99400	\$ -	\$ 94,500	\$ 94,500
State General Fund Appropriation	Department of Finance and Administration - Fund 85300	119,068,800		119,068,800
Special Appropriation for State Police	Department of Finance and Administration - Fund 85300	828,400	-	828,400.00
Special Appropriation for Records Management System	Department of Finance and Administration - Fund 00900	539,378	-	539,378
Peace Officers' Survivors Fund - Replenishment	Department of Finance and Administration - Fund 73600	500,000	-	500,000
		<u>\$ 120,936,578</u>	<u>\$ 94,500</u>	<u>\$ 121,031,078</u>

NOTE 14 – 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, 2018.

A summary of changes in the compensated absences payable for the year ended June 30, 2018, is as follows:

	<u>Balance June 30, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2018</u>
Compensated Absences Payable:				
Due within one year	\$ 2,388,107	\$ 4,491,806	(\$4,178,387)	\$ 2,701,526
Due after one year	2,283,759	4,315,656	(4,014,529)	2,584,886
Total	<u>\$ 4,671,866</u>	<u>\$ 8,807,462</u>	<u>(\$8,192,916)</u>	<u>\$ 5,286,412</u>

The general fund pays compensated absences. The Department has identified that compensated absences should be a liability that is due after one year. Historically, any leave paid out upon an employees departure occurs in the current year and is reflected in the overall decrease column based on current pay rates and hours accumulated.

State of New Mexico Department of Public Safety
Notes to Financial Statements
June 30, 2018

NOTE 15 – 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, 2018 were as follows:

<u>Fund Description</u>	<u>Fund Number</u>	<u>Description</u>	<u>Total</u>
General Fund	12800	FY18 unexpended general fund appropriation	\$ 797,570
General Fund	12800	FY18 Data Processing Appropriation	15,072
State Forfeitures	34200	FY18 unexpended balance	11,720
Grand Total of Reversions			<u><u>\$ 824,362</u></u>

Current year reversions Due to the State General Fund as of June 30, 2018 were as follows:

Due to state general fund	12800	FY18 unexpended general fund appropriation	<u><u>\$ 221,190</u></u>
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NOTE 16 – LEASE COMMITMENTS

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

<u>Year ended June 30</u>	
2019	\$ 512,363
2020	401,913
2021	386,824
2022	295,134
2023	295,133
	<u><u>\$ 1,891,367</u></u>

During the year ended June 30, 2018, facilities and equipment rent expense were approximately \$861,398. 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 17 – 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

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 18 – PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

The Departments contributions to PERA for fiscal years ending June 30, 2018, 2017 and 2016 were \$12,503,539, \$12,389,967, and \$12,038,605, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 19 – 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.

Postemployment Benefits - GASB 75

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

NOTE 19 – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN – CONTINUED

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

The Departments contributions to RHCA for fiscal years ending June 30, 2018, 2017 and 2016 were \$1,309,731, \$1,301,140, and \$1,265,119, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 20 - 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, 2015 through June 30, 2018.

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, 2018, 2017 and 2016, of \$4,762,128 and \$4,982,265 and \$4,768,133 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, 2018, 2017, and 2016, the Department had no claims for which the Risk Management Division has returned as "not covered" that would become the responsibility of the Department.

SUPPLEMENTARY INFORMATION

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

As of June 30, 2018

	State Chemist Fees Fund (27200)	State Forfeitures (CSA) Fund (34200)	Federal Forfeitures Fund US DOJ State Police (34300)	Peace Officers' Survival Fund (34600)
Assets:				
Investment in State General Fund				
Investment Pool	\$ 864,209	\$ -	\$ 108,964	\$ 354,499
Cash in banks	-	-	-	-
Cash on hand	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from:				
Federal government, net	-	-	-	-
Other state agencies	-	-	-	-
Components of the state	-	-	-	-
Prepaid expenses - travel & per diem	-	-	-	-
Total Assets	\$ 864,209	\$ -	\$ 108,964	\$ 354,499
Liabilities:				
Accounts payable	\$ 14,446	\$ -	\$ 106,890	\$ -
Accrued salaries and benefits payable	-	-	-	-
Unearned grant revenue	-	-	-	-
Due to:				
Federal government	-	-	2,074	-
Other state agencies	-	-	-	-
State general fund	-	-	-	-
Local governments	-	-	-	-
Components of the state	-	-	-	-
Total Liabilities	14,446	-	108,964	-
Deferred Inflows of Resources:				
Amounts unavailable (not received within period of availability)	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
Fund Balance:				
Non-Spendable:				
Petty cash and change funds	-	-	-	-
Prepaid expenses	-	-	-	-
Cash in authorized bank and CD's	-	-	-	-
Restricted	849,763	-	-	354,499
Unassigned	-	-	-	-
Total Fund Balance	849,763	-	-	354,499
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 864,209	\$ -	\$ 108,964	\$ 354,499

See Report of Independent Certified Public Accountants

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

Concealed Handgun Carry Fund (59400)	Orphan Materials Recovery Fund (67000)	Sexual Assault Voluntary Contribution Fund (67950)	Federal Forfeitures Fund US Treasury State Police (71990)	Law Enforcement Advanced Training Fund (78600)	Special Donations Fund (88200)
\$ 1,417,272	\$ 5,029	\$ 8,687	\$ 14,698	\$ 326,830	\$ 5,635
-	-	-	-	-	-
-	-	-	-	-	-
14,786	-	-	-	23,400	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ 1,432,058	\$ 5,029	\$ 8,687	\$ 14,698	\$ 350,230	\$ 5,635
\$ 28,324	\$ -	\$ -	\$ 14,231	\$ 44,751	\$ -
8,360	-	-	-	904	-
-	-	-	-	-	-
-	-	-	467	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
36,684	-	-	14,698	45,655	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,395,374	5,029	8,687	-	304,575	5,635
-	-	-	-	-	-
1,395,374	5,029	8,687	-	304,575	5,635
\$ 1,432,058	\$ 5,029	\$ 8,687	\$ 14,698	\$ 350,230	\$ 5,635

See Report of Independent Certified Public Accountants

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

As of June 30, 2018

	Crime Stoppers Reward Fund (89400)	Total Special Revenue Funds
Assets:		
Investment in State General Fund		
Investment Pool	\$ -	\$ 3,105,823
Cash in banks	21,043	21,043
Cash on hand	-	-
Accounts receivable, net	-	38,186
Due from:		
Federal government, net	-	-
Other state agencies	-	-
Components of the state	-	-
Prepaid expenses - travel & per diem	-	-
Total Assets	\$ 21,043	\$ 3,165,052
Liabilities:		
Accounts payable	\$ -	\$ 208,642
Accrued salaries and benefits payable	-	9,264
Unearned grant revenue	-	-
Due to:		
Federal government	-	2,541
Other state agencies	-	-
State general fund	-	-
Local governments	-	-
Components of the state	-	-
Total Liabilities	-	220,447
Deferred Inflows of Resources:		
Amounts unavailable (not received within period of availability)	-	-
Total Deferred Inflows of Resources	-	-
Fund Balance:		
Non-Spendable:		
Petty cash and change funds	-	-
Prepaid expenses	-	-
Cash in authorized bank and CD's	-	-
Restricted	21,043	2,944,605
Unassigned	-	-
Total Fund Balance	21,043	2,944,605
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 21,043	\$ 3,165,052

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
\$ 91,194	\$ -	\$ 91,194	\$ 3,197,017
-	-	-	21,043
-	-	-	-
-	-	-	38,186
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 91,194</u>	<u>\$ -</u>	<u>\$ 91,194</u>	<u>\$ 3,256,246</u>
\$ 91,194	\$ -	\$ 91,194	\$ 299,836
-	-	-	9,264
-	-	-	-
-	-	-	2,541
-	-	-	-
-	-	-	-
-	-	-	-
<u>91,194</u>	<u>-</u>	<u>91,194</u>	<u>311,641</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	2,944,605
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,944,605</u>
<u>\$ 91,194</u>	<u>\$ -</u>	<u>\$ 91,194</u>	<u>\$ 3,256,246</u>

**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, 2018

	State Chemist Fees Fund (27200)	State Forfeitures (CSA) Fund (34200)	Federal Forfeitures Fund US DOJ State Police (34300)	Peace Officers' Survival Fund (34600)
Revenues:				
Federal grants	\$ -	\$ -	\$ -	\$ -
Other program fees	251,154	-	2,130	2,708
Total Revenues	251,154	-	2,130	2,708
Expenditures:				
Public safety				
Current				
Personal services and employee benefits	115,079	-	-	-
Contractual services	28,441	-	-	-
Other costs	129,425	-	2,074	250,000
Capital outlay	13,176	-	660,937	-
Total Expenditures	286,121	-	663,011	250,000
Excess (Deficiency) of Revenues Over Expenditures	(34,967)	-	(660,881)	(247,292)
Other Financing Sources (Uses):				
State general fund appropriations	-	-	-	-
Weight distance tax permit fund appropriations	-	-	-	-
Proceeds from sale of property	-	-	-	-
Special appropriations	-	-	-	-
Severance tax bond appropriations	-	-	-	-
Reversions - state general fund	-	(11,720)	-	-
Interagency transfer in (out)	-	-	-	500,000
Total Other Financing Sources (Uses)	-	(11,720)	-	500,000
Change in Fund Balance	(34,967)	(11,720)	(660,881)	252,708
Fund Balance, Beginning	884,730	11,720	660,881	101,791
Fund Balance, Ending	\$ 849,763	\$ -	\$ -	\$ 354,499

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**

Concealed Handgun Carry Fund (59400)	Orphan Materials Recovery Fund (67000)	Sexual Assault Voluntary Contribution Fund (67950)	Federal Forfeitures Fund US Treasury State Police (71990)	Law Enforcement Advanced Training Fund (78600)	Special Donations Fund (88200)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
747,052	-	8,687	1,126	125,075	-
747,052	-	8,687	1,126	125,075	-
266,638	-	-	-	-	-
18,035	-	-	-	-	-
54,421	-	-	20,467	65	1
-	-	-	115,366	44,685	-
339,094	-	-	135,833	44,750	1
407,958	-	8,687	(134,707)	80,325	(1)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
407,958	-	8,687	(134,707)	80,325	(1)
987,416	5,029	-	134,707	224,250	5,636
\$ 1,395,374	\$ 5,029	\$ 8,687	\$ -	\$ 304,575	\$ 5,635

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, 2018

	Crime Stoppers Reward Fund (89400)	Total Special Revenue Funds
Revenues:		
Federal grants	\$ -	\$ -
Other program fees	-	1,137,932
Total Revenues	-	1,137,932
Expenditures:		
Public safety		
Current		
Personal services and employee benefits	-	381,717
Contractual services	-	46,476
Other costs	-	456,453
Capital outlay	-	834,164
Total Expenditures	-	1,718,810
Excess (Deficiency) of Revenues Over Expenditures	-	(580,878)
Other Financing Sources (Uses):		
State general fund appropriations	-	-
Weight distance tax permit fund appropriations	-	-
Proceeds from sale of property	-	-
Special appropriations	-	-
Severance tax bond appropriations	-	-
Reversions - state general fund	-	(11,720)
Interagency transfer in (out)	-	500,000
Total Other Financing Sources (Uses)	-	488,280
Change in Fund Balance	-	(92,598)
Fund Balance, Beginning	21,043	3,037,203
Fund Balance, Ending	\$ 21,043	\$ 2,944,605

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
\$ -	\$ -	\$ -	\$ -
-	-	-	1,137,932
-	-	-	1,137,932
-	-	-	381,717
-	-	-	46,476
-	-	-	456,453
-	-	-	834,164
-	-	-	1,718,810
-	-	-	(580,878)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	(11,720)
-	-	-	500,000
-	-	-	488,280
-	-	-	(92,598)
-	-	-	3,037,203
\$ -	\$ -	\$ -	\$ 2,944,605

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, 2018

	Agency Wide excluding multi-year funds Program Support - P503			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 4,067,000	\$ 4,067,000	\$ 4,067,000	\$ -
Other appropriations	-	-	-	-
Federal funds	3,695,400	3,695,400	1,208,309	(2,487,091)
Other state funds	45,900	45,900	(16,444)	(62,344)
Other financing sources	350,000	350,000	500,000	150,000
Total Revenues	<u>8,158,300</u>	<u>8,158,300</u>	<u>5,758,865</u>	<u>\$ (2,399,435)</u>
Prior Year Fund Balance Budgeted	<u>-</u>	<u>-</u>		
Total Budgeted Revenues	<u>\$ 8,158,300</u>	<u>\$ 8,158,300</u>		
Expenditures:				
Personal services and benefits	\$ 4,256,300	\$ 4,196,300	\$ 3,617,003	\$ 579,297
Contract services	152,300	287,300	269,306	17,994
Other	3,749,700	3,674,700	1,606,515	2,068,185
Other financing uses	-	-	-	-
Total Budgeted Expenditures	<u>\$ 8,158,300</u>	<u>\$ 8,158,300</u>	<u>5,492,824</u>	<u>\$ 2,665,476</u>
Excess (Deficiency) of Revenue Over Expenditures			266,041	
GAAP basis reconciliation				
Reversion to state general fund			<u>(38,807)</u>	
Net Change in Fund Balance			<u>\$ 227,234</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, 2018

	Agency Wide excluding multi-year funds Law Enforcement - P504			
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
General fund appropriation	\$ 102,800,700	\$ 102,800,700	\$ 102,800,700	\$ -
Other appropriations	-	-	94,500	94,500
Federal funds	11,157,500	12,501,500	5,882,867	(6,618,633)
Other state funds	4,311,200	4,311,200	2,511,138	(1,800,062)
Other financing sources	99,500	99,500	-	(99,500)
Total Revenues	<u>118,368,900</u>	<u>119,712,900</u>	<u>111,289,205</u>	<u>\$ (8,423,695)</u>
Prior Year Fund Balance Budgeted	<u>-</u>	<u>589,866</u>		
Total Budgeted Revenues	<u>\$ 118,368,900</u>	<u>\$ 120,302,766</u>		
Expenditures:				
Personal services and benefits	\$ 90,127,100	\$ 90,546,100	\$ 85,664,832	\$ 4,881,268
Contract services	2,579,800	2,579,800	1,500,101	1,079,699
Other	25,662,000	27,176,866	24,169,225	3,007,641
Other financing uses	-	-	-	-
Total Budgeted Expenditures	<u>\$ 118,368,900</u>	<u>\$ 120,302,766</u>	<u>111,334,158</u>	<u>\$ 8,968,608</u>
Excess (Deficiency) of Revenue Over Expenditures			(44,953)	
GAAP basis reconciliation Reversion to state general fund			<u>(547,232)</u>	
Net Change in Fund Balance			<u>\$ (592,185)</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, 2018

	Agency Wide excluding multi-year funds Statewide Law Enforcement Support - P786			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 12,201,100	\$ 12,201,100	\$ 12,201,100	\$ -
Other appropriations	-	-	-	-
Federal funds	2,592,200	2,896,466	1,100,261	(1,796,205)
Other state funds	4,981,500	4,981,500	5,220,294	238,794
Other financing sources	-	-	-	-
Total Revenues	<u>19,774,800</u>	<u>20,079,066</u>	<u>18,521,655</u>	<u>\$ (1,557,411)</u>
Prior Year Fund Balance Budgeted	<u>840,000</u>	<u>1,335,000</u>		
Total Budgeted Revenues	<u>\$ 20,614,800</u>	<u>\$ 21,414,066</u>		
Expenditures:				
Personal services and benefits	\$ 11,572,200	\$ 11,322,200	\$ 10,794,986	\$ 527,214
Contract services	2,284,900	3,194,166	2,022,773	1,171,393
Other	6,757,700	6,897,700	5,001,855	1,895,845
Other financing uses	-	-	-	-
Total Budgeted Expenditures	<u>\$ 20,614,800</u>	<u>\$ 21,414,066</u>	<u>17,819,614</u>	<u>\$ 3,594,452</u>
Excess (Deficiency) of Revenue Over Expenditures			702,041	
GAAP basis reconciliation				
Reversion to state general fund			<u>(223,251)</u>	
Net Change in Fund Balance			<u>\$ 478,790</u>	

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, 2018

	DNA Fund	Evidence Fund	Total Agency Funds
	<u>(40200)</u>	<u>(10560)</u>	
Assets:			
Interest in State General Fund Investment Pool	\$ 203,753	\$ -	\$ 203,753
Cash on hand	-	192,338	192,338
Total Assets	<u>\$ 203,753</u>	<u>\$ 192,338</u>	<u>\$ 396,091</u>
Liabilities:			
Assets held for others	\$ 203,753	\$ 192,338	\$ 396,091
Total Liabilities	<u>\$ 203,753</u>	<u>\$ 192,338</u>	<u>\$ 396,091</u>

See Report of Independent Certified Public Accountants

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

As of June 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance</u> <u>June 30, 2018</u>
DNA Fund (40200)				
Assets:				
Interest in State General Fund Investment Pool	\$ 221,892	\$ -	\$ (18,139)	\$ 203,753
Liabilities:				
Assets held for others	\$ 221,892	\$ -	\$ (18,139)	\$ 203,753
 Evidence Fund (10560)				
Assets:				
Cash on hand	\$ 178,571	\$ 13,767	\$ -	\$ 192,338
Liabilities:				
Assets held for others	\$ 178,571	\$ 13,767	\$ -	\$ 192,338
 Total Agency Funds				
Assets:				
Interest in State General Fund Investment Pool	\$ 221,892	\$ -	\$ (18,139)	\$ 203,753
Cash on hand	178,571	13,767	-	192,338
Total Assets	<u>\$ 400,463</u>	<u>\$ 13,767</u>	<u>\$ (18,139)</u>	<u>\$ 396,091</u>
Liabilities:				
Assets held for others	<u>\$ 400,463</u>	<u>\$ 13,767</u>	<u>\$ (18,139)</u>	<u>\$ 396,091</u>

See Report of Independent Certified Public Accountants

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

As of June 30, 2018

<u>Laws</u>	<u>Chapter</u>	<u>Bonds Appropriated</u>	<u>Bonds Sold</u>	<u>Amounts AIPP</u>	<u>Funds Reauthorized</u>
2015	5	3,218,000	3,218,000	-	-
2016	81	3,000,000	3,000,000	-	-
		<u>\$ 6,218,000</u>	<u>\$ 6,218,000</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>
-	3,218,000	1,427,085	1,427,085	1,790,915	-
(106)	2,999,894	2,999,894	2,999,894	-	-
<u>\$ (106)</u>	<u>\$ 6,217,894</u>	<u>\$ 4,426,979</u>	<u>\$ 4,426,979</u>	<u>\$ 1,790,915</u>	<u>\$ -</u>

See Report of Independent Certified Public Accountants

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

As of June 30, 2018

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

	Program Area	Fund Department	Reversion Date*	Amount Appropriated	Amount Budgeted
Special Appropriation:					
Laws 2013, Chapter 227, Section 7, Item 019 - for implementation of integrated computer-aided dispatch and records and management system. Re-authorized: Laws 2015, Chapter 101, Section 7, item 025.	P504-LEP	12800/Z30719	June 30, 2018	\$ 2,850,000	\$ 2,850,000
Laws 2015, Chapter 101, Section 7, item 024 - for the planning phase to implement a records management system. Re-authorized per Laws 2018, 2nd Session, Chapter 73, Section 7, item 031.	P504-LEP	12800/Z50724	June 30, 2019	250,000	250,000
Laws 2016, Chapter 11, Section 5, Item 47 - for processing backlogged rape kits at the department. Re-authorized per Laws 2018, 2nd Session, Chapter 73, Section 5, item 100.	P786 - SLES	12800/ZA0547	June 30, 2019	1,200,000	1,200,000
Laws 2016, 2nd Session, Chapter 11, Section 7, Item 20 - for enhancing the consolidated offender query data base for criminal history clearinghouse. Re-authorized per Laws 2018, 2nd Session, Chapter 73, Section 7, item 030.	P786 - SLES	12800/ZA0720	June 30, 2019	150,000	150,000
Laws 2018, 2nd Session, Chapter 73, Section 98 - for the establishment of a flash roll to be used in criminal investigations by the New Mexico State Police.	P504-LEP	12800/ZC5598	June 30, 2019	100,000	100,000
Laws 2018, 2nd Session, Chapter 73, Section 5, Item 101 -to conduct investigations and aid in the prosecution of criminal cases in the New Mexico State Police.	P504-LEP	12800/ZC5601	June 30, 2019	728,400	728,400
Laws 2018, 2nd Session, Chapter 73, Section 37, Item 32 - to implement a commercial off-the-shelf records management system.	P504-LEP	12800/ZC7032	June 30, 2020	1,500,000	539,378
Total Special Appropriations				\$ 6,778,400	\$ 5,817,778

* 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**

Funds Received	Expenditures Prior Year	Expenditures Current Year	Total Expenditures	Funds Reverted	Appropriation Balance
\$ 2,850,000	\$ 1,490,710	\$ 1,344,218	\$ 2,834,928	\$ 15,072	\$ -
250,000	47,292	-	47,292	-	202,708
1,200,000	446,520	463,702	910,222	-	289,778
150,000	-	-	-	-	150,000
100,000	-	-	-	-	100,000
728,400	-	-	-	-	728,400
539,378	-	-	-	-	539,378
\$ 5,817,778	\$ 1,984,522	\$ 1,807,920	\$ 3,792,442	\$ 15,072	\$ 2,010,264

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, 2018

Name of Depository	Account Name	SHARE Fund No.
Governmental Fund Types:		
General Fund:		
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
Cash on Hand	Petty Cash and Change Funds	12800
Cash on Hand	Flash Roll	12800
Wells Fargo Bank	Motor Transportation Department	12800
Total General Fund Cash		
Special Revenue Funds:		
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	Sexual Assault Evidence Kit (SAEK) Fund	67950
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
Cash on Hand	Federal Forfeitures Fund - USDOJ	34300
Bank of America	Crime Stoppers Reward Fund	89400
Total Special Revenue Funds		
Capital Projects:		
New Mexico State Treasurer	STB Capital Outlay Fund	89200
Total Capital Projects Funds		
Total Governmental Fund Types		
Fiduciary Fund Types:		
Agency Funds		
New Mexico State Treasurer	DNA Fund	40200
Cash on Hand	Evidence Fund	10560
Total Agency Funds		
Total Cash		

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

Type of Account	Interest Bearing	Bank Balance at June 30, 2018	Reconciled Balance at June 30, 2018
State Treasury	No	\$ 8,629,584	\$ 8,629,584
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	-	250
Cash in Vault	N/A	-	100,000
Short Term Investments	Yes	5,332	5,332
		8,844,916	8,945,166
State Treasury	No	864,209	864,209
State Treasury	No	-	-
State Treasury	Yes	108,964	108,964
State Treasury	Yes	354,499	354,499
State Treasury	No	1,417,272	1,417,272
State Treasury	No	5,029	5,029
State Treasury	No	8,687	8,687
State Treasury	Yes	14,698	14,698
State Treasury	No	326,830	326,830
State Treasury	No	5,635	5,635
Cash in Vault	N/A	-	-
Checking	No	21,043	21,043
		3,126,866	3,126,866
State Treasury	No	91,194	91,194
		91,194	91,194
		12,062,976	12,163,226
State Treasury	No	203,753	203,753
Cash in Vault	N/A	-	192,338
		203,753	396,091
		\$ 12,266,729	\$ 12,559,317

See Report of Independent Certified Public Accountants

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

Type	Contractor	FY18 Amount
JPA	City of Las Cruces	\$ -
JPA	New Mexico State University	\$ 180,000
JPA	State Fair Commission	\$ 180,000
MOA	2017 Southern NM State Fair and Rodeo Board	\$ 13,000
MOU	University of New Mexico	\$ 13,200
MOU	US Department of the Interior/US Fish & Wildlife Service SW Region	\$ -
MOU	US Department of the Interior/US Fish & Wildlife Service SW Region	\$ -

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

Description of Services	Effective Date	End Date	Program
To perform and document thorough covert and overt investigation of violations of the NM State Statutes and US Codes relating to narcotics and drug related offenses	6/27/2017	no term	NMSP
Provide security/law enforcements services for 2017-2018 NMSU events	9/21/2017	no term	NMSP
Provide security/law enforcements services for 2017 State Fair Events	8/3/2017	2/28/2018	NMSP
Traffic control and related law enforcement services at the Southern NM State Fair	9/12/2017	11/1/2017	NMSP
Provide security at events located at UNM facilities	9/7/2017	no term	NMSP
Establish formal protocol among the NMSP and the FWS for investigations	6/20/2018	no term	NMSP
Provide Law Enforcement emergency services	5/21/2018	no term	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, 2018

Federal Agency Name/ Federal Program Title	Pass Through Agency	Federal CFDA Number
Direct Assistance Programs:		
U.S. Department of Agriculture Rural Business - Cooperative Service: Rural Business Enterprise Grants	None	10.769
Total U.S. Department of Agriculture Rural Business		
U.S. Department of the Interior Bureau of Land Management: Recreation Resource Management	None	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	None	16.575
Residential Substance Abuse Treatment of State Prisoners	None	16.593
Project Safe Neighborhoods	None	16.609
PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures of Sexual Assault Cultures of Sexual Assault in Correctional Facilities	None	16.735
Cultures of Sexual Assault in Correctional Facilities	None	16.735
Edward Byrne Memorial Justice Assistance Grant Program	None	16.738
Post conviction Testing of DNA Evidence to Exonerate the Innocent	None	16.820
National Sexual Assault Kit Initiative	None	16.833
Total U.S. Department of Justice Bureau of Justice Assistance		
U.S. Department of Justice Federal Bureau of Investigation: Law Enforcement Assistance - FBI Crime Laboratory Support	None	16.301
Total U.S. Department of Justice Federal Bureau of Investigation		
U.S. Department of Justice Office of Community Oriented Policing Services: Public Safety Partnership and Community Policing Grants	None	16.710
Total U.S. Department of Justice Office of Community Oriented Policing Services		
U.S. Department of Justice Office of Justice Programs Bureau of Justice Statistics: NM NCS_X Transition Planning Project - Special Data Collections and Statistical Studies	None	16.734
Total U.S. Department of Justice Office of Justice Programs Bureau of Justice Statistics		
U.S. Department of Justice National Institute of Justice: DNA Backlog Reduction Program	None	16.741
Paul Coverdell Forensic Sciences Improvement Grant Program	None	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	None	16.750
Total U.S. Dept. of Office of Sex Offenders Sentencing, Monitoring, Apprehending, Registering, and Tracking		

**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	\$ -	\$ 18,236	\$ -	\$ 18,236
	-	18,236	-	18,236
L13PX00458	-	1,000	-	1,000
	-	1,000	-	1,000
L13PX00458	-	-	102,238	102,238
2015-RT-BX-0018	29,540	35,430	-	35,430
2013-GP-BX-0013	-	(12,627)	-	(12,627)
2014-XT-BX-0028	-	13,192	-	13,192
2015-XT-BX-0012	73,558	73,558	-	73,558
2016-DJ-BX-0443	407,109	790,963	-	790,963
2014-DY-BX-K005	38,835	42,432	-	42,432
2016-AK-BX-K007	-	131,379	-	131,379
	549,042	1,074,327	102,238	1,176,565
NMRCFL	-	7,057	-	7,057
	-	7,057	-	7,057
2015-AM-WX-0004	-	94,106	-	94,106
	-	94,106	-	94,106
2017-MU-CX-K046	-	8,413	-	8,413
	-	8,413	-	8,413
2015-DN-BX-0117	334,607	499,042	-	499,042
2016-CD-BX-0053	27,318	40,375	-	40,375
	361,925	539,417	-	539,417
2016-AW-BX-0008	99,023	115,702	-	115,702
	99,023	115,702	-	115,702

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

For the Year Ended June 30, 2018

Federal Agency Name/ Federal Program Title	Pass Through Agency	Federal CFDA Number
U.S. Department of Justice Criminal Division:		
Joint Law Enforcement Operations	None	16.922
Total U.S. Department of Justice Criminal Division		
U.S. Department of Transportation:		
Federal Motor Carrier Safety Administration (FMCSA):		
2016 High Priority Grant	None	20.218
FFY16 New Entrant Program	None	20.218
FFY16 MCSAP Basic Award	None	20.218
FFY17 NMSP CVE Bureau Motor Carrier Safety Administration Program	None	20.218
FMCSA - Border Enforcement Grants	None	20.233
FMCSA - Commercial Vehicle Information Systems and Networks	None	20.237
FY 2017 High Priority Grant (HP_CMV)	None	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 National Highway Traffic Safety Administration (NHTSA)		
Total U.S. Department of Transportation (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	None	95.001
Total Executive Office of the President		
U.S. Department of Homeland Security:		
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:		
Total Federal Financial Assistance		

**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		Total
		From Direct Awards	From Pass Through Awards	
M-17-D51-O-000051	-	9,161	-	9,161
	-	9,161	-	9,161
FM-MHP-0256-16-01-00	-	21,101	-	21,101
FM-MNE-0258-16-01-00	-	31,128	-	31,128
FM-MCG-0313-16-01-00	-	506,673	-	506,673
FM-MCG-0345-17	-	2,175,940	-	2,175,940
FM-BEG-0085-16-01-00	-	89,613	-	89,613
FM-CVN-0131-16-01-00	-	199,042	-	199,042
FM-MHP-0304-17	-	71,180	-	71,180
	-	3,094,677	-	3,094,677
17-ST-02-071	-	-	193,849	193,849
16-HE-64-TE-090	-	-	622,851	622,851
17-ID-05D-071	-	-	837,335	837,335
	-	-	1,654,035	1,654,035
17-AL-64-071	-	-	389,563	389,563
	-	-	2,043,598	2,043,598
	-	3,094,677	2,043,598	5,138,275
DE-EM0004167	-	-	138,420	138,420
	-	-	138,420	138,420
GSA17-630-7101-0002	-	-	82,996	82,996
	-	-	82,996	82,996
G17SN0005A	-	703,021	-	703,021
	-	703,021	-	703,021
EMW2015SS00110S01OPS	-	-	27,502	27,502
7900033	-	-	331,653	331,653
16SGHIDLGO	-	-	243,859	243,859
	-	-	603,014	603,014
	\$ 1,009,990	\$ 5,665,117	\$ 2,970,265	\$ 8,635,382

See Report of Independent Certified Public Accountants

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

For the Year Ended June 30, 2018

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the New Mexico Department of Public Safety under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in net position of the Department.

Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Department did utilize the 10% *de minimus* indirect cost rate. The Department did not receive non-cash federal assistance.

Note B - Reconciliation of Federal Awards

Statement of Revenues, Expenditures and
Changes in Fund Balances:

Federal Revenue	\$ 8,191,437
Deferred in FY 2018	638,178
Deferred in FY 2017	(115,676)
Other Adjustments	<u>(78,557)</u>
Supplemental Schedule of Expenditures of Federal Awards	<u><u>\$ 8,635,382</u></u>

**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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, general fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of State of New Mexico Department of Public Safety, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise State of New Mexico Department of Public Safety's basic financial statements, and have issued our report thereon dated October 31, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether State of New Mexico Department of Public Safety's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-003.

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited State of New Mexico Department of Public Safety's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of State of New Mexico Department of Public Safety's major federal programs for the year ended June 30, 2018. State of New Mexico Department of Public Safety's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of State of New Mexico Department of Public Safety's major federal programs based on our audit 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 State of New Mexico Department of Public Safety'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 State of New Mexico Department of Public Safety's compliance.

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

Opinion on Each Major Federal Program

In our opinion, State of New Mexico Department of Public Safety 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

State of New Mexico Department of Public Safety's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. State of New Mexico Department of Public Safety's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of State of New Mexico Department of Public Safety 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 State of New Mexico Department of Public Safety'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 State of New Mexico Department of Public Safety'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 a 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.

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

State of New Mexico Department of Public Safety's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. State of New Mexico Department of Public Safety's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over 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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
October 31, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Year Ended June 30, 2018

I - SUMMARY OF AUDITORS' RESULTS

Financial

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None Reported
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)	Yes
Identification of major programs:	
20.218 Federal Motor Carrier Safety Administration	
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

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

Year Ended June 30, 2018

II - PRIOR YEAR FINDINGS		STATUS
2016-003	Information Technology General Controls (Significant Deficiency)	RESOLVED
2017-001	Cash Receipts Approval Processes (Significant Deficiency)	RESOLVED
2017-003	Procurement Violations (Other NonCompliance)	MODIFIED AND REPEATED AS FINDING 2018-002

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

Year Ended June 30, 2018

III - FINANCIAL STATEMENT FINDINGS

NONE

IV - FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC

- 2018-001 Use of State Issued Gas Credit Cards (Non Compliance)
- 2018-002 Procurement Process (Matter that does not rise to level of significant deficiency/Noncompliance with Manual of Model Accounting Practices (MAPS))
- 2018-003 Lack of Completion of Capital Asset Inventory (Noncompliance with NM State Audit Rule)

V - FEDERAL AWARD FINDINGS

- 2018-002 Procurement Process (Matter that does not rise to level of significant deficiency/Noncompliance)

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

Year Ended June 30, 2018

IV - FINDINGS IN ACCORDANCE WITH 2.2.2 NMAC

2018 – 001 Use of State Issued Gas Credit Cards (Noncompliance with NM State Audit Rule)

CONDITION

During our testwork over gas cards, which had approximately 130,000 transactions that amounted to approximately \$3.6 million, we identified the matters below. In all instances the Department, did not provide supporting documentation to substantiate the purchase, so the description for services is based on the detail from the gas card reports from Wright Express:

- Food - 5 transactions that amounted to \$75.84
- Oil - 2 transactions that amounted to \$51.95
- Other - 1,755 transactions that amounted to \$28,631.05
- Service - 4 transactions that amounted to \$66.78

CRITERIA

The New Mexico Administrative Code 1.5.3 NMSA 1978 and guidance issued by the NM General Services Department outlines authorized and unauthorized use of the gas cards.

EFFECT

Noncompliance with NMAC and guidance issued by NM General Services Department.

CAUSE

Lack of internal policy requiring employees to maintain receipts for the use of the cards and provided to the vehicle coordinator during the monthly reconciliation process.

RECOMMENDATION

We are aware the Department has already implement new processes surrounding the use of the gas cards whereby employees are required to obtain a receipt when they have to go into the store for the purchase, rather than getting the receipt at the gas pump. We recommend the Department follow through with this new process and ensure the fleet coordinator incorporates this in the monthly reconciliation and review process.

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

Year Ended June 30, 2018

**2018 – 001 Use of State Issued Gas Credit Cards (Noncompliance with NM State Audit Rule)
(Continued)**

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

Management concurs with the finding of collecting or reviewing receipts. There are occasions throughout the State that the WEX card can not be read at the pump for rural area vendors. This results in the employee obtaining a receipt with an incorrect description, due to the vendor coding set to food or other miscellaneous charges. Management will work on obtaining and reviewing transactions that are not coded to fuel charges.

The Fleet Business Operations Specialist and the Procurement Purchasing Agent-Operational will be responsible for reviewing WEX activity transactions monthly. The Procurement Purchasing Agent-Operational and Fleet Business Operations Specialist will identify any non-fuel charges and request supporting documentation from the employee to support the non-fuel coding. The Fleet Department will be transitioning to a new asset management system that will provide daily WEX activity transactions, that will assist in the monitoring of WEX charges. The new asset management system will be operational during the third quarter of fiscal year 2019.

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

Year Ended June 30, 2018

2018-002 (Previously 2017-003) Procurement Process (Matter that does not rise to the level of a significant deficiency/Noncompliance with Manual of Model Accounting Practices (MAPS))

CONDITION

During our testwork over the Department's adherence to the NM Procurement Code, we identified the following:

- The Department's Chief Procurement Officer (CPO) is not registered on the CPO list on GSD's State Purchasing website.
- The Department's CPO certificate expired on February 25, 2018. Approximately \$14.6 million of expenditures were incurred during this expired period.
- The Department, in conjunction with the NM Department of Finance and Administration, identified numerous procurement violations whereby purchases were made by the Department without have all administrative processes in place, as outlined by the Manual of Model Accounting Practices (MAPS).

Management's progress toward prior year corrective action plan:

The agency hired a new Chief Financial Officer and Deputy Finance Director in mid-September 2018. Originally, the Department's Chief Procurement Officer intended to retire in March 2018, so recertification was not obtained and there was an oversight when the retirement did not actually take place.

CRITERIA

- The New Mexico Administrative Code 1.4.1.94, requires registration on or before January 1, 2014 and every time thereafter that a CPO is hired.
- CPOs are required to renew their certification every two years.
- In 14 instances, which amounted to approximately \$410,000 , the Department had to obtain approval from the NM Department of Finance and Administration for "after the fact" purchases, because the Department did not have encumbrances or purchase orders, as required by MAPS FIN 4.1.

EFFECT

Noncompliance with the NM Procurement Code and MAPS

CAUSE

Lack of complete adherence to statute and MAPS.

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

Year Ended June 30, 2018

**2018-002 (Previously 2017-003) Procurement Process (Matter that does not rise to the level of a significant deficiency/Noncompliance with Manual of Model Accounting Practices (MAPS))
(Continued)**

RECOMMENDATION

We recommend the Department re-train employees on all aspects of the NM Procurement Code and the procurement process outlined in MAPS.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

Management concurs with the finding. The agency hired a new Chief Financial Officer and Deputy Finance Director in mid-September 2018. The Department's Chief Procurement Officer has retired on October 27, 2018. The Department will be utilizing the Deputy Finance Director as the Chief Procurement Officer until the position is filled. The Chief Financial Officer will serve as a backup Chief Procurement Officer. The posting to fill the position has been submitted to the State Personnel Office for open recruitment for individuals with a current Chief Procurement Officer certificate. Management anticipates the position to be filled no later than December 31, 2018.

The Chief Financial Officer will work in collaboration with the Deputy Finance Director, Chief Procurement Officer and Purchasing Contract Manager to ensure purchase orders are put in place prior to service delivery dates. However, the primary positions responsible for ensuring purchase orders are in place prior to service is the Chief Procurement Officer and Purchasing Contract Manager.

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

Year Ended June 30, 2018

2018-003 Lack of Completion of Capital Asset Inventory (Noncompliance with NM State Audit Rule)

CONDITION

The Department did not conduct an annual capital asset inventory.

CRITERIA

In accordance with the NM Audit Rule, 2.2.10 W(2): Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act.

EFFECT

Lack of adherence to the NM State Audit Rule.

CAUSE

Lack of adequate staffing to perform this inventory.

RECOMMENDATION

We recommend the Department work within its current staffing capacity to conduct annual inventory observations throughout the fiscal year.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

Management concurs with the finding. The Finance staff is working in collaboration with the agency staff on obtaining a listing of current inventory. As of October 16, 2018, the fixed asset list certification is being addressed with agency staff to obtain a certification by June 30, 2019. The Finance staff will be updating the Department's inventory software system by December 31, 2018.

The Chief Financial Officer, Deputy Finance Director, Chief Procurement Officer, Accounts Payable Manager and Accounting Auditing Manager will be working to ensure a capital asset inventory list is certified annually by June 30, 2019.

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

Year Ended June 30, 2018

SECTION V - FINDING AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

2018-002 Procurement Process (Matter that does not rise to the level of a significant deficiency/Noncompliance)

Federal Agency: US Department of Transportation

Federal Program Title: Federal Motor Carrier Safety Administration

CFDA Number: 20.218

Award Period: 10/1/2016-09/30/2018

Type of Finding: Other Matters

CONDITION

During procurement testing, we noted the Department encountered a procurement violation with the Department of Finance and Administration's Manual of Model Accounting Practices (MAPS) because the Department incurred expenses related to this federal contract without having a fully executed contract in place or purchase order, nor did the Department appropriately encumber funding for the services before expenses were incurred.

CRITERIA

Section 6-5-3 NMSA 1978 and DFA's MAPs FIN 4.4 requires encumbrances, purchase orders and contracts to be in place before expenses are incurred in relation to a contract.

QUESTIONED COSTS

None

EFFECT

Noncompliance with internal control requirements related to contracting in NM.

CAUSE

Lack of complete adherence to NM policies related to contract.

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

Year Ended June 30, 2018

2018-002 Procurement Process (Matter that does not rise to the level of a significant deficiency/Noncompliance) (Continued)

RECOMMENDATION

We recommend the Department re-train employees on all aspects of the NM Procurement Code and the procurement process outlined in MAPS.

VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN

Management concurs with the finding. Operation and Maintenance costs for the New Mexico Smart Roadside System is funded through our MCSAP Program. The process to obtain a contract for operation and maintenance services covering the period of October 1, 2017 through September 30, 2018 began in June of 2017. A procurement meeting was held on June 6, 2017 and a decision was determined to move forward with a sole source method. The MCSAP Grant Manager identified an error in communication of contract parties. This resulted in a corrected contract to be submitted with final approval through the DFA in December 2017.

The Chief Procurement Manager and Contracts Manager will be responsible for ensuring that effective procurement methods are obtained prior to service delivery dates. The MCSAP Program has met with the responsible procurement staff to provide ample time to move forward with the effective procurement for FY 2019. The Chief Procurement Manager, Contracts Manager and Deputy Finance Director are responsible to ensure procurements are met prior to service dates and is ongoing.

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

Year Ended June 30, 2018

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, 2018, at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF PUBLIC SAFETY:

Scott Weaver	Cabinet Secretary
Robert Eshom	Deputy Chief, NMSP
Bernadette Perez	Deputy ASD Director
Jessica Lucero	CFO/Finance Director
Melvin Lee	Chief Information Officer
Steve Riggs	Budget Director
Andrea Botwin	Deputy Finance Director
AmberRae Quintana	Finance Manager
Sheila McDonald	Grants Management Supervisor
Jessica Gibson	Grants Management Supervisor
Louise Riebe	Senior Accountant

CLIFTONLARSONALLEN, LLP:

Raul Anaya, CPA, CFE, CGFM, Principal
Laura Beltran-Schmitz, CPA, CFE, CGFM, CICA, Director