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**STATE OF NEW MEXICO**  
**NEW MEXICO**  
**CORRECTIONS DEPARTMENT**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT**  
**AUDITOR'S REPORT**

**JUNE 30, 2018**

## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT**

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**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT**

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NEW MEXICO CORRECTIONS DEPARTMENT**

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**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT**

**OFFICIAL ROSTER  
JUNE 30, 2018**

**Administrative Officials**

David Jablonski	Secretary of Corrections
Jerry Roark	Deputy Secretary of Operations
Paul Pacheco	Deputy Secretary
Phillipe Rodriguez	Acting Director of Administrative Services
German Franco	Director of Adult Prisons Division
James Brewster	General Counsel
Tim Oakeley	Director of Information Technology Division
Rose Bobchak	Director of Probation and Parole Division
Mike Nunley	Acting Director of Training Academy

**Corrections Industries Commission**

John Ian Serrano	Chair
Jay Armijo	Vice Chairman
Nick H. Brown	Member
Harold Foreman	Member
Paul Robert Alexander	Member

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT**

**List of Abbreviations  
JUNE 30, 2018**

APD	Adult Prisons Division
ASD	Administrative Services Division
CC	Community Corrections / Vendor Run [Program]
CID	Corrections Industries Division [Program]
COM	Community Offender Management [Program]
CNMCF	Central New Mexico Correctional Facility
CTA	Corrections Training Academy
DFA	Department of Finance and Administration
EDB	Education Bureau
GSD	General Services Department
HSB	Health Services Bureau
IMAC	Inmate Management and Control [Program]
ISP	Probation and Parole Intensive Supervision [Program]
ITD	Information Technology Division
NMCD	New Mexico Corrections Department
PNM	Penitentiary of New Mexico
PPD	Probation and Parole Division
PS	Program Support [Program]
RCC	Roswell Correctional Center
SCC	Springer Correctional Center
SHARE	Statewide Human Resources, Accounting, and Management Reporting System
SNMCF	Southern New Mexico Correctional Facility
WNMCF	Western New Mexico Correctional Facility

## **FINANCIAL SECTION**





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## **Independent Auditor's Report**

Mr. Wayne Johnson, New Mexico State Auditor  
and  
Mr. David Jablonski, Secretary,  
State of New Mexico Corrections Department

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for general fund of the State of New Mexico Corrections Department (the Department), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Emphasis of Matters**

As discussed in Note 2, the financial statements of the Department intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **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 business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for general fund of the Department as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue fund 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 4-13 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 Department's basic financial statements, The general fund schedule of revenues & expenditures budget and actual by fund, combining fund financial statements, schedule of revenues & expenditures by program budget and actual, schedule of special appropriations, schedule of revenues & expenses by enterprise, schedule of revenues and expenses budget and actual Correction Industries Division and agency fund schedule of changes

in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules 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, schedules listed as "other supplemental information" are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 24, 2018 on our consideration of the State of New Mexico Corrections Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of New Mexico Corrections Department's control over financial reporting and compliance.

***Ricci & Company LLC***  
Albuquerque, New Mexico  
October 24, 2018

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

The New Mexico Corrections Department's (Department's) Management Discussion and Analysis (MD&A) is designed to (a) focus the reader on the Department's significant financial issues, (b) provide an overview of the Department's financial activities, (c) identify changes in the Department's financial position, including its ability to address challenges in future years, (d) identify any material deviations from the approved budget, and (e) identify issues or concerns with its funds for the current year.

**HIGHLIGHTS AND ACCOMPLISHMENTS**

**Financial Highlights.** The Department's net position increased by \$3,530,792 for FY18: governmental net position increased by \$3,377,174 and the business-type net position increased \$153,618.

The Corrections Industries Division is classified as a business-type activity. For fiscal year (FY) 2018, the Corrections Industries Division had an increase in net position of \$153,618. Operating revenues increased by \$79,067 and operating expenses decreased by \$791,400 over the prior period. The Corrections Industries Division implemented several new programs in FY 17. These new programs account for the much of the increases in the operating revenues and expenses.

Total costs for all Department Programs were \$336,527,426. This consists of \$325,055,526 for the governmental activities and \$11,471,900 for the enterprise activities.

**Accomplishments.**

The Administrative Services Division (ASD) has been successful in providing training to office and field staff in areas such as travel, procurement, and budget.

The Training Academy hosted 7 academies that produced 113 graduates which added to the NMCD as correctional and probation officers. The Academy also hosted 5 Certification by Waiver classes producing 93 graduates.

The Information Technology Division awarded an RFP to Abilis Solutions Corp. to replace the current and unsupported offender management system. The requirements/gap analysis phase was complete for seventeen unique process areas. A sandbox environment was also created to allow business users the opportunity to become familiar with the system prior to implementation.

NMCD experienced steady inmate population without significant increases as previously projected.

Hepatitis C medication prices continue to fall, and with the introduction of new drugs on the market prices are likely to continue falling. The Department's medical provider Centurion started collaboration with Christus-St. Vincent's to obtain 340b pricing on HIV medications which should be in effect in FY19.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Accomplishments (Continued).**

The Department deployed three body scanners to help interdict the introduction of drugs and contraband into the prison facilities. The Department is completing the Request for Proposal to purchase additional scanners.

The Probation and Parole Division has trained a number of officers in the use of NARCAN to counteract the effects of an opioid overdose. The Division is working to expand the program to inform and train families of offenders on the use of NARCAN during an overdose. NARCAN Nasal Spray is the first and only FDA-approved nasal form of Naloxone for the emergency treatment of a known or suspected opioid overdose.

**USING THIS ANNUAL REPORT**

This annual report is presented under the Governmental Accounting Standards Board (GASB) pronouncement #34. The primary focus in State government is on both the Department (government-wide) and the major individual funds and the financial statements that comprise them. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Department is one of several agencies within the State of New Mexico Government, the Primary Government focus in this financial report is the Department and not the State of New Mexico as a whole.

The components of presentation include Management's Discussion and Analysis (MD&A), Government-wide financial statements and fund financial statements, and Required Supplementary Information (RSI). These items along with their subcomponents are addressed in the following sections contained within this report.

**Management's Discussion and Analysis**

The purpose of the MD&A is to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. It provides an analysis of the government's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it addresses analyses of significant changes that have occurred in funds and significant budget variances.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government and consist of a statement of net position and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Both statements distinguish between the governmental and business-type activities of the primary government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Government-Wide Financial Statements (Continued)**

The government-wide financial statements of the Department are divided into two categories:

- Governmental Activities – Most of the Department's basic services are included in the governmental activities. State appropriations and federal grants finance most of these activities. The funds included in Governmental Activities for the Department are the General Operating Fund (including Probation and Parole activities and the Building Fund), the Community Corrections Special Revenue Fund, and ARRA Fund.
- Business-type Activities – The Department's Corrections Industries Division charges customers a fee for goods and services. These activities are accounted for as a business-type activity.

**Fund Financial Statements**

Fund financial statements consist of a series of statements that focus on information about the major governmental and enterprise funds. Fund financial statements also report information about a government's fiduciary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Proprietary fund financial statements (enterprise funds) and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Emphasis on fund financial statements is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column. Due to the limited fund structure of the Department, all funds have been classified as Major Funds.

The Department has three types of funds:

- Governmental funds – Most of the Department's services are included in governmental funds which focus on (a) how cash and other financial assets, that can be readily converted to cash, flow in and out and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.
- Proprietary funds – Goods and Services for which the Department's Corrections Industries Division charges customers a fee are reported as proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term information.
- Fiduciary funds – Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. The fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department's programs. The Department's fiduciary fund is the Inmate Trust Account.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Notes to the Financial Statements**

The notes to the financial statements consist of notes that provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found starting on page 25.

**Infrastructure Assets**

GASB #34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Department does not own a material interest in any infrastructure assets and therefore is not required to report on this portion of GASB #34.

**Budgetary Comparisons**

GASB #34 requires budgetary comparison statements for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented as Required Supplementary Information (RSI). The budgetary comparison statements present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis.

These are also required by the Office of the State Auditor under 2.2.2 NMAC, the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

Corrections Industries Division is required by NMSA 1978 §33-8-6, section O, item #1, to present a detailed financial statement for each enterprise in each facility. This information has been included as a fund financial statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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

**Table A-1  
The Department's Net Position**

	Governmental Activities		Business-Type Activities		Total *		Total Percentage Change
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	2017-2018
Current and Other Assets	\$ 57,867,963	\$ 54,281,773	\$ 4,528,255	\$ 4,208,844	\$ 62,396,218	\$ 58,490,617	-6.26%
Capital and							
Non-Current Assets	25,842,433	25,028,998	825,894	888,201	26,668,327	25,917,199	-2.82%
<b>Total Assets</b>	83,710,396	79,310,771	5,354,149	5,097,045	89,064,545	84,407,816	-5.23%
Current Liabilities	43,158,452	35,381,653	1,462,870	1,052,148	44,621,322	36,433,801	-18.35%
<b>Total Liabilities</b>	43,158,452	35,381,653	1,462,870	1,052,148	44,621,322	36,433,801	-18.35%
Net Position							
Investment in Capital Assets	25,842,433	25,028,998	825,894	888,201	26,668,327	25,917,199	-2.82%
Restricted	17,012,494	18,183,512	3,065,385	3,156,696	20,077,879	21,340,208	6.29%
Unrestricted	(2,302,983)	716,608	-	-	(2,302,983)	716,608	-131.12%
<b>Total Net Position</b>	\$ 40,551,944	\$ 43,929,118	\$ 3,891,279	\$ 4,044,897	\$ 44,443,223	\$ 47,974,015	7.94%

\* Inter-fund balances have been eliminated in the total column

**Net Position:** Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2018. Net position for Governmental Activities and Business-type Activities were \$43,929,118 and \$4,044,897 respectively. Total Department net position for fiscal year 2018 is \$47,974,015. However, most of those assets are either restricted as to the purposes for which they can be utilized or are invested in capital assets (buildings, equipment, etc.) The unrestricted net position in Governmental Activities is \$716,608 at the end of the fiscal year.

In the Business-type activities, the restricted amount of \$3,156,696 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements.



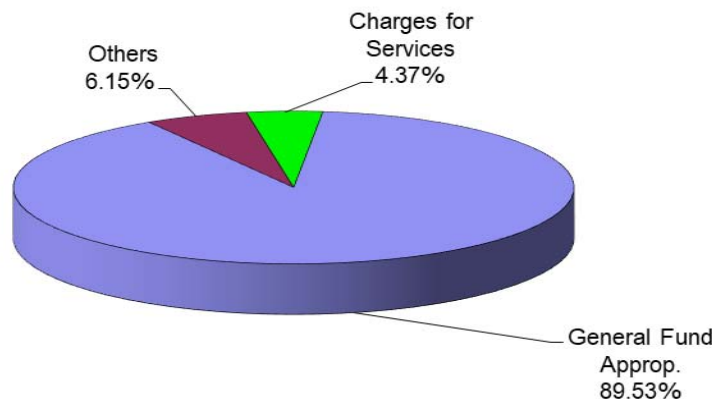
**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Table A-2  
Changes in the Department's Net Position**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2017-2018
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for Services	\$ 2,955,996	\$ 3,504,030	\$ 11,239,120	\$ 11,318,187	\$ 14,195,116	\$ 14,822,217	4.42%
Operating Grants & Contributions	1,341,286	\$ 1,071,826	-	-	1,341,286	1,071,826	-20.09%
<u>General Revenues</u>							
State General Fund							
Appropriations, net of reversion	295,676,900	304,476,500	-	-	295,676,900	304,476,500	2.98%
Others	14,362,823	19,380,344	141,055	307,331	14,503,878	19,687,675	
Transfers - Internal Activities	-	-	-	-	-	-	0.00%
<b>Total Revenues</b>	<b>314,337,005</b>	<b>328,432,700</b>	<b>11,380,175</b>	<b>11,625,518</b>	<b>325,717,180</b>	<b>340,058,218</b>	<b>4.40%</b>
<b>Expenses</b>							
Public Safety - Corrections	319,721,020	325,055,526	12,263,299	11,471,900	331,984,319	336,527,426	1.37%
Increase (Decrease) in Net Position	(5,384,015)	3,377,174	(883,124)	153,618	(6,267,139)	3,530,792	-156.34%
Beginning Net Position	45,935,959	40,551,944	4,774,403	3,891,279	50,710,362	44,443,223	-12.36%
Ending Net Position	\$ 40,551,944	\$ 43,929,118	\$ 3,891,279	\$ 4,044,897	\$ 44,443,223	\$ 47,974,015	7.94%

**Changes in Net Position:** The Department's change in net position for the governmental activities in fiscal year 2018 increased by \$3,377,174. (See Table A-2). A significant portion, 89.53%, of the Department's revenue comes from State General Fund Appropriations, 4.32% comes from charges for services, and 6.15% comes from other revenue sources. (See figure A-1).

**Figure A-1  
Sources of Revenues for Fiscal Year 2018**



**Functional Expenses for Fiscal Year 2018**

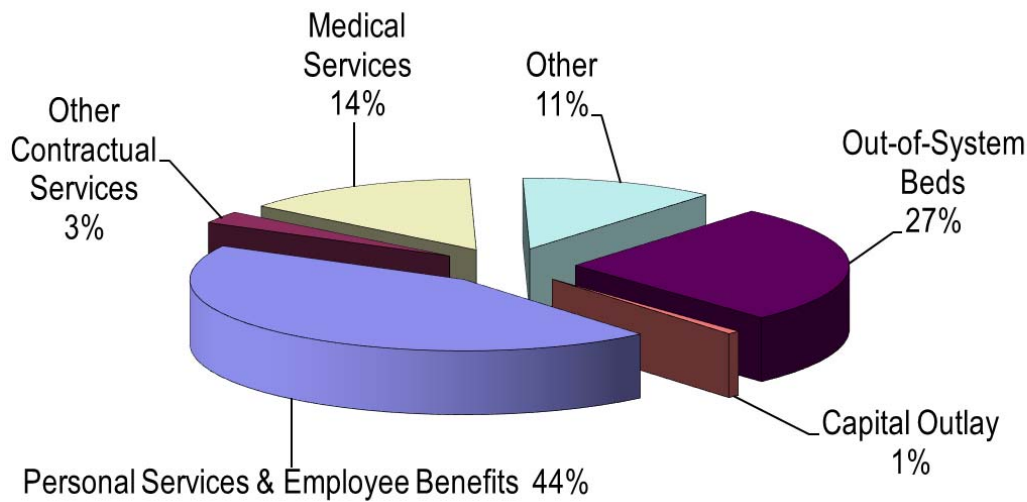
**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Business-Type Activities**

Program revenues of the Department’s business-type activity (Corrections Industries) increased from \$11,239,120 to \$11,318,187 and expenses decreased by approximately 6% percent from \$12,263,299 to \$11,471,900.

**Governmental Funds**

**Figure A-2**



The Department’s total expenditures for government-type funds during the fiscal year were \$325.1 million. Approximately half (44%) of the expenditures of the Department are in the area of personal services and employee benefits. Over half (56%) of the total budgeted positions are for Correctional Officers. The Department continues to be aggressive in recruiting correctional officers to fill vacant posts, in order to reduce overtime.

The second largest area of expenditure within the Department is in the category of “Other” costs (38.5%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 2018 approximately 27% was for the housing male and female inmates in contract prisons, and the remaining 11% was for the other operating costs.

Expenditures in the contractual services category accounted for 16.8% of the Department’s expenditures, with approximately 14.4% of these expenditures directly related to medical services for inmates and about 4.1% are related to other contractual services. Less than one percent of the total expenditures were for capital outlay with the majority of those costs being for machinery and equipment. The governmental activities increase in Public Safety – Corrections expense of \$5,334,506 was due to an increase in inmate costs, population and facility maintenance.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**Fund Balance**

The Department, in its governmental funds, reported a combined fund balance of approximately \$24.1 million, approximately \$4.6 million more than last year’s amount.

**General Fund Budgetary Highlights**

The New Mexico State Legislature makes annual appropriations to the Department. Adjustments to the appropriated budget require approval by the Budget Division of the Department of Finance and Administration with review by the Legislative Finance Committee.

Supplemental and special appropriations are not reflected in the actual beginning account balances.

Over the course of the year, the Department adjusts its budget as authorized in the Appropriation Act. These budget adjustments fall into three categories:

- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.
- Budget adjustment requests that adhere to required operating budget cuts in compliance with Legislative actions.

**Capital Assets and Debt Administration**

At the end of fiscal year 2018, the Department invested a total of \$25.0 million in governmental-type activities and \$0.8 million in business-type activities for a total amount of \$25.9 million in a variety of capital assets. This amount represents an overall net decrease (including additions and deletions) of \$0.8 million (3.0%) from the prior fiscal year. Accumulated depreciation increased by \$1.2 million (2.6%) over the prior period.

**Table A-3**  
Department’s Capital Assets  
Dollars in Millions

	Governmental Activities		Business-type Activities		Total		Total % Change 2017 - 2018
	FY2017	FY2018	FY2017	FY2018	FY2017	FY2018	
Buildings and Improvements	36.0	36.6	1.0	1.1	37.0	37.7	1.89%
Improvements other than Buildi	3.7	4.0	-	-	3.7	4.0	8.11%
Machinery and Equipment	24.7	24.3	2.6	2.2	27.3	26.5	-2.93%
Automotive	3.3	3.5	1.1	1.1	4.4	4.6	4.55%
Depreciation	(41.9)	(43.4)	(3.8)	(3.5)	(45.7)	(46.9)	2.63%
	25.8	25.0	0.9	0.9	26.7	25.9	-3.00%

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

Additional detailed information about the Department's capital assets is presented in Note 4 to the financial statements.

GASB Statement #34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets.

**Short-Term Debt**

The Department did not have any short-term debt other than compensated absences associated in fiscal year 2018. More detailed information regarding the Department's short-term debt is presented in Note 10 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The New Mexico Corrections Department (NMCD) fiscal year (FY) 19 operating budget was increased by 3.5 percent or \$11.6 million to \$339.3 million, from the FY18 operating budget. The increase is to support salary increases for all employees' statewide, targeted salary increases for correctional officers and probation and parole officers, funding radio communication services through the Department of Information Technology and health insurance increases. The Department has not been sufficiently funded in its base budget for many years. As a result, the Department requested and received a special appropriation of \$7.0 million in FY17, to support inmate population growth in our private prisons and overtime costs for custody staff in the public facilities. NMCD received an extension of this appropriation in the 2018 legislative session, and will expend the remaining balance of \$5.8 million in FY19 for the same basic purposes.

In FY18, the New Mexico prison population remained consistent with the FY17 count. Per the New Mexico Sentencing Commission, the Department's high population in FY18 was 7,402, which was a decrease in population of one from the FY17 high count of 7,403. The New Mexico Sentencing Commission estimates New Mexico's total inmate population will increase in FY19 to 7,476 and projects growth at an average rate of one- and one-half percent per year from FY19 to FY28. With the current rate of growth, the estimates show that New Mexico will have an inmate population of 8,567 by the end of FY28, which is a 13.6 percent increase over the current level.

For FY18, the Department had an actual general fund base increase of \$3.6 million, or 1.2%; which only covered a portion of agency, medical and inmate cost increases. With this increased expense, the Department continued to maintain strict budget measures and flat contracts and, in some cases, reduced contracts but was still able to ensure the budget was balanced. The Department would have ended FY17 and FY18 in a deficit, but the above-mentioned \$7.0 million special appropriation was sufficient to support agency costs as well as increases in medical and pharmaceutical costs.

The Department requested a total budget of \$332.4 million from all funding sources for FY19, which is a 1.4 percent increase from FY18 operating budget. The general fund request was \$303.9 million. The request included an increase for radio communication costs, replacement of depleted fund balances and funds to reduce vacancy rates. The Department received an operating budget of \$339.3 million, which includes \$6.8 million for "across-the-board" and targeted salary increases in hard to

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

fill custody positions. The Department again did not receive sufficient funding to support inmate growth and did not receive sufficient funding for the mandatory treatment of Hepatitis C and other medical costs. Advancements in prescription medication for the treatment of Hepatitis C prompted NMCD to begin treatment for infected inmates in FY16, and this effort has continued in FY18 as well as FY19. The current cost of treatment can run anywhere from \$18 thousand per inmate for the least complicated cases, but can exceed \$200 thousand per inmate for the most serious cases. Treatment has been possible by agency cost cutting measures in many areas and funding from special appropriations in the 2016 and 2017 legislative sessions.

An item of concern to the Department is the depletion of available fund balances. It is estimated that fund balance in Department accounts will be reduced by approximately \$14.0 million from the end of FY17 to the end of FY19. Fund balance is not only used to supplement the agency's operating budget in the Community Offender Management Program and Corrections Industries, but in most recent years has been appropriated by the legislature to cover items like the new offender management system and operating costs in the Inmate Management and Control Program. The agency estimates available balances of less than \$3.0 million by the end of FY19.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, legislators, and investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Corrections Department  
Administrative Services Division  
Attn: Paul Trujillo, FMB Bureau Chief/CFO  
4337 NM 14  
Post Office Box 27116  
Santa Fe, New Mexico 87502-0116

**BASIC FINANCIAL STATEMENTS -  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET POSITION  
June 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Petty cash	\$ 1,850	\$ 2,250	\$ 4,100
Investment, State Treasurer	50,426,635	1,210,971	51,637,606
Receivables, net	198,187	1,988,044	2,186,231
Federal grants receivable	1,652	-	1,652
Other receivables	22,569	-	22,569
Inventories	3,625,814	1,007,013	4,632,827
Prepaid expenses	5,066	566	5,632
<b>Total current assets</b>	<b>54,281,773</b>	<b>4,208,844</b>	<b>58,490,617</b>
Capital Assets			
Buildings	36,610,086	1,141,450	37,751,536
Improvements other than buildings	3,991,383	-	3,991,383
Machinery and equipment	24,377,683	2,206,601	26,584,284
Automotive	3,453,636	1,085,642	4,539,278
Less accumulated depreciation	(43,403,790)	(3,545,492)	(46,949,282)
	25,028,998	888,201	25,917,199
<b>Total assets</b>	<b>\$ 79,310,771</b>	<b>\$ 5,097,045</b>	<b>\$ 84,407,816</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,065,984	\$ 906,147	\$ 6,972,131
Vouchers payable	18,139,658	-	18,139,658
Payroll benefits payable	1,974,229	23,264	1,997,493
Payroll taxes payable	619,558	6,631	626,189
Accrued wages payable	2,738,786	26,887	2,765,673
Compensated absences payable:			
Expected to be paid within one year	5,164,882	79,219	5,244,101
Receipts held in suspense	3,884	-	3,884
Due to local government	643,140	-	643,140
Unearned revenue	15,929	10,000	25,929
Other liabilities	15,603	-	15,603
<b>Total Liabilities</b>	<b>35,381,653</b>	<b>1,052,148</b>	<b>36,433,801</b>
<b>NET POSITION</b>			
Investment in capital assets	25,028,998	888,201	25,917,199
Restricted for			
Subsequent years expenditures	18,183,512	3,156,696	21,340,208
Unrestricted	716,608	-	716,608
<b>Total net position</b>	<b>\$ 43,929,118</b>	<b>\$ 4,044,897</b>	<b>\$ 47,974,015</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NEW MEXICO CORRECTIONS DEPARTMENT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2018**

	Governmental Activities	Business-type Activities	Total
Expenses			
Public Safety - Corrections	\$ 325,055,526	\$ -	\$ 325,055,526
Corrections Industries	-	11,471,900	11,471,900
Program Revenues			
Charges for Services	3,504,030	11,318,187	14,822,217
Operating Grants & Contributions	1,071,826	-	1,071,826
	<u>4,575,856</u>	<u>11,318,187</u>	<u>15,894,043</u>
Changes in Net Position			
Net Program (Expenses)	(320,479,670)	(153,713)	(320,633,383)
General Revenues			
General Fund Appropriation	304,476,500	-	304,476,500
Inter-Agency Transfer-in	441,677	-	441,677
STB Proceeds	560,057	-	560,057
Reversions to the State General Fund	(23)	-	(23)
Other Revenue	15,927,468	47,132	15,974,600
Unrestricted investment earnings	2,451,165	260,199	2,711,364
Total General Revenue and Transfers	<u>323,856,844</u>	<u>307,331</u>	<u>324,164,175</u>
<b>Change in Net Position</b>	3,377,174	153,618	3,530,792
Net Position Beginning	<u>40,551,944</u>	<u>3,891,279</u>	<u>44,443,223</u>
Net Position Ending	<u>\$ 43,929,118</u>	<u>\$ 4,044,897</u>	<u>\$ 47,974,015</u>

The Notes to the Financial Statements are an integral part of this statement.



## **FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2018**

	General Fund	Other Governmental Funds	Total
<b>ASSETS</b>			
Investment, State Treasurer	\$ 46,897,030	\$ 3,529,605	\$ 50,426,635
Petty cash	1,850	-	1,850
Receivables, net of allowance for doubtful accounts	198,187	-	198,187
Federal grants receivable	1,652	-	1,652
Other receivables	22,569	-	22,569
Inventories	3,625,814	-	3,625,814
Prepaid expenses	5,066	-	5,066
<b>Total assets</b>	<b>\$ 50,752,168</b>	<b>\$ 3,529,605</b>	<b>\$ 54,281,773</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,058,678	\$ 7,306	\$ 6,065,984
Vouchers payable	17,455,688	683,970	18,139,658
Payroll benefits payable	1,962,810	11,419	1,974,229
Payroll taxes payable	614,858	4,700	619,558
Accrued wages payable	2,725,738	13,048	2,738,786
Unearned Revenues	15,929	-	15,929
Receipts Held in Suspense	3,884	-	3,884
Due to Local Government	643,140	-	643,140
Other Liabilities	15,603	-	15,603
<b>Total Liabilities</b>	<b>29,496,328</b>	<b>720,443</b>	<b>30,216,771</b>
<b>FUND BALANCES</b>			
Reserved for:			
Nonspendable	3,632,730	-	3,632,730
Restricted	15,374,350	2,809,162	18,183,512
Unassigned	2,248,760	-	2,248,760
<b>Total Fund Balance</b>	<b>21,255,840</b>	<b>2,809,162</b>	<b>24,065,002</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 50,752,168</b>	<b>\$ 3,529,605</b>	<b>\$ 54,281,773</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2018**

Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet)	\$ 24,065,002
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Amounts reported for government activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Buildings	\$ 36,610,086	
Improvements other than buildings	3,991,383	
Machinery and Equipment	24,377,683	
Automotive	3,453,636	
Accumulated depreciation	<u>(43,403,790)</u>	
<b>Total capital assets</b>		25,028,998

Some liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences Payable	<u>(5,164,882)</u>
Net Position of Government Activities (Total Net Position of Government Activities)	<u><u>\$ 43,929,118</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES -GOVERNMENTAL FUNDS  
Year Ended June 30, 2018**

	General Fund	Other Governmental Funds	Total
Revenue			
Charges for Services	\$ 2,537,247	\$ 43,443	\$ 2,580,690
Intergovernmental	777,020	-	777,020
Institutional Sales	923,340	-	923,340
Investment Earning	2,451,165	-	2,451,165
Miscellaneous	15,927,468	-	15,927,468
Federal Grants and Contributions	294,806	-	294,806
<b>Total Revenue</b>	<b>22,911,046</b>	<b>43,443</b>	<b>22,954,489</b>
Expenditures, Current			
Personal Services & Employee Benefits	138,693,324	784,745	139,478,069
Contractual Services	52,978,899	7,199,181	60,178,080
Other	121,699,357	182,775	121,882,132
Expenditures, Capital Outlay	2,332,861	-	2,332,861
<b>Total Expenditures</b>	<b>315,704,441</b>	<b>8,166,701</b>	<b>323,871,142</b>
Excess (deficiency) Revenues over Expenditures	(292,793,395)	(8,123,258)	(300,916,653)
Other Financing Sources (Uses)			
State General Fund Appropriations	296,352,400	8,124,100	304,476,500
Inter-Agency Transfer-in	441,677	-	441,677
STB proceeds	-	560,057	560,057
Reversions to State General Fund	(23)	-	(23)
Net Other Financing Sources(Uses)	296,794,054	8,684,157	305,478,211
<b>Net Changes in Fund Balance</b>	<b>4,000,659</b>	<b>560,899</b>	<b>4,561,558</b>
Fund Balance, Beginning of Year	17,255,181	2,248,263	19,503,444
Fund Balance, End of Year	\$ 21,255,840	\$ 2,809,162	\$ 24,065,002

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018**

Net change in fund balances - Total Government Funds  
(Statement of Revenue, Expenditures and Changes in Fund Balance) \$ 4,561,558

Amounts reported for government activities in the State of Activities are different because:

In the Statement of Activities, certain operating expenses-compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental funds, however, expenditure for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The decrease (increase) in the liability for the year is:

Compensated Absences	\$	(370,949)
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Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated lives and Reported as depreciation expense. In the current period, these amounts are:

Capital Outlay		2,332,861
Depreciation Expense		(3,046,334)
Excess of depreciation expense over capital outlay		(713,473)

The Statement of Activities reports the loss on the sale of Capital Assets, while the Statement of Revenue, Expenditures and Changes and changes in fund Balance  
The Statement of Activities reports the loss on the sale of Capital Assets, while the reports the proceeds. The reconciling is the difference:

(99,962)

<b>Change in net position of governmental activities (statement of activities)</b>	<b>\$</b>	<b><u>3,377,174</u></b>
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The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES BUDGET AND ACTUAL -  
GENERAL FUND  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Other State Funds	\$ 16,347,400	\$ 21,630,140	\$ 6,698,772	\$ (14,931,368)
Federal Funds	-	179,505	294,806	115,301
<b>Total Revenue</b>	<b>16,347,400</b>	<b>21,809,645</b>	<b>6,993,578</b>	<b>(14,816,067)</b>
Expenditures, Current				
Personal Services & Employee Benefits	137,636,800	141,896,446	138,693,323	3,203,123
Contractual Services	53,674,800	54,723,411	52,978,899	1,744,512
Other	117,840,500	128,164,653	121,710,478	6,454,175
Expenditures, Capital Outlay	-	2,602,400	2,321,741	280,659
<b>Total Expenditures</b>	<b>309,152,100</b>	<b>327,386,910</b>	<b>315,704,440</b>	<b>11,682,470</b>
Excess (deficiency) Revenues over Expenditures	(292,804,700)	(305,577,265)	(308,710,863)	(3,133,598)
Other Financing Sources (Uses)				
State General Fund Appropriations	289,156,700	294,639,100	296,352,400	1,713,300
Inter-Agency Transfer-in	2,335,300	4,161,070	16,330,903	12,169,833
Budgeted Fund Balance	1,312,700	6,777,095	-	(6,777,095)
Operating Transfers-Out	-	-	-	-
Miscellaneous	-	-	28,242	28,242
Reversions to State General Fund	-	-	(23)	(23)
Net Other Financing Sources (Uses)	<b>292,804,700</b>	<b>305,577,265</b>	<b>312,711,522</b>	<b>7,134,257</b>
<b>Net Changes in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>4,000,660</b>	<b>4,000,660</b>
Fund Balance, Beginning of Year			<u>17,255,180</u>	
Fund Balance, End of Year			<u>\$ 21,255,840</u>	

The Notes to the Financial Statements are an integral part of this statement.

**PROPRIETARY FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET POSITION PROPRIETARY FUND  
June 30, 2018**

**ASSETS**

Investment, State Treasurer	\$	1,210,971
Petty Cash		2,250
Receivables, net of allowance for doubtful accounts		1,988,044
Inventories		1,007,013
Prepaid Items		566
<b>Total current assets</b>		<u>4,208,844</u>
Capital Assets		
Machinery and Equipment		2,206,601
Buildings and Improvements		1,141,450
Automotive		1,085,642
Less Accumulated Depreciation		<u>(3,545,492)</u>
<b>Total noncurrent assets</b>		<u>888,201</u>
<b>Total assets</b>	\$	<u><u>5,097,045</u></u>

**LIABILITIES**

Vouchers and accounts payable	\$	906,147
Payroll benefits payable		23,264
Payroll taxes payable		6,631
Accrued wages payable		26,887
Compensated absences payable		79,219
Unearned Revenue		10,000
<b>Total Liabilities</b>		<u>1,052,148</u>

**NET POSITION**

Net investment in Capital Assets		888,201
Restricted Net Position		<u>3,156,696</u>
		<u>4,044,897</u>

<b>Total Liabilities and Fund Balance</b>	\$	<u><u>5,097,045</u></u>
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The Notes to the Financial Statements are an integral part of this statement.



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
Year Ended June 30, 2018**

**OPERATING REVENUES**

Sales	\$ 11,318,187
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**OPERATING EXPENSES**

Costs of Goods Sold:

Cost of Materials Used	8,237,294
Direct Labor (Inmate Payroll)	253,660
Manufacturing and Administrative Overhead	2,476,424
Change in Work in Process and Finished Goods Inventory, Net	118,645
Depreciation Expense	160,677

<b>Total Operating Expenses</b>	<u>11,246,700</u>
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<b>OPERATING INCOME (LOSS)</b>	71,487
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**NONOPERATING REVENUE (EXPENSE)**

Interest on Deposits with State Treasurer	8,479
Inkind Revenue	38,653
Miscellaneous Income	260,199
Transfer Out	<u>(225,200)</u>

<b>Total Nonoperating revenue (expense)</b>	82,131
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<b>CHANGE IN NET POSITION</b>	153,618
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<b>Total Net Postion, beginning of year</b>	<u>3,891,279</u>
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<b>Total Net Position, end of year</b>	<u><u>\$ 4,044,897</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF CASH FLOWS PROPRIETARY FUND  
June 30, 2018**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 11,131,625
Cash Payments to Suppliers for Goods and Services	(9,656,866)
Cash Payments to Employees and Inmates	(1,506,803)
Cash Payments to Inmates for Services	<u>(253,660)</u>
<b>Net Cash Used by for Operating Activities</b>	<b>(285,704)</b>
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(185,529)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(185,529)</b>
Cash Flows from Investing Activities	
Interest income	8,479
Miscellaneous Income	<u>260,199</u>
<b>Net Cash Used by Investing Activities</b>	<b><u>268,678</u></b>
Cash Flows from Financing Activities	
Transfer Out	<u>(225,000)</u>
<b>Net Cash Used by Financing Activities</b>	<b>(225,000)</b>
Net Increase (decrease) in Agency Interest in SGFIP	(427,555)
Investments, State Treasurer at Beginning of Year	<u>1,638,526</u>
<b>Investments, State Treasurer at End of Year</b>	<b><u>\$ 1,210,971</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided by (Used by) Operating Activities:</b>	
<b>Operating Income (Loss)</b>	71,487
Adjustments to Reconciliation Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	160,677
Changes in Assets and Liabilities:	
Accounts Receivable	(186,562)
Inventories	78,418
Accounts Payable	(354,418)
Compensated Absences Payable	(7,510)
Accrued Wages Payable	(3,788)
Payroll Taxes Payable	(5,015)
Other Liabilities	<u>(38,993)</u>
<b>Total Adjustments and Changes</b>	<b><u>(357,191)</u></b>
Net Cash Provided (Used) by Operating Activities	<b><u>\$ (285,704)</u></b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 June 30, 2018**

	<u>Inmate Trust Account</u>
<b>ASSETS</b>	
Cash	\$ 2,462,209
Due from Others	<u>596,828</u>
<b>Total assets</b>	<u><u>\$ 3,059,037</u></u>
<b>LIABILITIES</b>	
	<b>\$</b>
Due to Others	881,326
Deposits Held for Others	<u>2,177,711</u>
<b>Total Liabilities</b>	<u><u>\$ 3,059,037</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**NOTES TO FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. HISTORY, OATH AND ORGANIZATION**

The New Mexico Corrections Department (the Department), a cabinet level department, was created by an act of the legislature of New Mexico in 1978. §9-3-2 NMSA 1978, states that "The purpose of the Corrections Department Act... is to create a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the corrections and criminal rehabilitation department and to ensure a comprehensive criminal justice system in New Mexico".

The Oath of the Department is "We commit to the safety and well-being of the people of New Mexico by doing the right thing, always". To perform this oath, the following departmental organization has been established in part by Chapters 9 and 33, NMSA 1978:

*Office of the Secretary*

The Secretary is empowered to organize the Department and its divisions and may transfer or merge functions between divisions in the interest of efficiency and economy. The Administrative Services Division provides overall support.

*Adult Prisons Division*

The Director of the Adult Prisons Division reports to the Deputy Secretary of Operations. The Adult Prisons Division is the largest division within the New Mexico Corrections Department, incarcerating approximately 7,200 inmates in six state-owned and operated prisons and five privately operated facilities. Ten of the eleven facilities house male inmates. Female offenders are housed in two facilities. The Adult Prisons Division oversees the Health Services Bureau, which includes medical and mental health. The Classification Bureau, Records Bureau, Security Threat Intelligence Unit and Emergency Preparedness are also part of the division.

*Administrative Services Division*

The Director of the Administrative Services Division is responsible to the Deputy Secretary of Administration and in its commitment to the safety and well-being of the people of New Mexico, by doing the right thing always, provides agency divisions and programs with direction, support, guidance and oversight over all fiscal, and property management activities. Bureaus within the Division ensure an internal control structure exist to enable compliance with statutory, regulatory and departmental administrative requirements while identifying opportunities to more efficiently and effectively operate the department. Administrative services are offered through Budget, Financial Management, Internal Audit and Compliance, and Property Management. Staff in each Bureau is in the forefront of efforts to promote accountability and transparency in state government by providing quality service. They serve as the central point of contact with external agencies.

*Information Technology Division*

The Chief Information Officer of the Information Technology Division is responsible to the Deputy Secretary of Administration for providing the highest quality technology-based tools and services to create and maintain strong information technology systems to support agency staff and promote agency efficiency and accountability. ITD is divided into five sections -

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)**

Infrastructure, Applications, Project Management, Business Analysis and Database. This structure supports the alignment of Information Technology with the goals of the business.

*Office of the General Counsel*

The General Counsel of the Office of the General Counsel is responsible to the Secretary of the Department and is responsible for managing all legal affairs for the New Mexico Corrections Department. There are five attorneys and a general counsel in the division. There are also paralegals who work with the attorneys at large and handle administrative duties as well.

The Division also manages litigation, conducts training, reviews policies, contracts and legislation and serves as a liaison to external legal organizations. Representation involves advising institutions and probation/parole officers in various areas of the law, and defending the Department in pro se inmate civil law cases and employment matters.

The office includes the EEO Officer investigates matters involving employment discrimination, sexual harassment/discrimination and various types of other work-related complaints, and provides training on employment discrimination and other related topics.

The office of Professional Standards (OPS) conducts administrative investigations throughout the state and review allegations of staff misconduct. The office is part of the office of the Secretary.

*Office of Recidivism Reduction*

The Director is responsible to the Deputy Secretary of Operations to reduce the potential for reincarceration by providing prisoners in state custody, and former prisoners on probation or parole, with the comprehensive programming and support services necessary to prepare for, and maintain, successful community reentry and reintegration.

*Probation and Parole Division*

The Director of the Probation and Parole Division is responsible to the Deputy Secretary of Operations "to provide for public safety through a balance of supervision, enforcement and the provision of program services to increase the probability of offenders becoming law-abiding citizens." To accomplish this mission Probation/Parole's mindset requires a dual perspective: the responsibility to enforce the conditions of probation and parole and to provide services to assist the offender's rehabilitation and reentry into the community.

*Training Academy Division*

The Director of the Training Academy Division reports to the Deputy Secretary of Administration to prepare effective correctional officers, probation and parole officers and staff and develop strong, effective leaders through continual review, revision and adaptation of existing curriculum and the development of new training that addresses current issues and needs.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)**

*Corrections Industries Division*

The Director of the Corrections Industries Division is responsible to the Deputy Secretary of Administration to enhance the rehabilitation, education and vocational skills of inmates through productive involvement in enterprises and public works of benefit to state agencies and local public bodies and to minimize inmate idleness. CID is administered without appropriated funds and is self-supporting. The Division is financed through a revolving fund, from which all operating expenses are paid. As the manufacturing and services arm of the Corrections Department, the Division employs approximately 20 staff and supervisory personnel to manage an average of 150 inmates in 18 programs at five different facilities around the state.

*Corrections Industries Commission*

The Corrections Industries Commission is responsible for advising the Secretary of the Department and establishing policy within the Corrections Industries Division. The Commission consists of seven members appointed by the Governor. Terms are generally for four years with one or two members being replaced each year.

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

The financial statements for the New Mexico Corrections Department (the Department) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

**A. FINANCIAL REPORTING ENTITY**

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. FINANCIAL REPORTING ENTITY (CONTINUED)**

The Department is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Even though the Governor appoints the Secretary, that person has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In accordance with the criteria set forth in GASB Statement 61 for determining component units, the Department does not have component units.

**B. BASIC FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The reporting model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type activities. In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column using the economic resources measurement focus and the accrual basis of accounting and incorporates long-term assets and receivables as well as long-term debt and obligations. Additionally, internal activity has been eliminated at this level of presentation.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Department includes only one function (public safety and corrections).

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). The Department does not currently employ indirect cost allocation systems.

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.

The governmental fund statements are presented on the current financial resources measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental 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 on the governmental-wide presentation.



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIC FINANCIAL STATEMENTS (CONTINUED)**

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

**C. BASIS OF PRESENTATION**

The financial transactions of the Department are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements.

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

The Department uses the following fund types:

**Governmental Fund Types**

The focus of Governmental Fund measurement (in the Fund Financial Statements) is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the Department.

*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. The General Fund sources are comprised of SHARE System Fund 90700 — General Operating Fund, SHARE System Fund 91500 — Probation & Parole Fund, and SHARE System Fund 93100—Capital outlay.

SHARE System Fund 93100 (Capital outlay) was created by the House Bill 2, Laws of 2018, Ch 73, Sect 5, Item 93, General Fund Appropriation of eight hundred and eighty thousand dollars (\$880,000) For the purchase of body scanners in public prison facilities.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF PRESENTATION (CONTINUED)**

General Fund revenues are both earned and appropriated. Sources of non-reverting revenue included in the General Fund are from:

Permanent Fund Income and Land Income (§19-1-17) to which the Department is a beneficiary. Probation and Parole Fees (§31-20-6 NMSA 1978 and §31-21-13.1 NMSA 1978).

*Special Revenue Fund:*

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund is the Community Corrections Grant Fund, SHARE System fund number 90200 is reported as a non-major fund.

**Statutory Creation:** §33-9-3 NMSA 1978 "There is created in the state treasury a special fund to be known as the "community corrections grant fund."

**Use of Funds:** §33-9-3 NMSA 1978 "The fund shall be for the purpose of providing programs and services for the diversion of criminal offenders to community-based settings."

**Reverting Status:** §33-9-3 NMSA 1978 "All money appropriated to the fund or accruing to it as a result of gift, deposit, investments or other sources shall not be transferred to another fund or encumbered or disbursed in any manner except as provided in the Adult Community Corrections Act."

*Capital Projects Fund*

The Capital Projects Fund is used to account for the proceeds of specific revenue sources for major capital projects that are legally restricted to expenditures for specified purposes – specifically the fund currently accounts for the implementation and acquisition of an offender management system for the department. The Capital Projects Fund has SHARE System fund number 89200,

**Statutory Creation and Use of Funds:**

Project Description (Appropriation language): SECTION 3. SEVERANCE TAX BONDS – APPROPRIATIONS OF PROCEEDS. B. to the corrections department, two million four hundred thousand dollars (\$2,400,000) to purchase and implement a commercial off-the-shelf offender management system.

Chapter 5, Laws 2017, Section 3, Paragraph

Project Description (Appropriation language): SECTION 7. CORRECTIONS DEPARTMENT PROJECT—SEVERANCE TAX BONDS – Pursuant to the provisions of Section 1 of this act, upon certification by the corrections department that the need exists for the issuance of the bonds, thirty –five thousand dollars (\$35,000) is appropriated to the corrections department to

**STATE OF NEW MEXICO  
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JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF PRESENTATION (CONTINUED)**

plan, design and implement phase 1 of an offender management system for the corrections department in Santa Fe in Santa Fe county.

Chapter 3, Laws 2015, Section 7, Paragraph

**Proprietary Fund Types**

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

**Enterprise Fund**

Enterprise funds are required to account for operations for which a fee is charged to external users for goods and services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs. The Corrections Industries Revolving Fund (SHARE System fund 07700) represents the Department's only business-type activity and is included as a major fund.

**Statutory Creation:** § 33-8-7 NMSA 1978 "There is created in the state treasury a fund which shall be administered by the department secretary as directed by the commission and which shall be known as the "corrections industries revolving fund."

**Revenues:** § 33-8-7 NMSA 1978 "All income, receipts and earnings from the operation of enterprises shall be credited to the fund." "All interest earned on money in the fund shall be credited to the fund."

**Use of Fund:** § 33-8-7 NMSA 1978 "Money deposited in the fund shall be used only to meet necessary expenses incurred in the maintenance, operation and expansion of existing enterprises and in the establishment, maintenance, operation and expansion of new enterprises."

**Reverting Status:** § 33-8-7 NMSA 1978 "No part of the fund shall revert at the end of any fiscal year."

**Fiduciary Fund Types**

Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIS OF PRESENTATION (CONTINUED)**

**Agency Fund**

Agency funds are used to account for assets held by the Department in the capacity of trustee or agent. The agency fund (SHARE System fund 55700) is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. BASIS OF ACCOUNTING**

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

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund 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.

**Accrual**

The enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Department considers funds available if received within "60 days" after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, 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 advances by the provider and deferred revenue by the recipient.

**Operating Revenues**

For the purposes of the enterprise funds, operating revenues, include sales income from business operations. All other revenue is considered non-operating.

**STATE OF NEW MEXICO  
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JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. BUDGETS AND BUDGETARY ACCOUNTING**

The New Mexico 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 accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed the legal level of budgetary control, which is at the program code level. "Per Section 9 of the General Appropriation Act of 2012, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services and other. Therefore, the legal level of budgetary control would be the appropriation program level (A-Code, P-Code, R-code, and Z-Code). The A-Code pertains to capital outlay appropriations (general obligation/severance tax or state general fund). The P-Code pertains to operating funds. The R-Code pertains to American Recovery & Reinvestment Act (ARRA) funds. The Z-Code pertains to special appropriations." The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year. As per the General Appropriation Act, Laws of 2012, Chapter 19, Section 3, Item M, "for the purpose of administering the General Appropriation Act of 2010 and approving operating budgets, 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 accrued by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely or accrued by the statutory deadline must be paid out of the next year's budget."

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

The budgetary basis differs from the basis of accounting required by Generally Accepted Accounting Principles (GAAP). Significant differences between the budgetary basis and GAAP include the following:

1. The budget includes encumbrances (obligations for unperformed contracts for goods or services). GAAP does not include encumbrances, for multi-year appropriations only.
2. The budget statements are presented on modified accrual basis.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

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

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1, the appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. Not 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 Budget Division of DFA reviews and approves the operating budget, which becomes effective on July 1.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General, Special Revenue, Capital Projects and Enterprise Funds.

**F. ENCUMBRANCES**

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end. In cases where the appropriations do not lapse at year-end, the encumbrances outstanding are re-encumbered for the same amount outstanding at year-end and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**G. ASSETS, LIABILITIES AND FUND BALANCE**

*1. Deposits and Investments*

At year end, the carrying amount of the Department's deposits was \$2,462,209 and the bank balance was \$2,399,264. The difference represents outstanding checks, deposits, and other reconciling items. In addition, there was \$4,100 of petty cash.

The Department has defined Investments as Interest in the State General Fund Investment Pool (ISGFIP) with the New Mexico State Treasurer's Office (STO). State law requires the Department's cash investments to be managed by the STO. The investments will include cash on deposit with the State Treasurer's Office, cash on hand, investment pools, and demand deposits.

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 NEW MEXICO CORRECTIONS DEPARTMENT  
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 JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)**

Other types of investments that the STO may make with state funds are statutorily defined: U.S. Government and Agency obligations, commercial paper, corporate bonds, money market mutual funds, certificates of deposit, overnight repurchase agreements, and asset-backed obligations. For purposes of cash flows, Corrections Industries considers all highly liquid investments, which are on deposit with the State Treasurer in interest bearing accounts to be cash or cash equivalents. GASB 40 disclosure related to the above items held within the New Mexico State Treasurer's Office, the reader should refer to separate audited financial statements prepared by the STO which will disclose the categories of risk involved.

The fair value of the investments maintained at the New Mexico State Treasurer's Office is as follows at June 30, 2018.

	Fair Value
<b>New Mexico State Treasurer's Office:</b>	
General Fund Investment Pool	<u>\$ 51,458,477</u>

**Interest Rate Risk:** The Department does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The New Mexico State Treasurer's Office does have an investment policy that limits investments maturities to five years and 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's Office pool is not rated.

*2. Receivables, net:*

Accounts receivable are recorded in the General and Enterprise funds. Where appropriate, an associated allowance for doubtful accounts has been established. Enterprise fund receivables originate from the operations of Corrections Industries related to the sales of goods and services. General Fund receivables include amounts receivable from other state agencies and local governments relating to various joint powers agreements (JPA) for inmate work crews and billings for reimbursement of costs associated with housing county inmates in Department operated facilities.

The Department complies with Article IV, Section 32 of the New Mexico Constitution as it pertains to the remission or forgiveness of debts due to the state or to municipalities. The Department continues to track and communicate with vendors that are listed within its' outstanding accounts receivable listing to recover outstanding balances still owed to the Department. The allowance amounts for the General and Enterprise funds at June 30, 2018 are \$103,897 and \$254,048, respectively. In fiscal year 2018, the amount of allowance for financial statement purposes is listed below.

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 NEW MEXICO CORRECTIONS DEPARTMENT  
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 JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)**

Accounts Receivable consists of the following:

	General Fund	Enterprise Fund	Total
Accounts receivable	\$ 302,084	2,242,092	2,544,176
Less: Allowance for doubtful accounts	<u>(103,897)</u>	<u>(254,048)</u>	<u>(357,945)</u>
Net accounts receivable	<u>\$ 198,187</u>	<u>1,988,044</u>	<u>2,186,231</u>

*3. Federal Grants Receivable:*

Various reimbursement procedures are used for federal awards received by the Department. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent amounts expended during the fiscal year that are related to a federal grant, however the reimbursement for the expenditure was not received prior to the end of the fiscal year.

*4. Due to / Due from Other State Agencies*

These amounts represent receivables and payables arising from transactions between the Department and other State agencies. Balances in these accounts relate to (1) joint powers agreements (JPA) between the Department and various other State agencies to provide inmate work crews, (2) goods and services provided to the Department by other State agencies, and (3) other items required to be accrued from other agencies per GAAP. There are no Interagency Receivables, or Payables as of June 30, 2018.

*5. Inventories*

Supplies inventory are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories held by the General fund, in the amount of \$3,625,814 consist of generic supplies and materials in the various department operated correctional facilities. Inventories are valued using the average cost method. A portion of the amount reported in non-spendable fund balance represents inventories and indicates that supplies inventories are not available expendable resources for Department programs.

Enterprise fund inventories consist primarily of furniture, textiles, and other items held for resale. Inventories are valued at estimated cost, using the first-in, first-out method, which does not exceed net realizable value.

Components of the Corrections Industries (enterprise fund) inventories are as follows:

Raw Materials	\$ 404,005
Work in Progress	68,467
Finished Goods	<u>534,541</u>
<b>Total inventory</b>	<u>\$ 1,007,013</u>



**STATE OF NEW MEXICO  
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 JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)**

*6. Prepaid Expenses*

These amounts represent prepayment of postage and fuel, which has benefit to the Department beyond the fiscal year. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used. A portion of the amount reported in non-spendable fund balance represents prepaid items.

*7. Capital Assets*

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Pursuant to §12-6-10 NMSA 1978, (effective June 17, 2005), the State's capitalization policy threshold was changed from \$1,000 to \$5,000 requiring agencies to capitalize only acquisitions greater than \$5,000. Assets purchased prior to the new capitalization threshold were not removed from the agency's listing but will remain on the inventory list and will continue to be depreciated until the asset is fully depreciated.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department utilizes IRS Publication 946 to estimate the useful lives on capital assets as follows:

Building and Improvements	40 years	Software	3 to 7 years
Improvements other than Buildings	20 years	Furniture and Fixtures	10 years
Machinery and Equipment & Other Personal Property	12 years	Automotive	5 years

The Department does not own any infrastructure assets. Construction period interest, if any, is capitalized in the proprietary fund. There was no construction period interest capitalized in 2018. The Department has one internally generated intangible asset (software), which is capitalized.

*8. Compensated Absences*

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee's hire date. A maximum of thirty working days (240 hours) of accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is not expected to be liquidated with expendable available financial resources and is reported in the long-term liabilities.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)**

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave that an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid for 50% of accrued sick leave in excess of 600 up to 720 hours, but not to exceed 120 hours (net 60 hours can be paid). In the case of retiring employees, up to 200 net hours in excess of 600-hour minimum limit, can be paid. All sick leave balances from 600 to 720 hours have been recorded at 50% of the employee's current hourly rate in the long-term liabilities.

Compensatory time may be granted by to individuals when overtime is needed. Employees not exempt from the FLSA may accrue up to 240 hours of compensatory leave. Employees exempt from the FLSA may accrue up to 160 hours of compensatory leave.

The non-current portion (the amount estimated to be used in subsequent fiscal years) for Governmental Funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Annual leave and sick leave (in excess of 600 hours up to 720 hours) is accrued in the enterprise fund and reported as a fund liability.

*9. Due To State General Fund (Reversions)*

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the total actual revenue amount to the total expended amount at fiscal year-end less any amounts that are determined to be non-spendable, restricted or assigned. There were no amounts due at June 30, 2018.

**Reverting Funds.** These are all funds that are not identified by law as non-reverting. Such funds are in excess of budgeted expenditures and budgeted and actual revenues. Examples of such reverting funds currently generated by the Department are miscellaneous revenues, sales and services revenues, and payments for care. Revenues for JPA, are reimbursements for actual costs, and as such, are a receivable due to the Department. Any amounts collected for these revenues over estimated budget are revertible funds, since they would be replacing reverting general fund that was temporarily used to support such activities. Reversions for JPA revenues are dependent on two criteria: 1) Period of receipt (current year versus prior year) and 2) Period of accrual (revenue recognition).

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2018**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)**

**Non-Reverting Funds.** All funds, which are either appropriated to or earned by the Department and by law or statute, are not required to be reverted to the state treasury upon completion of a fiscal period or project. The Department currently classifies the following revenues and sources as non-reverting.

- i. Enterprise Funds/Other State Funds — Corrections Industries Revolving Fund (Fund 07700). All revenues generated from sales and services and from other types revenues, which are specifically earned by and applied to the Corrections Industries Division, are this specific organization. Budget is established in Corrections Industries, and funds are considered non-revertible funds, except for any appropriated General Fund or grant funds awarded.
- ii. Building Fund (Fund 89800). Revenues, which support the Building Fund, are non-revertible. The source of the revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. Additionally, any unexpended balance of this fund is classified as cash balance. These revenues support expenditures for the payment of maintenance and repairs at the Central Office and Training Academy Complex [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]. There was no legally established budget for this fund in FY 2018 and thus it is not presented in these financial statements.
- iii. Community Corrections Grant Fund (Fund 90200). General Appropriations made to this fund do not revert to the State General Fund. Additionally, any unexpended appropriations to this fund are classified as Cash Balance, which is made up from either designated or undesignated cash balance or from non-expended budgeted cash balance. Revenue and expenditure budget is established in Community Corrections Vendor run program code P534. [Section 33-9-3 NMSA 1978]
- iv. Permanent Fund Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]
- v. Land Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from Land Income, both Regular and Charitable. The State Land Office distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531, [Section 33-1-18, 33-1-19 sand 33-2-2 NMSA 1978]

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NEW MEXICO CORRECTIONS DEPARTMENT  
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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)**

**Non-Reverting Funds. (continued)**

- vi. Probation and Parole Fees (Fund 90200 and 91500). All Probation and Parole fees collected by the Department are non-revertible funds. Accordingly, all budgeted Cash Balance revenues from these fees that are not used to support current year operations are also not revertible to the State General Fund. Revenue and expenditure budgets are established in both Community Corrections, program code P534 and in Community Offender Management, program code P534. [Section 31-20-6 and 31-21-13.1 NMSA 1978]
- vii. Grant Funds (All Funds). Grant funds from any governmental source, such as Federal or State, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. In some cases, any over drawn grant funds may be reverted to the State General Fund or be reverted to the granting agency. Currently, all grants in operation by the Department, except for the State Criminal Alien Assistance Program (SCAAP) award, are in the form of a reimbursement basis, whereby reimbursement for grant costs is requested from the granting agency after the grant related expenditure has occurred. [Section 6-5-10 NMSA 1978]. When the funds pertaining to the SCAAP award are received, the funds are deferred until budgeted by the Department.

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund.

There were no amounts due to the State General fund as a result of reverting funds in FY 2018.

*10. Deferred Inflows/Outflows*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflows of resources (expenses/expenditures) until then. The department did not have any items that qualified for reporting in this category as of June 30, 2018.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2018.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)**

*11. Fund Balances*

The definition of each classification is summarized below:

*Non-Spendable Fund Balance*- The portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This includes items that are not expected to be converted to cash, for example, petty cash, inventories and prepaid amounts.

*Restricted Fund Balance*- The portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either: (a) externally imposed by creditors (such as through debt covenants) grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance*- This is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The Legislature and the Governor are the highest level of decision-making authority for the Department.

*Assigned Fund Balance*- This is the portion of fund balance that are constrained by the government's intent to be used for specific purposes, but that are neither restricted nor committed. The body or official authorized to assign amounts to a specific purpose is the highest level of decision-making authority for the Department. The Legislature and the Governor are the highest level of decision-making authority for the Department.

*Unassigned Fund Balance*- This is the portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. REVENUES, EXPENDITURES AND EXPENSES**

Substantially all governmental fund revenues are accrued.

Expenditures are recognized when the related fund liability is incurred except for the following permitted by generally accepted accounting principles:

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

It is the practice of the Department to use available unrestricted resources first unless otherwise specifically directed to use restricted resources.

**I. NET POSITION**

The government-wide and business types Fund Financial Statements utilize a net position presentation. Net Positions are categorized as investment in capital assets, restricted and unrestricted.

*Investment in Capital Assets* — is intended to reflect the portion of net positions 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.

*Restricted Net Position* — are assets (generated from revenues and not bond proceeds), which have third-party constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation limiting their use.

The Department follows GASB 46 "Net Assets Restricted by Enabling Legislation". The government-wide statement of net position reports \$47,974,015 of which \$21,402,515 is restricted by enabling legislation.

*Unrestricted Net Position* — represent all other unrestricted liquid assets that do not meet the definition of "restricted net position" or "invested in capital assets".

**J. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. PROGRAM REVENUES (CONTINUED)**

Revenues that (1) originate from the program or from parties other than the government's taxpayers or citizens as a whole and (2) reduce the expenses of the function that has to be financed by general revenues. Revenues of this type can originate from a governmental source, but the proceeds are a charge for services or products produced by a government agency, where that agency is considered a vendor within the market place. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

The Department classifies the following types of revenues as program revenues: (1) All revenue received by Corrections Industries for the sale of goods or services, (2) Permanent Fund Income and Land Income of which the Department is a beneficiary, and (3) other charges for services such as Concession Merchandise, Institutional Sales, Payment for Care, Individuals, etc.

**NOTE 3: CASH**

**A. Pledged Collateral**

Custodial Credit Risk — Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Departments deposits may not be returned.

In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance. FDIC insures the deposits of governmental accounts on a per Official Custodian basis as follows: the aggregate balance in demand deposits accounts are insured up to \$250,000 per Official Custodian and the aggregate balances in time and savings accounts are insured up to \$250,000 per Official Custodian.

On June 30, 2018, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total amount on Deposit	\$ 2,399,264
Less: Amount covered by FDIC	<u>(250,000)</u>
Total uninsured funds	2,149,264
<b>Amount requiring collateral (50%)</b>	<b><u>\$ 1,074,632</u></b>

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**NOTE 3: CASH (CONTINUED)**

**Pledged Collateral (CONTINUED)**

Detail of pledged collateral specific to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

The New Mexico State Treasurer's Office is responsible to ensure that all accounts have collateral at the required level for amounts in excess of FDIC coverage. The New Mexico State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department.

**B. Schedule of Investment Accounts including cash held at the State Treasurer's Office**

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type</u>	<u>Fund No. of Account</u>		<u>Interest Bearing</u>	<u>Book Balance at 6/30/18</u>	<u>Bank Balance at 6/30/18</u>
General Fund:							
NM State Treasurer	General Operating	General	90700	State Treasury	No	\$ 42,557,544	42,386,566
NM State Treasurer	Probation and Parole	General	91500	State Treasury	No	3,459,486	3,479,999
NM State Treasurer	Probation and Parole	General	93100	State Treasury	No	880,000	880,000
N/A Various	General		N/A	Petty Cash	No	<u>1,850</u>	-
<b>Total General Fund</b>						<b>\$ 46,898,880</b>	<b>46,746,565</b>
Special Revenue Funds:							
NM State Treasurer	General Operating	General	90200	State Treasury	No	<u>\$ 3,500,941</u>	<u>3,500,941</u>
Capital Project Funds:							
NM State Treasurer	General Operating	General	89200	State Treasury	No	<u>\$ 28,664</u>	-
Enterprise Funds:							
NM State Treasurer	Correction Industries	Enterprise	07700	State Treasury	Yes	\$ 1,210,971	1,210,971
N/A	Various	Enterprise	N/A	Petty Cash	No	2,250	-
<b>Total Enterprise Fund</b>						<b>\$ 1,213,221</b>	<b>1,210,971</b>
<b>Total</b>						<b><u>51,641,706</u></b>	<b><u>51,458,477</u></b>

**Cash Reconciliation**

<b>Bank Balance</b>	<b>51,458,477</b>
Outstanding Checks	(20,513)
Deposit in Transit	199,642
Petty Cash	<u>4,100</u>
<b>Book Balance</b>	<b><u>51,641,706</u></b>



STATE OF NEW MEXICO  
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NOTE 3: CASH (CONTINUED)

C. Schedule of Deposit Accounts held at Wells Fargo Bank

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type of Account</u>	<u>Fund No.</u>	<u>Interest Bearing</u>	<u>Book Balance at 6/30/18</u>	<u>Bank Balance at 6/30/18</u>
Wells Fargo Bank	Analyzed Business Checking -PF	Agency	55700	No	\$2,462,209	2,399,264

As of June 30, 2018, there is an unreconciled balance difference of \$62,945. See Finding 2018-001

NOTE 4. CAPITAL ASSETS

The changes in capital assets for the year are as follows:

	Balance, June 30, 2017	Additions	Deletions	Transfers	Balance, June 30, 2018
<b>Governmental-Type Activities:</b>					
Buildings and improvements	\$ 35,982,437	724,500	96,851	-	36,610,086
Improvements other than Buildings	3,714,246	288,737	11,600	-	3,991,383
Machinery and equipment	24,700,355	1,069,919	1,392,591	-	24,377,683
Automotive	3,330,298	249,705	126,367	-	3,453,636
Total Capital Assets at Historical Cost	67,727,336	2,332,861	1,627,409	-	68,432,788
Less: Accumulated Depreciation					
Buildings and improvements	19,280,098	1,285,687	68,652	-	20,497,133
Improvements other than Buildings	1,662,290	163,891	8,674	-	1,817,507
Machinery and equipment	18,424,833	1,364,003	1,342,139	-	18,446,697
Automotive	2,517,682	232,753	107,982	-	2,642,453
Total Accumulated Depreciation	41,884,903	3,046,334	1,527,447	-	43,403,790
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 25,842,433</b>	<b>(714,473)</b>	<b>(99,962)</b>	<b>-</b>	<b>25,028,998</b>
<b>Business-Type Activities:</b>					
Buildings and improvements	\$ 1,003,511	158,612	20,673	-	1,141,450
Machinery and equipment	2,585,119	-	417,171	38,653	2,206,601
Automotive	1,065,464	26,917	6,739	-	1,085,642
Total Capital Assets at Historical Cost	4,654,094	185,529	444,583	38,653	4,433,693
Less: Accumulated Depreciation					
Buildings and improvements	2,048,193	63,516	417,171	-	1,694,538
Machinery and equipment	927,407	5,124	19,474	-	913,057
Automotive	852,600	92,036	6,739	-	937,897
Total Accumulated Depreciation	3,828,200	160,676	443,384	-	3,545,492
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 825,894</b>	<b>24,853</b>	<b>(1,199)</b>	<b>38,653</b>	<b>888,201</b>

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**NOTE 4. CAPITAL ASSETS(CONTINUED)**

Depreciation expense for the current year is \$3,047,334 and \$160,677 for the governmental and enterprise funds, respectively. On the Statement of Activities, these amounts are included in the Public Safety-Corrections and Corrections Industries categories, accordingly.

**NOTE 5. RETIREMENT PLANS (STATE PERA & ERB)**

The New Mexico Corrections Department, as part of the primary government of the State of New Mexico, is a contributing employer to two cost-sharing multiple employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Educational Retirement Board (ERB). Overall, total pension liability exceeds Plan net position resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and 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.

The Corrections Department contributions to the retirement plans for the years ended June 30, 2018, 2017, and 2016 were \$18,550,929, \$18,140,450, and \$15,273,192, respectively.

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.

**NOTE 6. RETIREE HEALTH CARE**

***RHCA Plan Description***

The Corrections Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 the 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)

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**NOTE 6. RETIREE HEALTH CARE (CONTINUED)**

former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

*Funding Policy*

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (correctional officers), during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.5% of each participating employee's salary, and each participating employee was required to contribute 1.25% of their salary. For employees who are not members of an enhanced retirement plan during the fiscal year ended June 30, 2018, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee is required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Corrections Department contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$1,780,256, \$1,985,895, and \$1,686,696, respectively, which equal the required contributions for each year.

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**NOTE 6. RETIREE HEALTH CARE (CONTINUED)**

Postemployment Benefit – State Retiree Health Care Plan

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 Corrections 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 (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.

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.

**NOTE 7. FUNDS HELD IN TRUST BY OTHERS**

The Department, through the Penitentiary of New Mexico (PNM), is an income beneficiary of a portion of the State Permanent Fund derived from trust lands assigned to PNM by the Fergusson Act of 1898 and the New Mexico Enabling Act of 1910. These Acts together transferred surface acres and mineral acres of Federal Land to the Territory of New Mexico. The grants stipulate that such lands are to be held in trust for the benefit of specifically identified state institutions.

The Department is also an income beneficiary of a portion of the State Charitable, Penal and Reformatory Institutions Permanent Fund derived from trust lands assigned to PNM by the Fergusson Act of 1898 and the New Mexico Enabling Act of 1910. Responsibility for the investment of the State Permanent Fund resides with the State Investment Officer. Because the Department does not control the funds, they are not reflected in the accompanying financial statements. Income from the trust is required to be used for the care and custody of adult offenders and is recognized in the general fund as a component of other state fund revenues.

At June 30, 2018 the value of the State Permanent Fund investments held for the benefit of the Department was \$323,112,336 at market. Related investment income for the year then ended was \$12,842,777. The value of the State Charitable, Penal and Reformatory Institutions Fund investments held for the benefit of the Department was 1/7th of the fair market value, which was \$132,515,326 at June 30, 2018. Related investment income from the trust for the year then ended was \$756,449.

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**NOTE 7. FUNDS HELD IN TRUST BY OTHERS (CONTINUED)**

Inmates at various institutions are required to work for the institutions or provide direct labor in the Corrections Industries work programs. These inmates are compensated at nominal rates, and their earnings are paid to the credit of the inmate trust accounts reported in the Agency Fund. During fiscal year ended June 30, 2018 the Enterprise Fund incurred \$253,660 in inmate wages expense

**NOTE 8. OPERATING LEASES**

LESSEE:

The Department is obligated for office space lease agreements for Probation and Parole Division field offices, copier and mailing equipment leases Department wide, and GSD Motor Transportation Pool vehicle leases Department wide. All are being accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, all lease agreements include a cancellation clause and are contingent upon legislative appropriation.

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

2019	\$ 2,889,622
2020	2,343,223
2021	1,980,760
2022	1,827,461
2023	<u>670,692</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 9,711,758</u></b>

During the year ended June 30, 2018, general fund and enterprise fund operating lease expenditures for facilities, vehicles, and equipment totaled \$4,981,075 and \$33,824 respectively.

LESSOR:

The corrections Industries Division is a lessor of the Corral space outside the perimeter of the correctional facility in Los Lunas (CNMCF), the farmland at Springer Correctional Center (SCC) in Springer and the warehouse property the Penitentiary of New Mexico Facility (PNM) Santa Fe, New Mexico.

The following schedule identifies the amount of expected rent revenue for the general fund:

2019	\$ 30,156
2020	-
2021	-
2022	-
2023	<u>-</u>
<b>Total Minimum Lease Revenue</b>	<b><u>\$ 30,156</u></b>

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**NOTE 9. CHANGES IN SHORT-TERM LIABILITIES**

The changes in short-term liabilities for governmental activities are as follows:

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual Leave	\$ 3,862,908	3,475,104	(3,531,576)	3,806,436
Compensatory leave	859,839	2,825,691	(2,419,587)	1,265,943
Sick Leave	71,186	2,889,536	(2,868,219)	92,503
	<u>\$ 4,793,933</u>	<u>9,190,331</u>	<u>(8,819,382)</u>	<u>5,164,882</u>
Total short-term liabilities	<u>\$ 4,793,933</u>	<u>9,190,331</u>	<u>(8,819,382)</u>	<u>5,164,882</u>

The changes in short-term liabilities for business-type activities are as follows:

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual Leave	\$ 80,851	40,760	(50,444)	71,167
Compensatory leave	5,878	14,485	(12,311)	8,052
Sick Leave	-	26,705	(26,705)	-
	<u>\$ 86,729</u>	<u>81,950</u>	<u>(89,460)</u>	<u>79,219</u>
Total short-term liabilities	<u>\$ 86,729</u>	<u>81,950</u>	<u>(89,460)</u>	<u>79,219</u>

\*The estimated amount expected to be paid for Compensated Absences related to government-type activities within one year is \$5,164,882 which is listed on the Statement of Net Position. The General Operating Funds typically have been used to liquidate short-term liabilities like capital leases and compensated absences. The General Operating Funds used are SHARE funds 90200, 90700, and 91500. The estimated balance of \$79,219 for the business-type activities is expected to be paid for within one year.

**NOTE 10. CONTINGENT LIABILITIES (CLAIMS & JUDGMENTS)**

The Department as a State Agency defined in the New Mexico Tort Claims Act, is insured through the State of New Mexico General Services Department, Risk Management Division. The Office of Risk Management Division pays annual premiums 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; and
3. Fringe benefit coverage for State of New Mexico employees.

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 JUNE 30, 2018**

**NOTE 10. CONTINGENT LIABILITIES (CLAIMS & JUDGMENTS) (CONTINUED)**

In the case of civil actions or claims against the Department for financial damages, the Department's certificate of insurance with Risk Management does not cover claims for back wages but does cover civil rights claims for other compensatory damages.

The civil actions or claims against the Department for money damages are referred to the Risk Management Division (RMD) for payment of any judgment or settlement and for some of these claims the Department and RMD could share the liability for any monetary judgment or settlement. The potential risk of loss to the Department in these pending legal cases is estimated to be \$1,530,000 to \$3,285,000 and is deemed to be "slight to moderate" by the Department's counsel and management and the potential loss would not materially adversely affect the financial statements.

**NOTE 11. OTHER FINANCING SOURCES AND OPERATING TRANSFERS**

Transfer In-Out:

During the fiscal year, the Department received and transferred funds between agencies. The following is a breakdown of these transactions by fund:

	SHARE Agency Fund	Transfer In	Transfer Out
<i>State General Fund Appropriations</i>			
SHARE System Fund 90200	34101-85300	\$ 8,124,100	-
SHARE System Fund 90700	34101-85300	275,098,200	-
SHARE System Fund 91500	34101-85300	20,374,200	-
SHARE System Fund 93100	34101-85300	888,000	-
<b>Total State General Fund Appropriations</b>		<u>\$ 304,484,500</u>	<u>-</u>
<i>Inter-Agency Transfer</i>			
SHARE System Fund 90700	35000-35703	\$ 200,000	
SHARE System Fund 90700	95000-10990	16,477	-
<b>Total Inter-Agency Transfer</b>		<u>\$ 216,477</u>	<u>-</u>
<i>Intra-Agency Transfer</i>			
SHARE System Fund 90700	07700-55106	\$ 225,200	-
SHARE System Fund 07700	90700-49906	-	225,200
<b>Total Intra-Agency Transfer</b>		<u>\$ 225,200</u>	<u>225,200</u>
<i>State General Fund Reversions</i>			
SHARE System Fund 90700	34101-85300	-	\$ 23
<b>Total State General Fund Reversions</b>		<u>-</u>	<u>\$ 23</u>

**STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**NOTE 12. FUND BALANCE**

Government Fund Balances — Restricted, Committed and Assigned

The Department's fund balances represent: (1) Restricted Fund Balance, 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 government or imposed by law through constitutional provisions or enabling legislation; (2) Committed Fund Balance, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; (3) Non-Spendable Fund Balance, which includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact; (4) Assigned Fund Balance, which includes a portion of the fund balance that represents the remaining amount that is not restricted or committed and are intended to be used by the government for specific purposes, (5) Unassigned Fund Balance, which includes a portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classification could be used.

The following is a summary of the Restricted Fund Balance amounts by fund type at June 30, 2018:

General Funds	
General Operating Fund (90700)	\$ 12,829,973
Probation and Parole Fund (91500)	1,664,377
Capital Outlay Fund (93100)	880,000
Community Corrections Special Revenue Fund (90200)	<u>2,809,162</u>
<b>Total</b>	<b><u>\$ 18,183,512</u></b>

The Community Corrections Special Revenue Fund statutorily does not revert to the State General Fund

The Department has a portion of fund balance in the amount of \$3,632,730 that is Non-spendable. The Non-spendable amount includes petty cash, prepaid expenses, and inventories.



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13. JPA DISCLOSURE**

The Department was a party to the following Joint Power Agreements during fiscal year 2018:

**NM Tort Claims Act** - JPA #13-001J Between NMCD and General Services Department, Risk Management Division (GSD/RMD) to provide legal representation of NMCD employees pursuant to the NM Tort Claims Act (Pro Se Cases). Yearly allotment made to NMCD Office of General Counsel.

- Responsible Party for Operations: GSD
- Time Period: July 1, 2016 to June 30, 2020
- Total Estimated Amount of Project - \$200,000
- Portion Applicable to NMCD: Income
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: GSD

**Inmate Work Crews for City of Grants** - JPA #09-006J between NMCD and the City of Grants to provide inmate work crews for maintenance, beautification and enhancement at various locations in the City of Grants, NM.

- Responsible Party for Operations: City of Grants
- Time Period: December 5, 2008 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: City of Grants

**Inmate Labor** – JPA #14-521-0400-0143 between NMCD and the NM Energy, Minerals and Natural Resources Department (EMNRD) To provide inmate forestry work camp that will provide training and labor for fire suppression.

- Responsible Party for Operations: EMNRD
- Time Period: June 19, 2014 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: EMNRD

**Inmate Labor** – JPA #02-521-05-012 between NMCD and the NM Energy, Minerals and Natural Resources Department (EMNRD) To provide inmate labor to maintain NM State Parks.

- Responsible Party for Operations: EMNRD
- Time Period: July 20, 2001 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: EMNRD
- Revenue: \$0

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13. JPA DISCLOSURE (CONTINUED)**

**Inmate Labor** – JPA #02-04J between NMCD and the Santa Fe Solid Waste Management Agency (SFSWMA) To provide inmate labor to perform minor maintenance, beautification and litter control of the Caja Del Rio Landfill property and other properties as directed by the agency.

- Responsible Party for Operations: SFSWMA
- Time Period: September 1, 2001 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: SFSWMA
- Revenue: \$0

**Inmate Labor** – JPA #99-7J between NMCD and the City of Las Cruces To provide inmate labor to perform minor maintenance, beautification and litter control of public areas and other properties as directed by the agency.

- Responsible Party for Operations: City of Las Cruces
- Time Period: July 28, 1998 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: City of Las Cruces
- Revenue: \$174,809.88

**Inmate Labor** - JPA #10-001J between NMCD and the City of Santa Fe to provide inmate labor.

- Responsible Party for Operations: City of Santa Fe
- Time Period: July 21, 2009- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: City of Santa Fe
- Revenue: \$0

**Mental Health Services** - JPA#1-7/96 between NMCD and the NM Department of Health to provide mental health services.

- Responsible Party for Operations: NMCD
- Time Period: September 21, 2000- Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: NMCD

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 13. JPA DISCLOSURE (CONTINUED)**

**Use of Old Main** - JPA between NMCD and the Department of Military Affairs for operation and use of PNM Old Main.

- Responsible Party for Operations: NMCD
- Time Period: December 20, 2010- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: NMCD

**Filming at Old Main** - JPA between NMCD and the Facilities Management Division of the General Services Department and the Film Division of the NM Economic Development Department in order to make use of the old Penitentiary of New Mexico (Old Main) by the motion picture industry for economic development.

- Responsible Party for Operations: NMCD
- Time Period: July 22, 2013- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2018: -0-
- Audit Responsibility: NMCD

**NOTE 14. SHARE CASH BALANCE**

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 Organization (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 Fourth year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration.

**NOTE 15. SUBSEQUENT EVENTS**

The New Mexico Corrections Department (NMCD) has evaluated subsequent events through October 24, 2018 which is the date the financial statements have been issued and has determined no events require disclosure or adjustment to the financial statements.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 16. RECENT GASB PRONOUNCEMENTS**

In August 2018, the GASB issued Statement No. 90, Majority Interests in an amendment of GASB Statements No. 14 and No. 6. The requirements of this statement are effective for periods beginning after December 15, 2018. Earlier application is encouraged. This statement is not applicable to the NMCD.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. This statement is not applicable to the New Mexico Corrections Department (NMCD).

In March 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. This Statement applies to notes to financial statements of all periods presented. This statement is not applicable to the NMCD.

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. NMCD will implement in a subsequent period.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. NMCD does not have any debt.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the NMCD.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. NMCD will not early implement.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. NMCD does not have any capital assets that have asset retirement obligations and will not early implement.

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. This statement is not applicable to the NMCD.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This statement is not applicable to the NMCD.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL BY FUND-GENERAL OPERATING FUND  
- SHARE SYSTEM FUND 90700  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 268,216,700	\$ 273,384,900	\$ 275,978,200	\$ 2,593,300
Other State Funds	13,847,400	16,155,140	4,310,572	(11,844,568)
Inter-agency transfers	2,335,300	4,161,070	16,330,903	12,169,833
Miscellaneous			27,237	27,237
Federal funds		177,005	292,802	115,797
Total Revenue	284,399,400	286,152,415	296,939,714	3,061,599
Budgeted fund balance	-	4,439,395	-	(4,439,395)
<b>Total budgeted revenues</b>	<b>\$ 284,399,400</b>	<b>\$ 286,180,342</b>	<b>\$ 296,939,714</b>	<b>\$ (1,377,796)</b>
Expenditures				
Personal Services & Employee Benefits	\$ 119,178,100	\$ 123,301,046	\$ 120,175,750	\$ 3,125,296
Contractual Services	53,674,800	53,877,080	52,155,783	1,721,297
Other	111,546,500	121,139,384	117,652,099	3,487,285
Reversions	-	-	23	(23)
<b>Total budgeted expenditures</b>	<b>\$ 284,399,400</b>	<b>\$ 286,180,342</b>	<b>\$ 289,983,655</b>	<b>\$ 8,333,855</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL BY PROGRAM-PROBATION  
AND PAROLE GENERAL OPERATING FUND SHARE  
SYSTEM FUND 91500  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 20,940,000	\$ 20,374,200	\$ 20,374,200	\$ -
Other State Funds	2,500,000	5,475,000	2,388,201	(3,086,799)
Inter-Agency Transfers	-	-	-	-
Miscellaneous	-	-	1,005	1,005
Federal Funds	-	2,500	2,004	(496)
Total Revenue	23,440,000	25,851,700	22,765,409	(3,086,291)
Budgeted Fund Balance	1,312,700	2,337,700	2,955,400	617,700
<b>Total Budgeted Revenues</b>	<b>\$ 24,752,700</b>	<b>28,189,400</b>	<b>25,720,809</b>	<b>(2,468,591)</b>
Expenditures				
Personal Services & Employee Benefits	18,458,700	18,595,400	18,517,573	77,827
Contractual Services	-	846,331	823,116	23,215
Other	6,294,000	8,747,669	6,380,120	2,367,549
Reversions	-	-	-	-
Total budgeted expenditures	24,752,700	28,189,400	25,720,809	2,468,591
<b>Total Expenditures</b>	<b>\$ 24,752,700</b>	<b>\$ 28,189,400</b>	<b>\$ 25,720,809</b>	<b>\$ 2,468,591</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES BUDGET AND  
ACTUAL BY FUND- CAPITAL OUTLAY SHARE SYSTEM  
FUND 93100  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ -	880,000	880,000	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Miscellaneous	-	-	-	-
Federal Funds	-	-	-	-
Total Revenue	-	880,000	880,000	-
Budgeted Fund Balance				-
<b>Total Budgeted Revenues</b>	<b>\$ -</b>	<b>880,000</b>	<b>880,000</b>	<b>-</b>
Expenditures				
Personal Services & Employee Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other	-	-	-	-
Reversions	-	-	-	-
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The Notes to the Financial Statements are an integral part of this statement.



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING BALANCE SHEETS  
GENERAL FUND TYPES  
June 30, 2018**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Capital Outlay Fund 93100	Total
<b>ASSETS</b>				
Investment, State Treasurer	\$ 42,557,544	\$ 3,459,486	\$ 880,000	46,897,030
Petty Cash	1,850	-	-	1,850
Receivables, net of allowance for doubtful accounts	193,905	4,282	-	198,187
Federal Grants Receivable	1,652	-	-	1,652
Other Receivables	21,680	889	-	22,569
Inventories	3,426,444	199,370	-	3,625,814
Prepaid Items	5,066	-	-	5,066
<b>Total assets</b>	<b>\$ 46,208,141</b>	<b>\$ 3,664,027</b>	<b>\$ 880,000</b>	<b>50,752,168</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,996,701	\$ 61,977	\$ -	6,058,678
Vouches payable	16,923,680	532,008	-	17,455,688
Payroll benefits payable	1,690,348	272,462	-	1,962,810
Payroll taxes payable	500,494	114,364	-	614,858
Accrued wages payable	2,393,567	332,171	-	2,725,738
Unearned Revenues	15,929	-	-	15,929
Receipts Held in Suspense	3,830	54	-	3,884
Due to Other State Agencies	-	-	-	-
Due to Local Government	162,628	480,512	-	643,140
Other Liabilities	8,871	6,732	-	15,603
<b>Total Liabilities</b>	<b>27,696,048</b>	<b>1,800,280</b>	<b>-</b>	<b>29,496,328</b>
<b>FUND BALANCES</b>				
Reserved for:				
Nonspendable	3,433,360	199,370	-	3,632,730
Restricted	12,829,973	1,664,377	880,000	15,374,350
Unassigned	2,248,760	-	-	2,248,760
<b>Total Fund Balance</b>	<b>18,512,093</b>	<b>1,863,747</b>	<b>880,000</b>	<b>21,255,840</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 46,208,141</b>	<b>\$ 3,664,027</b>	<b>\$ 880,000</b>	<b>50,752,168</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE GENERAL FUND TYPES  
Year Ended June 30, 2018**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Capital Outlay Fund 93100	Total
Revenue				
Other State Funds	\$ 20,227,034	2,389,206	-	22,616,240
Federal Funds	292,802	2,004	-	294,806
<b>Total Revenue</b>	<b>20,519,836</b>	<b>2,391,210</b>	<b>-</b>	<b>22,911,046</b>
Expenditures, Current				
Personal Services & Employee Benefits	120,175,750	18,517,574	-	138,693,324
Contractual Services	52,155,783	823,116	-	52,978,899
Other	115,524,023	6,175,334	-	121,699,357
Expenditures, Capital Outlay	2,128,075	204,786	-	2,332,861
<b>Total Expenditures</b>	<b>289,983,631</b>	<b>25,720,810</b>	<b>-</b>	<b>315,704,441</b>
Excess (deficiency) Revenues over Expenditures	(269,463,795)	(23,329,600)	-	(292,793,395)
Other Financing Sources (Uses)				
General Fund Appropriation	275,098,200	20,374,200	880,000	296,352,400
Operating Transfer-in	441,677	-	-	441,677
Reversions to State General Fund	(23)	-	-	(23)
Net Other Financing Sources(Uses)	275,539,854	20,374,200	880,000	296,794,054
<b>Net Changes in Fund Balance</b>	<b>6,076,059</b>	<b>(2,955,400)</b>	<b>880,000</b>	<b>4,000,659</b>
Fund Balance, Beginning of Year	12,436,034	4,819,147	-	17,255,181
Fund Balance, End of Year	\$ 18,512,093	\$ 1,863,747	880,000	21,255,840

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL BY PROGRAM-  
PROGRAM SUPPORT-P530 Fund 90700  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 12,157,400	\$ 11,362,100	\$ 11,362,100	\$ -
Other State Funds	154,800	162,540	178,173	15,633
Inter-Agency Transfers	256,100	256,100	200,000	(56,100)
Miscellaneous	-	-	-	-
Federal Funds	-	102,700	73,558	(29,142)
Total Revenue	12,568,300	11,883,440	11,813,831	(69,609)
Budgeted fund balance	-	-	-	-
<b>Total Budgeted Revenues</b>	<b>\$ 12,568,300</b>	<b>\$ 11,883,440</b>	<b>\$ 11,813,831</b>	<b>\$ (69,609)</b>
Expenditures				
Personal Services & Employee Benefits	\$ 9,989,300	\$ 9,128,300	\$ 9,126,858	\$ 1,442
Contractual Services	555,200	579,900	511,015	68,885
Other	2,023,800	2,175,240	2,093,061	82,179
<b>Total Expenditures</b>	<b>\$ 12,568,300</b>	<b>\$ 11,883,440</b>	<b>\$ 11,730,934</b>	<b>\$ 152,506</b>

The Notes to the Financial Statements are an integral part of this statement.

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL BY PROGRAM-INMATE  
MANAGEMENT-P531 Fund 90700  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 256,059,300	\$ 257,420,400	\$ 257,420,400	\$ -
Other State Funds	13,692,600	13,702,600	1,842,399	(11,860,201)
Inter-Agency Transfers	2,079,200	2,191,670	16,130,902	13,939,232
Miscellaneous	-	-	27,237	27,237
Federal Funds	-	74,305	219,244	144,939
Total Revenue	271,831,100	273,388,975	275,640,182	2,251,207
Budgeted fund balance	-	27,927	-	(27,927)
<b>Total Budgeted Revenues</b>	<b>\$ 271,831,100</b>	<b>\$ 273,416,902</b>	<b>\$ 275,640,182</b>	<b>\$ 2,223,280</b>
Expenditures				
Personal Services & Employee Benefits	\$ 109,188,800	\$ 112,172,746	\$ 111,029,180	\$ 1,143,566
Contractual Services	53,119,600	51,519,740	51,407,328	112,412
Other	109,522,700	109,724,416	109,205,389	519,027
<b>Total Expenditures</b>	<b>\$ 271,831,100</b>	<b>\$ 273,416,902</b>	<b>\$ 271,641,897</b>	<b>\$ 1,775,005</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL BY PROGRAM-SPECIAL  
APPROPRIATIONS FUND 90700  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ -	\$ 6,315,700	\$ 6,315,700	\$ -
Other State Funds	-	2,290,000	2,290,000	-
Total Revenue	-	8,605,700	8,605,700	-
Budgeted Fund Balance	-	4,411,468	1,411,468	(3,000,000)
<b>Total Budgeted Revenues</b>	<b>\$ -</b>	<b>13,017,168</b>	<b>10,017,168</b>	<b>(3,000,000)</b>
Expenditures				
Personal Services & Employee Benefits	-	2,000,000	19,712	1,980,288
Contractual Services	-	237,440	237,440	-
Other	-	10,779,728	6,353,648	4,426,080
Reversions	-	-	23	(23)
<b>Total Budgeted Expenditures</b>	<b>\$ -</b>	<b>13,017,168</b>	<b>\$ 6,610,823</b>	<b>\$ 6,406,345</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL BY PROGRAM-COMMUNITY  
OFFENDER MANAGEMENT (P-534) FUND 91500  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 20,940,000	\$ 20,374,200	\$ 20,374,200	\$ -
Other State Funds	2,500,000	5,475,000	2,388,201	(3,086,799)
Inter-Agency Transfers	-	-	-	-
Miscellaneous	-	-	1,005	1,005
Federal Funds	-	2,500	2,004	(496)
Total Revenue	23,440,000	25,851,700	22,765,409	(3,086,291)
Budgeted Fund Balance	1,312,700	2,337,700	2,955,400	617,700
<b>Total Budgeted Revenues</b>	<b>\$ 24,752,700</b>	<b>\$ 28,189,400</b>	<b>\$ 25,720,809</b>	<b>(2,468,591)</b>
Expenditures				
Personal Services & Employee Benefits	18,458,700	18,595,400	18,517,573	77,827
Contractual Services	-	846,331	823,116	23,215
Other	6,294,000	8,747,669	6,175,334	2,572,335
Total budgeted expenditures	24,752,700	28,189,400	25,516,023	2,673,377
Unbudgeted capital expenditures	-	-	204,786	(204,786)
<b>Total Expenditures</b>	<b>\$ 24,752,700</b>	<b>\$ 28,189,400</b>	<b>\$ 25,720,809</b>	<b>\$ 2,468,591</b>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION - BUDGETARY SCHEDULES TO  
FINANCIAL STATEMENTS  
Year Ended June 30, 2018**

The department has prepared budgetary schedules in the current year by program code. A reconciliation schedule of the budget schedules to the financial statements has been prepared below.

	Revenue	Expenses	Net Change in Fund Balance
<b>Net changes in fund balance per statement of revenues, expenditures and changes in fund balance</b>			
General Fund (90700, 91500 & 93100)	\$ 319,705,123	\$ 315,704,464	\$ 4,000,659
<b>Total</b>	<u>\$ 319,705,123</u>	<u>\$ 315,704,464</u>	<u>\$ 4,000,659</u>
<b>Net Changes in Fund Balance per Budget Schedules</b>			
General Appropriations:			
Program Support (P530)	\$ 11,813,831	\$ 11,730,934	\$ 82,897
Inmate Management and Control (P531)	275,640,182	271,641,897	3,998,285
Special Appropriations (Z Codes - 90700)	8,605,700	6,610,823	1,994,877
Community Corrections (P534)	22,765,409	25,720,809	(2,955,400)
Capital Outlay (Z Code-93100)	880,000	-	880,000
<b>Total</b>	<u>\$ 319,705,122</u>	<u>\$ 315,704,463</u>	<u>\$ 4,000,659</u>

The Notes to the Financial Statements are an integral part of this statement

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING BALANCE SHEET - NON MAJOR FUNDS  
June 30, 2018**

	Community Corrections Special Revenue Fund SHARE System Fund 90200	Capital Projects Fund 89200	Total
<b>ASSETS</b>			
Investment, State Treasurer	\$ 3,500,941	28,664	3,529,605
<b>Total assets</b>	<b>\$ 3,500,941</b>	<b>28,664</b>	<b>3,529,605</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,306	-	7,306
Vouches payable	655,306	28,664	683,970
Payroll benefits payable	11,419	-	11,419
Payroll taxes payable	4,700	-	4,700
Accrued wages payable	13,048	-	13,048
<b>Total Liabilities</b>	<b>691,779</b>	<b>28,664</b>	<b>720,443</b>
<b>FUND BALANCES</b>			
Reserved for:			
Restricted	2,809,162	-	2,809,162
Unassigned	-	-	-
<b>Total Fund Balance</b>	<b>2,809,162</b>	<b>-</b>	<b>2,809,162</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,500,941</b>	<b>28,664</b>	<b>3,529,605</b>

The Notes to the Financial Statements are an integral part of this statement.



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON MAJOR FUNDS  
Year Ended June 30, 2018**

	Community Corrections Special Revenue Fund 90200	Capital Projects Fund 89200	Total
Revenue			
Charges for Services	\$ 43,443	-	43,443
<b>Total Revenue</b>	43,443	-	43,443
Expenditures, Current			
Personal Services & Employee Benefits	784,745	-	784,745
Contractual Services	6,639,124	560,057	7,199,181
Other	182,775	-	182,775
<b>Total Expenditures</b>	7,606,644	560,057	8,166,701
Excess (deficiency) Revenues over Expenditures	(7,563,201)	(560,057)	(8,123,258)
Other Financing Sources (Uses)			
State General Fund Appropriations	8,124,100	-	8,124,100
STB Proceeds	-	560,057	560,057
Net Other Financing Sources(Uses)	8,124,100	560,057	8,684,157
<b>Net Changes in Fund Balance</b>	560,899	-	560,899
Fund Balance, Beginning of Year	2,248,263	-	2,248,263
Fund Balance, End of Year	\$ 2,809,162	-	2,809,162

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF SPECIAL APPROPRIATIONS  
Year Ended June 30, 2018**

<b>Description</b>	<b>Authority</b>	<b>Appropriation Period</b>	<b>SHARE Fund</b>	<b>Total Appropriations</b>
To continue the implementation of the commercial off-the-shelf offender management system.	Laws of 2018, Ch 73, Sect 7, Item 29	2018-2019	90700	\$ 2,290,000
To pay department of information technology radio communication costs for fiscal year 2016 and fiscal year 2017.	Laws of 2018, Ch 73, Sect 6, Item 19	2018	90700	\$ 2,602,400
For radio communication costs due to the department of information technology for fiscal year 2018.	Laws of 2018, Ch 73, Sect 6, Item 18	2018	90700	\$ 1,713,300
For the purchase of body scanners in public prison facilities.	Laws of 2018, Ch 73, Sect 5, Item 93	2018-2019	93100	\$ 880,000
Private prison penalties assessed in fiscal year 2017 and fiscal year 2018 are appropriated to the corrections department for facility repair in fiscal year 2017 and fiscal year 2018.	Laws of 2017, Ch 135, Sect 5, Item 25	2017-2018	90700	\$ 1,411,468
For inmate population growth, the treatment of hepatitis c, overtime and contracts for private prisons.	Laws of 2017, Ch 135, Sect 5, Item 24	2017-2018	90700	\$ 5,000,000
For inmate population growth in public and private prisons, the treatment of hepatitis C and custodial staff overtime.	Laws of 2017, Ch 135, Sect 5, Item 25	2017-2018	90700	\$ 2,000,000
To implement a commercial off the shelf offender management information system.	Laws of 2016, Ch 11, Sect 7, Item 19	2016-2018	90200	\$ 1,600,000
To implement a commercial off the shelf offender management information system.	Laws of 2016, Ch 11, Sect 7, Item 19	2016-2018	91500	\$ 3,300,000
To implement a commercial off the shelf offender management information system.	Laws of 2016, Ch 15, Sect 3, Item B	2016-2018	89200	\$ 2,400,000
				<u>\$ 23,197,168</u>

**STATE OF NEW MEXICO**  
**NEW MEXICO CORRECTIONS DEPARTMENT**  
**SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)**  
**Year Ended June 30, 2018**

<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Current Year Reversion Amount</u>	<u>Reserved Fund Balance</u>	<u>Outstanding Encumbrances</u>	<u>Unencumbered Balance</u>
	-	-		2,290,000	-	-
	2,602,400	-		-	-	-
	1,713,300	-	-	-	-	-
	-	-		880,000	-	-
	1,411,445	-	23	(0)	-	-
	883,655	-	-	4,116,345	-	-
236,940	-			1,763,059.72	-	-
-	7,061	-	-	1,592,939	-	-
1,170,100	950,931	-	-	1,178,969	-	-
120,000	560,057	-	-	1,719,942.94	-	-
<u>\$ 1,527,040</u>	<u>\$ 8,128,849</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ 13,541,256</u>	<u>\$ -</u>	<u>\$ -</u>

**STATE OF NEW MEXICO**  
**NEW MEXICO CORRECTIONS DEPARTMENT**  
**SCHEDULE OF REVENUES & EXPENDITURES BY ENTERPRISE**  
**Year Ended June 30, 2018**

	Furniture	Telemarketing	Cleaning Products	SCF Horse Rescue
Revenue from Sales	\$ 400,744	\$ 7,822	\$ 199,578	\$ 12,972
Manufacturing Costs:				
Cost of Materials Used:				
Beg inventory, raw materials	84,680	352	55,380	-
Materials purchases	103,463	(31)	105,341	300
Net materials transfers	-	-	-	-
<b>Materials available</b>	<b>188,143</b>	<b>321</b>	<b>160,721</b>	<b>300</b>
Less ending inventory	(87,271)	(211)	(34,774)	-
Cost of raw materials used	100,872	110	125,947	300
Direct labor-Inmate Pay	38,400	-	3,925	-
Manufacturing Overhead:				
Salaries	131,607	-	42,412	-
Benefits	69,676	-	23,830	-
In-state travel	2,769	-	-	1,335
Maintenance & repairs	6,931	-	332	220
Supplies	6,806	-	99	34,771
Contractual services	9,464	-	-	17,661
Other operating costs	1,402	1,079	1,000	105
Out-of-state travel	-	-	-	-
Irrigation fees	-	-	-	-
Depreciation	1,899	-	3,841	2,033
Miscellaneous	38	-	-	-
<b>Total manufacturing overhead</b>	<b>230,593</b>	<b>1,079</b>	<b>71,514</b>	<b>56,127</b>
Total manufacturing costs	369,865	1,189	201,385	56,427
Add beginning work in process	77,315	-	-	-
Less ending work in process	(68,467)	-	-	-
Total Cost of Goods Manufactured	378,713	1,189	201,385	56,427
Add beginning finished goods	89,021	-	84,105	-
Less ending finished goods	(91,809)	-	(54,328)	(6,650)
Net finished goods transfers	-	-	-	-
<b>Total Cost of Goods Sold</b>	<b>375,925</b>	<b>1,189</b>	<b>231,162</b>	<b>49,777</b>
Gross Profit (Loss)	24,819	6,633	(31,584)	(36,805)
Allocated overhead:				
Facility overhead	-	-	-	-
Sales & marketing	(2,980)	(58)	(1,484)	(96)
Distribution center	(2,272)	(44)	(1,131)	(74)
Central office	(77,988)	-	(7,972)	-
General fund subsidy	-	-	-	-
Other income (expense)	812	-	(1,199)	-
Other Financing Uses	-	-	-	-
Net Income (Loss)	(57,609)	6,530	(43,370)	(36,975)

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES BY  
ENTERPRISE (CONTINUED)  
Year Ended June 30, 2018**

	Textiles	Distribution Center	Public Sales	MDC
\$	409,761	\$ 33,916	(172)	-
-	-	-	-	-
-	-	-	-	-
105,194	-	-	-	-
264,146	-	-	-	-
-	-	-	-	-
369,341	-	-	-	-
-	-	-	-	-
(95,102)	-	-	-	-
-	-	-	-	-
274,239	-	-	-	-
-	-	-	-	-
14,728	6,500	-	-	-
-	-	-	-	-
54,083	38,047	-	-	-
31,170	26,125	-	-	-
-	19,387	-	-	-
-	116	-	-	-
5,204	21	-	-	943
-	-	-	-	-
3,054	3,409	-	-	240
-	-	-	-	-
-	-	-	-	-
3,471	4,473	-	-	-
-	-	-	2,934	-
96,982	91,579	-	2,934	1,183
-	-	-	-	-
385,949	98,079	-	2,934	1,183
-	-	-	-	-
-	-	-	-	-
385,949	98,079	-	2,934	1,183
405,079	-	-	-	-
(361,410)	-	-	-	-
-	-	-	-	-
429,619	98,079	-	2,934	1,183
-	-	-	-	-
(19,858)	(64,163)	-	(3,106)	(1,183)
-	-	-	-	-
-	-	-	-	-
(3,047)	(252)	-	1	-
(2,323)	63,971	-	1	-
(29,911)	(13,201)	-	-	-
-	-	-	-	-
-	407	-	-	-
-	-	-	-	-
(55,139)	(13,239)	-	(3,104)	(1,183)

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES BY  
ENTERPRISE (CONTINUED)  
Year Ended June 30, 2018**

	PNM Old Main	Santa Rosa Print	CMU Farm	Sales & Marketing	PNM Canteen	Central Office	Food Srvs Program
Revenue from Sales	\$ 47,771	\$ 121,257	\$ 3,146	\$ -	\$ 5,207,586	\$ 1,510	\$ 4,097,972
Manufacturing Costs:							
Cost of Materials Used:							
Beg inventory, raw materials	-	35,465	2,662	-	-	-	80,044
Materials purchases	481	45,047	-	289	3,892,475	(191,146)	3,446,106
Net materials transfers	-	-	-	-	-	-	-
<b>Materials available</b>	<b>481</b>	<b>80,512</b>	<b>2,662</b>	<b>289</b>	<b>3,892,475</b>	<b>(191,146)</b>	<b>3,526,150</b>
Less ending inventory	-	(40,969)	(2,662)	-	-	-	(143,017)
Cost of raw materials used	481	39,544	-	289	3,892,475	(191,146)	3,383,133
Direct labor-Inmate Pay	-	13,616	3,167	-	129,666	-	13,160
Manufacturing Overhead:							
Salaries	3,895	40,706	-	57,090	101,906	256,516	164,790
Benefits	-	19,223	-	24,836	38,540	84,130	42,635
In-state travel	389	-	-	1,035	909	14,868	5,826
Maintenance & repairs	756	17,411	-	-	568	1,108	112,367
Supplies	-	1,413	-	-	5,273	4,635	16,763
Contractual services	-	3,356	-	-	-	1,415	610,759
Other operating costs	861	31,504	-	906	5,142	39,631	3,478
Out-of-state travel	-	-	-	-	-	3,489	-
Irrigation fees	-	-	41,667	-	-	-	-
Depreciation	12,701	-	487	-	1,264	44,848	55,370
Miscellaneous	161	374	-	-	-	31,988	50
<b>Total manufacturing overhead</b>	<b>18,764</b>	<b>113,987</b>	<b>42,154</b>	<b>83,867</b>	<b>153,602</b>	<b>482,627</b>	<b>1,012,038</b>
Total manufacturing costs	19,245	167,146	45,321	84,156	4,175,743	291,480	4,408,331
Add beginning work in process	-	-	-	-	-	-	-
Less ending work in process	-	-	-	-	-	-	-
Total Cost of Goods Manufactured	19,245	167,146	45,321	84,156	4,175,743	291,480	4,408,331
Add beginning finished goods	19,406	1,527	-	-	-	-	-
Less ending finished goods	(18,925)	(1,420)	-	-	-	-	-
Net finished goods transfers	-	-	-	-	-	-	-
<b>Total Cost of Goods Sold</b>	<b>19,726</b>	<b>167,254</b>	<b>45,321</b>	<b>84,156</b>	<b>4,175,743</b>	<b>291,480</b>	<b>4,408,331</b>
Gross Profit (Loss)	28,045	(45,996)	(42,175)	(84,156)	1,031,844	(289,970)	(310,360)
Allocated overhead:							
Facility overhead	-	-	-	-	-	-	-
Sales & marketing	(355)	(902)	(23)	84,156	(38,721)	(11)	(30,470)
Distribution center	(271)	(687)	(18)	-	(29,522)	(9)	(23,231)
Central office	-	(27,653)	(6,432)	-	(263,344)	462,772	(26,727)
General fund subsidy	-	-	-	-	-	-	-
Other income (expense)	4,811	3,222	102,127	-	136,167	52,873	898
Other Financing Uses	-	-	-	-	-	(225,200)	-
Net Income (Loss)	32,230	(72,016)	53,479	(0)	836,424	455	(389,891)

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NEW MEXICO CORRECTIONS DEPARTMENT**  
**SCHEDULE OF REVENUES & EXPENDITURES BY ENTERPRISE (CONTINUED)**  
**Year Ended June 30, 2018**

	Drug Screening	PNM Livestock	PNM Bakery	Rosewell	Rosewell Dairy Cow	PNM Landscaping	PNM Hoop House	Total Industries
Revenue from Sales	\$ 539,793	\$ 3,280	\$ -	\$ -	\$ -	\$ 231,252	\$ -	11,318,187
Manufacturing Costs:								
Cost of Materials Used:								
Beg inventory, raw materials	-	-	-	-	-	-	-	363,777
Materials purchases	492,198	-	-	-	-	208	-	8,158,876
Net materials transfers	-	-	-	-	-	-	-	-
<b>Materials available</b>	<b>492,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208</b>	<b>-</b>	<b>8,522,654</b>
Less ending inventory	-	-	-	-	-	-	-	(404,005)
Cost of raw materials used	492,198	-	-	-	-	208	-	8,118,649
Direct labor-Inmate Pay	-	-	-	-	-	25,800	4,699	253,660
Manufacturing Overhead:								
Salaries	-	-	-	-	-	160,226	-	1,051,278
Benefits	-	-	-	-	-	79,047	-	439,212
In-state travel	-	382	-	-	-	7,575	-	54,475
Maintenance & repairs	-	-	9,024	-	-	-	199	149,032
Supplies	-	-	2,662	-	-	1,254	2,335	82,178
Contractual services	-	-	-	-	-	-	-	642,655
Other operating costs	-	-	-	-	-	726	3,000	95,537
Out-of-state travel	-	-	-	-	-	-	-	3,489
Irrigation fees	-	-	-	-	-	-	-	41,667
Depreciation	-	-	8,259	5,581	8,721	7,727	-	160,677
Miscellaneous	-	-	-	-	-	-	-	35,545
<b>Total manufacturing overhead</b>	<b>-</b>	<b>382</b>	<b>19,944</b>	<b>5,581</b>	<b>8,721</b>	<b>256,555</b>	<b>5,534</b>	<b>2,755,746</b>
Total manufacturing costs	492,198	382	19,944	5,581	8,721	282,562	10,233	11,128,054
Add beginning work in process	-	-	-	-	-	-	-	77,315
Less ending work in process	-	-	-	-	-	-	-	(68,467)
Total Cost of Goods Manufactured	492,198	382	19,944	5,581	8,721	282,562	10,233	11,136,902
Add beginning finished goods	45,200	-	-	-	-	-	-	644,339
Less ending finished goods	-	-	-	-	-	-	-	(534,542)
<b>Total Cost of Goods Sold</b>	<b>537,398</b>	<b>382</b>	<b>19,944</b>	<b>5,581</b>	<b>8,721</b>	<b>282,562</b>	<b>10,233</b>	<b>11,246,700</b>
Gross Profit (Loss)	2,395	2,898	(19,944)	(5,581)	(8,721)	(51,310)	(10,233)	71,487
Allocated overhead:								
Sales & marketing	(4,014)	(24)	-	-	-	(1,719)	-	-
Distribution center	(3,060)	(19)	-	-	-	(1,311)	-	-
Central office	-	-	-	-	-	-	(9,543)	-
Other income (expense)	-	7,212	-	-	-	-	-	307,331
Other Financing Uses	-	-	-	-	-	-	-	(225,200)
Net Income (Loss)	\$ (4,679)	\$ 10,067	\$ (19,944)	\$ (5,581)	\$ (8,721)	\$ (54,341)	\$ (19,776)	\$ 153,618

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO**  
**NEW MEXICO CORRECTIONS DEPARTMENT**  
**SCHEDULE OF REVENUES & EXPENDITURES FOR**  
**CLEANING PRODUCTS BY FACILITY**  
**Year Ended June 30, 2018**

	WNMCF Cleaning Prod	WNMCF Plastic	Total Cleaning Products
Revenue from Sales	\$ -	\$ 199,578	\$ 199,578
Manufacturing Costs:			-
Cost of Materials Used:			-
Beg inventory, raw materials	-	55,380	55,380
Materials purchases	-	105,341	105,341
Net materials transfers	-	-	-
<b>Materials available</b>	-	160,721	160,721
			-
Less ending inventory	-	(34,774)	(34,774)
			-
Cost of raw materials used	-	125,947	125,947
Direct labor-Inmate Pay	-	3,925	3,925
Manufacturing Overhead:			-
Salaries	-	42,412	42,412
Benefits	-	23,830	23,830
In-state travel	-	-	-
Maintenance & repairs	-	332	332
Supplies	-	99	99
Contractual services	-	-	-
Other operating costs	-	1,000	1,000
Out-of-state travel	-	-	-
Irrigation fees	-	-	-
Depreciation	3,841	-	3,841
Miscellaneous	-	-	-
<b>Total manufacturing overhead</b>	3,841	67,673	71,514
Total manufacturing costs	3,841	197,544	201,385
Add beginning work in process	-	-	-
Less ending work in process	-	-	-
Total Cost of Goods Manufactured	3,841	197,544	201,385
Add beginning finished goods	-	84,105	84,105
Less ending finished goods	-	(54,328)	(54,328)
Net finished goods transfers	-	-	-
<b>Total Cost of Goods Sold</b>	3,841	227,321	231,162
Gross Profit (Loss)	(3,841)	(27,743)	(31,584)
Allocated overhead:			-
Facility overhead	-	-	-
Sales & marketing	-	(1,484)	(1,484)
Distribution center	-	(1,131)	(1,131)
Central office	-	(7,972)	(7,972)
General fund subsidy	-	-	-
Other income (expense)	(1,199)	-	(1,199)
Other Financing Uses	-	-	-
Net Income (Loss)	\$ (5,040)	\$ (38,330)	\$ (43,370)

The Notes to the Financial Statements are an integral part of this statement.



**STATE OF NEW MEXICO**  
**NEW MEXICO CORRECTIONS DEPARTMENT**  
**SCHEDULE OF REVENUES & EXPENDITURES FOR**  
**TEXTILES BY FACILITY**  
**Year Ended June 30, 2018**

	CCA Textiles	Santa Rosa Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 40,159	\$ 22,886	\$ 346,716	\$ 409,761
Manufacturing Costs:				-
Cost of Materials Used:				-
Beg inventory, raw materials	80,887	24,307	-	105,194
Materials purchases	4,137	22,468	237,541	264,146
Net materials transfers	-	-	-	-
<b>Materials available</b>	<b>85,024</b>	<b>46,775</b>	<b>237,541</b>	<b>369,341</b>
Less ending inventory	(71,453)	(23,648)	-	(95,102)
Cost of raw materials used	13,571	23,127	237,541	274,239
Direct labor-Inmate Pay	12,617	-	2,111	14,728
Manufacturing Overhead:				-
Salaries	54,083	-	-	54,083
Benefits	31,170	-	-	31,170
In-state travel	-	-	-	-
Maintenance & repairs	-	-	-	-
Supplies	448	-	4,756	5,204
Contractual services	-	-	-	-
Other operating costs	3,054	-	-	3,054
Out-of-state travel	-	-	-	-
Irrigation fees	-	-	-	-
Depreciation	3,471	-	-	3,471
Miscellaneous	-	-	-	-
Total manufacturing overhead	92,226	-	4,756	96,982
Total manufacturing costs	118,414	23,127	244,408	385,949
Add beginning work in process	-	-	-	-
Less ending work in process	-	-	-	-
Total Cost of Goods Manufactured	118,414	23,127	244,408	385,949
Add beginning finished goods	92,280	95,692	217,106	405,079
Less ending finished goods	(92,594)	(95,692)	(173,123)	(361,410)
Net finished goods transfers	-	-	-	-
<b>Total Cost of Goods Sold</b>	<b>118,100</b>	<b>23,127</b>	<b>288,391</b>	<b>429,619</b>
Gross Profit (Loss)	(77,942)	(241)	58,326	(19,858)
Allocated overhead:				-
Facility overhead	-	-	-	-
Sales & marketing	(299)	(170)	(2,578)	(3,047)
Distribution center	(228)	(130)	(1,966)	(2,323)
Central office	(25,625)	-	(4,287)	(29,911)
General fund subsidy	-	-	-	-
Other income (expense)	-	-	-	-
Other Financing Uses	-	-	-	-
Net Income (Loss)	\$ (104,093)	\$ (541)	\$ 49,495	\$ (55,139)

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES BUDGET  
AND ACTUAL - (GAAP BUDGETARY BASIS) -  
CORRECTIONS INDUSTRIES DIVISION  
Year Ended June 30, 2018**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenue</b>				
Printing and reproduction:				
Sales	\$ 9,371,500	10,362,400	11,318,187	955,787
Interest on Deposits			8,479	8,479
Other revenue			298,852	298,852
Total Revenues	<u>9,371,500</u>	<u>10,362,400</u>	<u>11,625,518</u>	<u>1,263,118</u>
Budgeted fund balance	1,000,000	2,027,675	-	-
<b>Total budgeted revenues</b>				
	<u>\$ 10,371,500</u>	<u>12,390,075</u>	<u>11,625,518</u>	<u>1,263,118</u>
<b>Expenditures</b>				
Personal Services & Employee Benefits	\$ 1,569,000	1,498,000	1,490,490	7,510
Contractual Services	287,400	714,975	642,655	72,320
Other	7,515,100	9,177,100	8,952,878	224,222
Other Transfers	<u>1,000,000</u>	<u>1,000,000</u>	<u>225,200</u>	<u>774,800</u>
Total budgeted expenditures	<u>10,371,500</u>	<u>12,390,075</u>	<u>11,311,223</u>	<u>1,078,852</u>
<b>Non budgeted expenditures</b>				
Depreciation	<u>-</u>	<u>-</u>	<u>160,677</u>	<u>(160,677)</u>
Total budgeted and non budgeted expenditures	<u>\$ 10,371,500</u>	<u>12,390,075</u>	<u>11,471,900</u>	<u>918,175</u>

The Notes to the Financial Statements are an integral part of this statement.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
June 30, 2018**

	Balance as of June 30, 2017	Additions	Deletions	Balance as of June 30, 2018
<b>ASSETS</b>				
Cash	\$ 2,197,342	\$ 7,486,544	\$ (7,221,677)	\$ 2,462,209
Due from Others	580,113	596,828	(580,113)	596,828
<b>Total Assets</b>	<u>\$ 2,777,455</u>	<u>\$ 8,083,372</u>	<u>\$ (7,801,790)</u>	<u>\$ 3,059,037</u>
<b>LIABILITIES</b>				
Due to Others	\$ 718,736	\$ 881,326	\$ (718,736)	\$ 881,326
Deposits Held for Others	2,058,719	2,177,711	(2,058,719)	2,177,711
<b>Total Liabilities</b>	<u>\$ 2,777,455</u>	<u>\$ 3,059,037</u>	<u>\$ (2,777,455)</u>	<u>\$ 3,059,037</u>

## **COMPLIANCE SECTION**



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**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***

**Independent Auditor's Report**

Mr. Wayne Johnson  
New Mexico State Auditor  
and  
Mr. David Jablonski, Secretary,  
State of New Mexico Corrections Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 24, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We identified a deficiency in internal control that we consider to be material weaknesses, which is described in the accompanying schedule of findings and responses as item 2018-002.

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. We identified deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and responses as items 2018-001, and 2018-003.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department'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* and which are described in the accompanying schedule of findings and responses as item 2012-001.

### **Department's Responses to the Findings**

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

Ricci & Company, LLC  
Albuquerque NM  
October 24, 2018

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2018**

**Summary Schedule of Prior Year Audit Findings**

2011-004	Domicile to Duty Vehicle	Resolved
2012-001	Residential Housing/Trailer Court Benefits at Facilities	Repeated/Modified
2015-002	Payroll – Lack of Supporting Documentation (I-9s)	Resolved
2016-004	Federal Grant Expenditures	Resolved

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**Finding 2012-001 Residential Housing/Trailer Court Benefits at Facilities–(Other Non-Compliance)  
(Repeated and Modified)**

Condition:

During our audit procedures regarding housing/trailer court benefits, we noted the following:

The form CD-024901.1 was revised 01/31/2018, which made provision to include date of occupancy. 2 out of the 11 CD-024901.1 forms reviewed included the revised form, however 1 of the 2 forms was missing the date of occupancy.

Per the results of the test work, it appears that some of the corrective action plan has been implemented, but procedural errors continue to exist.

Criteria:

NMCD's policy titled "Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services" # CD-024900. Part A establishes the criteria for assignment of residential housing/trailer court facilities to department personnel. Sections 3 and 5 of Part A require pre-approval to be submitted in writing prior to assignment of housing. Part C establishes rules governing all occupants of residential housing or trailer court facilities.

Effect:

Noncompliance with NMCD's policies and procedures may cause employees to be incorrectly assigned residential housing/trailer court facilities.

Cause:

NMCD's policy titled "Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services" # CD-024900 is not being followed.

Auditors' Recommendation:

NMCD should adhere to its policies and procedures regarding assignment of housing, and ensure that procedures are properly adhered to.

Management Response:

The NMCD will review all deficiencies and correct. Will also remind wardens about their responsibility regarding managing this benefit. Will conduct training at warden's meeting.

Responsible Official:

Warden of each facility

Timeline to Correct:

Within 30 days of October 24, 2018.



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
JUNE 30, 2018**

**Finding 2018-001 – Inmate Cash not reconciled on timely basis (Significant Deficiency)**

Condition:

During the course of our audit procedures on cash, the Agency could not provide a complete and accurate cash reconciliation of the Inmate cash account. The unreconciled variance between book balance and bank balance is \$62,945. Procedures over the cash reconciliation process is deemed to be inefficient and ineffective.

Criteria:

Best practices as established pursuant to 2.20.5.8 (10) NMAC, require that all reporting of financial information must be timely, complete and accurate, to management and to oversight agencies and entities.

Effect:

Failure to have proper accounting processes, results in the susceptibility of Agency assets to misappropriation, abuse, or non-compliance.

Cause:

Proper oversight over this area was not implemented to insure timeliness and accuracy of the cash processes.

Auditors' Recommendation:

NMCD should set up proper protocols and procedures in ensuring timely and accurate reconciliation of the Inmate cash accounts.

Management Response:

The NMCD agrees with the finding. Our first priority is to prepare a bank reconciliation that includes all the relevant expenses associated with the inmate cash. Since these expenses have never been accounted for we are obtaining past year statements. Second, we will change the facility bank reconciliation form so that those reconciliations prepared by the facilities will capture all the relevant transactions that take place in their accounts and provide NMCD a mechanism to account for them. A training will be held for all business managers on preparing the new form. Finally, policy for inmate trust accounts should be updated to include NMCD's responsibility for preparing a proper bank reconciliation, the facilities' responsibilities regarding inmate trust to include fiscal responsibility for the expenses related to these accounts.

Responsible Official:

Chief Financial Officer

Timeline to Correct:

Step one will be completed by October 31, 2018.

Step two will be completed by November 20, 2018.

Step three will be completed by November 30, 2018.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
JUNE 30, 2018**

**Finding 2018-002 Compensated Absences (Material Weakness)**

Condition:

During our audit procedures regarding compensated absences, we noted that compensatory time was not being monitored. We noted that individuals in the liability report had balances over the maximum of 240 hours. In addition, NMCD could not provide supporting evidence for the 8 individuals selected for testing with a balance over 240 hours. These individuals had a combined total accrual compensatory time of 4,703 hours, 2783 hours in excess of maximum number of hours allowed.

Criteria:

NMAC 1.7.4.14 Section J establishes Agencies shall pay Fair Labor Standards Act covered, non-exempt employees for overtime worked unless the employee, in advance, agrees in writing to compensatory time off. Employees may accrue a maximum of 160 hours or 240 hours of compensatory time depending on their FLSA classification, unless otherwise authorized by statute and shall be paid for accrued compensatory time upon separation.

Effect:

Lack of control and monitoring increases the risk of increased liability, as well as misstatement of actual amount liable for. We noted that Compensated absence balance increased from prior year. Any possible misstatement is could be material to the fund and financial statement as a whole. Without a monitoring process in place employees are accruing balances of compensatory time that exceed set policy amounts and statutory requirements.

Cause:

NMAC 1.7.4.14 & 1.7.7.8 and NMCD's Overtime and Extra Hours Worked Compensation Policy #CD-035100 is not being followed. Additionally, there does not appear to be a mechanism in place at NMCD control level to identify the unallowed overages. Also, there does not appear to be proper review of employees' liability amounts related the yearend compensated absence liability.

Auditors' Recommendation:

NMCD should implement a monitoring process to ensure employees are not accruing balances of compensatory time that exceed policy and statutory limits.

Management Response:

The NMCD will ask Data Analytics to provide the CFO with a Compensated Balance Liability Report on the 25<sup>th</sup> of each month. Any employees who have accrued 220 hours or more will be reported to the appropriate Director at the Direct Report meeting so that the appropriate supervisor may be notified.

Responsible Official:

Each Bureau Director

Timeline to Correct:

This will begin on October 25, 2018.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018**

**Finding 2018-003 Corrections Industries Account receivable (Significant Deficiency)**

Condition:

During our audit procedures over accounts receivable, we noted that Corrections Industries Aged Receivable in Cougar Mountain did not balance with the SHARE's report. The unreconciled variance between Cougar Mountain and SHARE was in the amount of \$39,245. In addition, Cougar Mountain's the customers ledger did not reconcile to the total account receivable itself by \$94,065 hence it was difficult to determine which records were correct.

Criteria:

Best practices as established pursuant to 2.20.5.8 (10) NMAC, require that all reporting of financial information must be timely, complete and accurate, to management and to oversight agencies and entities.

Effect:

Lack of monitoring could result to an overstatement or understatement of asset. This also could result in susceptibility of NMCD's assets to misappropriation, abuse, or non-compliance.

Cause:

Lack of review process in data entry and communicated between Corrections industries and NMCD Financial bureau

Auditors' Recommendation:

NMCD should implement proper data entry and documentation procedures to reconcile the Cougar Mountain records to the SHARE records.

Management Response:

CI is working with Cougar Mountain to update our software, CI believes a problem with the software is the source of the discrepancy between the customer ledger and the Cougar Mountain general ledger. Once the update is complete new reports will be run, if the discrepancies still exist we will work with Cougar Mountain so they can identify and correct the issues within the software. For NMCD the CFOs office will also work with the software developer so that we understand any changes that are indicated. Once Cougar Mountain is correct we will work with Accounting to identify the discrepancies between Cougar Mountain and SHARE. Once they both match we will ensure monthly that all numbers are correct/match. CI and accounting have had several changes in management over the last few months so the new staff will work at correcting the issues that exist between the two systems.

Responsible Official:

CI Business Manager.

Timeline to Correct:

Cougar Mountain is being updated within the next few weeks, CI should be able to identify and correct all issues by the end of the calendar year.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
EXIT CONFERENCE  
JUNE 30, 2018**

An exit conference was held on October 25, 2018 and attended by the following: Representing the Department:

- David Jablonski, Secretary of Corrections
- Phillipe Rodriguez, Acting ASD Director, Administrative Services Division
- Edward Smith, Budget Director
- Paul Trujillo, Financial Management Bureau Chief/CFO
- Carl Ortega, Budget Bureau Chief
- Mike Santillan, Accountant Auditor
- Daniel Barela, Acting Director
- Mahesh Sita, NMCD Policy Director
- German Franco, Director APD
- Michelle Vigil, Corrections Industries Business Manager
- Vicki Trujillo, Accounting Auditor
- Celina Padilla, Accounting Auditor
- David Selvage, Health Services Administrator

Representing Ricci & Company, LLC:

- Esther Alejo, In Charge Auditor
- Mark Santiago, CPA, Senior Audit Manager