



Service plus value, it all adds up.

6200 Uptown Blvd, NE Suite 400

Albuquerque, NM 87110

505 338 0800 office riccipa.com

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2019

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

TABLE OF CONTENTS

Official Roster	
List of Abbreviations	v
Independent Auditors' Report	1
Management's Discussion and Analysis	4
FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Activities	15
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund	20
PROPRIETARY FUND FINANCIAL STATEMENTS	
Statement of Net Position – Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund	23

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

TABLE OF CONTENTS (CONTINUED)

AGENCY FUND FINANCIAL STATEMENT

Statement of Fiduciary Assets and Liabilities – Agency Fund	24
Notes to Financial Statements	25

SUPPLEMENTAL INFORMATION

Combining Balance Sheet - General Fund Types	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund Types	61

Schedule of Revenues & Expenditures – Budget and Actual, By Fund

General Operating Fund, SHARE System Fund 90700	62
Probation and Parole General Operating Fund, SHARE System Fund 91500	63
Capital Outlay, SHARE System Fund 93100	64

Schedule of Revenues & Expenditures – Budget and Actual, By Program

Program Support – P530	65
Inmate Management and Control – P531	66
Special Appropriations – Fund 90700	67
Community Offender Management – P534	68
Reconciliation – Budgetary Schedules to Financial Statements	69
Combining Balance Sheet – Non Major Funds	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non Major Funds	71

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

TABLE OF CONTENTS (CONTINUED)

SUPPLEMENTAL INFORMATION (CONTINUED)

Schedule of Special Appropriations	72
Schedule of Revenues and Expenditures, by Enterprise	74
Schedule of Revenues and Expenditures for Cleaning Products by Facility	77
Schedule of Revenues and Expenditures for Textiles by Facility	78
Schedule of Revenues & Expenditures – Budget and Actual (GAAP budgetary Basis) Corrections Industries Division	79
Schedule of Changes in Assets and Liabilities Agency Fund	80

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81
Summary Schedule of Prior Year Audit Findings	83
Schedule of Findings and Questioned Costs	84

FEDERAL FINANCIAL ASSISTANCE

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On Schedule Of Expenditure Of Federal Awards Required By The Uniform Guidance	89
Schedule Of Expenditure Of Federal Awards	92
Notes to Schedule Of Expenditure OF Federal Awards	93
Exit Conference	94

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

OFFICIAL ROSTER

Administrative Officials

Alisha Tafoya Lucero	Secretary of Corrections
John Gay	Director of Adult Prisons Division
Brian Fitzgerald	Deputy General Counsel
Jerry Brinegar	Acting Director of Information Technology Division
Melanie Martinez	Director of Probation and Parole Division
Mike Nunley	Acting Director of Training Academy

Corrections Industries Commission

Jay Armijo	Vice Chairman
------------	---------------

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

List of Abbreviations

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



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

Independent Auditors' Report

Brian S. Colón, Esq.
New Mexico State Auditor
and
Alisha Tafoya Lucero, 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 and major special funds of the State of New Mexico Corrections Department (the Department), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2019, 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 the general fund and major special revenue funds of the Department as of June 30, 2019, 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 and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 22, 2019 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 22, 2019

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

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 \$26,139,556 for FY19: governmental net position increased by \$27,051,640 and the business-type net position decreased \$912,084. The increase includes a one-time sale of land and a one-time extra distribution by the land office of 26,385,226 and 7,562,921, respectively.

The Corrections Industries Division is classified as a business-type activity. For fiscal year (FY) 2019, the Corrections Industries Division had a decrease in net position of \$912,084. Operating revenues decreased by \$583,993 and operating expenses increased by \$324,352 over the prior period. The Corrections Industries Division discontinued some programs that had been implemented in FY17. These discontinued programs account for the majority of the decreases in the operating revenues and increases in expenses.

Total costs for all Department Programs were \$348,195,648. This consists of \$336,399,396 for the governmental activities and \$11,796,252 for the enterprise activities.

Accomplishments.

The Administrative Services Division (ASD) continues to organize itself to better align services and functions to provide greater oversight of daily operations in order to realize efficiencies. The NMCD use of technology continues to grow, requiring new and innovative solutions to be researched and implemented by the Information Technology Division (ITD). Cutting-edge video surveillance solutions have been implemented at the Adult Prisons and the Probation and Parole locations statewide. The ITD is in the implementation phase of a Commercial, Off-the-Shelf Offender Management System.

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

In FY19, five of the six public prisons experienced high correctional officer vacancies. Officer starting salaries were increased by 4.0 % as of July 1, 2019.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

The goal of the Health Services Bureau (HSB) is to assure that inmates receive constitutionally required health care that is consistent with the community standard. An RFP has been issued to obtain a contract with a health provider that would expand the existing partnerships with 340b covered entities in order to optimize pharmacy dollars. HSB is working closely with ITD to secure funding for the purchase and implementation of an electronic health records system.

The Department has assumed the responsibility of managing the facility In Clayton, NM. This facility was previously managed by a professional private vendor. The facility is being purchased and renovated to accommodate an additional 167 FTE for the 500 inmates housed at the facility.

The Probation and Parole Division (PPD) has trained a number of officers who supervise the sex offender population to use and understand the static 99 assessment. The PPD is collaborating with HSD in the use of NARCAN to aid in the emergency treatment of a known or suspected opioid overdose.

Corrections Industries (CI) has organized the Furniture Program and Central New Mexico Correctional Facility in Los Lunas, NM. In order to rejuvenate the program, CI has partnered with outside vendors to expand the furniture offerings to new markets. CI has also sought outside assistance in further expansion of the certification programs offered in the furniture program. Inmates will now receive certificates in upholstery, furniture construction, assembly, and customer service.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2019**

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.

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) and the Community Corrections Special Revenue 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

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 is 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.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2019**

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.

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
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	2018-2019
Current and Other Assets	\$ 54,281,773	\$ 79,879,805	\$ 4,208,845	\$ 3,113,795	\$ 58,490,618	\$ 82,993,600	41.89%
Capital and							
Non-Current Assets	25,028,998	30,016,376	888,199	700,554	25,917,197	30,716,930	18.52%
Total Assets	79,310,771	109,896,181	5,097,043	3,814,349	84,407,814	113,710,530	34.72%
Current Liabilities	35,381,653	38,915,443	1,052,148	681,537	36,433,801	39,596,980	8.68%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
Total Liabilities	35,381,653	38,915,443	1,052,148	681,537	36,433,801	39,596,980	8.68%
Net Position							
Investment in Capital Assets	25,028,998	30,016,376	888,199	700,554	25,917,197	30,716,930	18.52%
Restricted	18,183,512	37,051,636	3,156,696	2,432,258	21,340,208	39,483,894	85.02%
Unrestricted	716,608	3,912,726	-	-	716,608	3,912,726	446.01%
Total Net Position	\$ 43,929,118	\$ 70,980,738	\$ 4,044,895	\$ 3,132,812	\$ 47,974,013	\$ 74,113,549	54.49%

*** 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, 2019. Net position for Governmental Activities and Business-type Activities were \$70,980,738 and \$3,132,812 respectively. Total Department net position for fiscal year 2019 is \$74,113,551. 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 \$3,912,726 at the end of the fiscal year.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

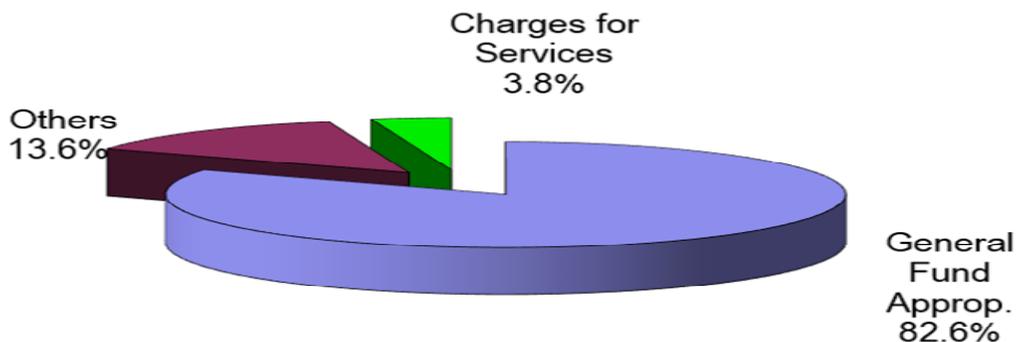
In the Business-type activities, the restricted amount of \$2,432,258 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019	2018-2019
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 3,504,030	\$ 3,415,733	\$ 11,318,187	\$ 10,734,194	\$ 14,822,217	\$ 14,149,927	-4.54%
Operating Grants & Contributions	1,071,826	1,604,384	-	-	1,071,826	1,604,384	49.69%
<u>General Revenues</u>							
<u>State General Fund</u>							
Appropriations, net of reversions	304,476,500	299,630,971	-	-	304,476,500	299,630,971	-1.59%
Others	19,380,344	57,288,672	307,331	149,974	19,687,675	57,438,646	
Transfers - Internal Activities	-	-	-	-	-	-	0.00%
Total Revenues	328,432,700	361,939,760	11,625,518	10,884,168	340,058,218	372,823,928	9.64%
Expenses							
Public Safety - Corrections	325,055,526	336,399,416	11,471,900	11,796,252	336,527,426	348,195,668	3.47%
Increase (Decrease) in Net Position	3,377,174	25,540,344	153,618	(912,084)	3,530,792	24,628,260	597.53%
Beginning Net Position	40,551,944	43,929,118	3,891,279	4,044,897	44,443,223	47,974,015	7.94%
Prior Period Adjustment	-	1,511,276	-	-	-	1,511,276	
Beginning Net Position Restated	40,551,944	45,440,394	3,891,279	4,044,897	44,443,223	49,485,291	
Ending Net Position	\$ 43,929,118	\$ 70,980,738	\$ 4,044,897	\$ 3,132,813	\$ 47,974,015	\$ 74,113,551	54.49%

Changes in Net Position: The Department's change in net position for the governmental activities in fiscal year 2019 increased by \$25,540,344. (See Table A-2). A significant portion, 82.6%, of the Department's revenue comes from State General Fund Appropriations, 3.8% comes from charges for services, and 13.6% comes from other revenue sources. (See figure A-1)

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



**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 MANAGEMENT’S DISCUSSION AND ANALYSIS
 June 30, 2019**

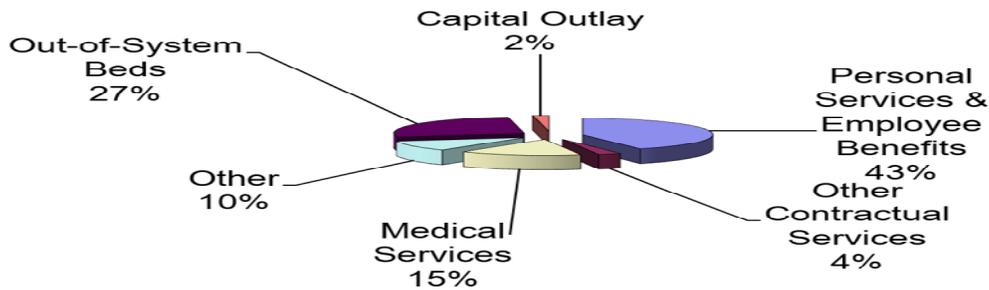
Functional Expenses for Fiscal Year 2019

Business-Type Activities

Program revenues of the Department’s business-type activity (Corrections Industries) decreased from \$11,318,187 to \$10,734,194 and expenses increased by approximately 2.8% percent from \$11,471,900 to \$11,796,252

Governmental Funds

Figure A-2



The Department’s total expenditures for government-type funds during the fiscal year were \$336.3 million. Approximately half (43%) 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 (37%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 2019 approximately 27% was for the housing male inmates in contract prisons, and the remaining 10% was for the other operating costs.

Expenditures in the contractual services category accounted for 19% of the Department’s expenditures, with approximately 15% of these expenditures directly related to medical services for inmates and about 4% are related to other contractual services. About two 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 \$9,764,382 was due to an increase in Salaries and Benefits, inmate costs and facility maintenance.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Fund Balance

The Department, in its governmental funds, reported a combined fund balance of approximately \$71.0 million, approximately \$27.1 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 2019, the Department invested a total of \$30.1 million in governmental-type activities and \$0.7 million in business-type activities for a total amount of \$30.8 million in a variety of capital assets. This amount represents an overall net increase (including additions and deletions) of \$4.9 million (18.9%) from the prior fiscal year. Accumulated depreciation increased by \$3.4 million (7.1%) over the prior period.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Table A-3
Department's Capital Assets
Dollars in Millions

	Governmental		Business-type		Total		Total % Change 2018 - 2019	
	Activities		Activities					
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019		
Buildings and Improvements	36.6	37.2	1.1	1.1	37.7	38.3	1.57%	0.59
Improvements other than Buildings	4.0	4.1	-	-	4.0	4.1	1.63%	0.07
Machinery and Equipment	24.3	31.1	2.2	2.1	26.5	33.3	25.48%	6.76
Automotive	3.5	4.4	1.1	1.1	4.6	5.5	18.79%	0.87
Depreciation	(43.4)	(46.6)	(3.5)	(3.7)	(46.9)	(50.3)	7.10%	(3.33)
	25.0	30.1	0.9	0.7	25.9	30.8	19.12%	4.95

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 2019. 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) 20 operating budget was increased by 5.7 percent or \$19.2 million to \$358.5 million, from the FY19 operating budget. The increase is to support salary increases for all employees' statewide, 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 special appropriations of \$14.3 million in FY18 and FY19, to support overtime costs for custody staff in the public facilities, radio replacement charges, body scanners, improvements at correctional facilities statewide and the continuation of the commercial off-the-shelf offender management system. NMCD received an extension of the appropriation in the 2019 legislative session, and will expend the remaining balance of \$8.1 million in FY20 for the same basic purposes.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

In FY19, the New Mexico prison population remained consistent with the FY18 count. Per the New Mexico Sentencing Commission, the Department's high population in FY19 was 7,433, which was an increase in population of 20 from the FY18 high count of 7,413. The New Mexico Sentencing Commission estimates New Mexico's total inmate population will decrease in FY20 to 7,294 and projects growth at an average rate of one-half percent per year from FY19 to FY29. With the current rate of growth, the estimates show that New Mexico will have an inmate population of 7,830 by the end of FY29, which is a 5.3 percent increase over the current level.

For FY19, the Department had an actual general fund base increase of \$8.2 million, or 2.8%; 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 requested a total budget of \$356.6 million from all funding sources for FY20, which is a 5.4 percent increase from FY19 operating budget. The general fund request was \$323.4 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 \$358.5 million, which includes \$4.3 million for "across-the-board" salary increases. 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 FY19 as well as FY20. 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.

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

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Petty cash	\$ 1,850	1,820	\$ 3,670
Investment, state treasurer	76,153,338	1,566,957	77,720,295
Receivables, net	202,419	710,859	913,278
Federal grants receivable	5,795	-	5,795
Other receivables	23,377	-	23,377
Due from other agencies	10,916	-	10,916
Inventories	3,481,331	834,159	4,315,490
Prepaid expenses	779	-	779
Total current assets	<u>79,879,805</u>	<u>3,113,795</u>	<u>82,993,600</u>
Capital Assets			
Buildings	37,191,568	1,141,450	38,333,018
Improvements other than buildings	4,065,380	-	4,065,380
Machinery and equipment	31,092,319	2,139,625	33,231,944
Automotive	4,278,917	1,085,642	5,364,559
Less accumulated depreciation	(46,611,808)	(3,666,161)	(50,277,969)
	<u>30,016,376</u>	<u>700,556</u>	<u>30,716,932</u>
Total assets	<u>\$ 109,896,181</u>	<u>3,814,351</u>	<u>\$ 113,710,532</u>
LIABILITIES			
Accounts payable	\$ 1,798,434	457,948	\$ 2,256,382
Vouchers payable	26,130,151	-	26,130,151
Payroll benefits payable	2,076,940	23,243	2,100,183
Payroll taxes payable	692,998	6,845	699,843
Accrued wages payable	2,931,497	24,667	2,956,164
Compensated absences payable:			
Expected to be paid within one year	5,253,354	73,140	5,326,494
Receipts held in suspense	634	-	634
Due to local government	-	85,695	85,695
Unearned revenue	15,929	10,000	25,929
Other liabilities	15,506	-	15,506
Total Liabilities	<u>38,915,443</u>	<u>681,538</u>	<u>39,596,981</u>
NET POSITION			
Investment in capital assets	30,016,376	700,556	30,716,932
Restricted for			
Subsequent years expenditures	37,051,636	2,432,257	39,483,893
Unrestricted	3,912,726	-	3,912,726
Total net position	<u>\$ 70,980,738</u>	<u>3,132,813</u>	<u>\$ 74,113,551</u>
Total liabilities and net position	<u>109,896,181</u>	<u>3,814,351</u>	<u>113,710,532</u>

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, 2019**

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Public safety-corrections	\$ 336,399,416	-	\$ 336,399,416
Corrections industries	-	11,796,252	11,796,252
	<u>336,399,416</u>	<u>11,796,252</u>	<u>348,195,668</u>
PROGRAM REVENUES			
Charges for services	3,415,733	10,734,194	14,149,927
Operating grants & contributions	1,604,384	-	1,604,384
	<u>5,020,117</u>	<u>10,734,194</u>	<u>15,754,311</u>
CHANGES IN NET POSITION			
Net program (expenses)	(331,379,299)	(1,062,058)	(332,441,357)
GENERAL REVENUES			
General fund appropriation	300,148,800	-	300,148,800
Inter-agency transfer-in	217,218	-	217,218
STB proceeds	47,065	-	47,065
Reversions to the state general fund	(568,138)	-	(568,138)
Other revenue	22,793,627	36,628	22,830,255
Unrestricted investment earnings	34,281,071	113,346	34,394,417
Total general revenue and transfers	<u>356,919,643</u>	<u>149,974</u>	<u>357,069,617</u>
Change in net position	25,540,344	(912,084)	24,628,260
Net Position			
Net position- beginning of year as previously stated	43,929,118	4,044,897	47,974,015
Restatement (See note 16)	<u>1,511,276</u>	<u>-</u>	<u>1,511,276</u>
Net position beginning of year, as restated	<u>45,440,394</u>	<u>4,044,897</u>	<u>49,485,291</u>
Net position ending	<u>\$ 70,980,738</u>	<u>3,132,813</u>	<u>\$ 74,113,551</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2019**

	General Fund	Other Governmental Funds	Total
ASSETS			
Investment, state treasurer	\$ 74,501,931	1,651,407	\$ 76,153,338
Petty cash	1,850	-	1,850
Receivables, net of allowance for doubtful accounts	202,419	-	202,419
Federal grants receivable	5,795	-	5,795
Other receivables	23,377	-	23,377
Due from other agencies	10,916	-	10,916
Inventories	3,481,331	-	3,481,331
Prepaid expenses	779	-	779
Total assets	<u>\$ 78,228,398</u>	<u>1,651,407</u>	<u>\$ 79,879,805</u>
LIABILITIES			
Accounts payable	\$ 1,798,434	-	\$ 1,798,434
Vouchers payable	25,442,677	687,474	26,130,151
Payroll benefits payable	2,065,563	11,377	2,076,940
Payroll taxes payable	688,038	4,960	692,998
Accrued wages payable	2,917,154	14,343	2,931,497
Unearned revenues	15,929	-	15,929
Receipts held in suspense	634	-	634
Other liabilities	15,506	-	15,506
Total liabilities	<u>32,943,935</u>	<u>718,154</u>	<u>33,662,089</u>
FUND BALANCES			
Reserved for:			
Nonspendable	3,483,960	-	3,483,960
Restricted	36,118,383	933,253	37,051,636
Unassigned	5,682,120	-	5,682,120
Total fund balance	<u>45,284,463</u>	<u>933,253</u>	<u>46,217,716</u>
Total liabilities and fund balance	<u>\$ 78,228,398</u>	<u>1,651,407</u>	<u>\$ 79,879,805</u>

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 TO
THE STATEMENT OF NET POSITION
June 30, 2019**

Total Fund Balance - Governmental Fund
(Governmental Fund Balance Sheet) \$ 46,217,716

Amounts reported for governmental 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	\$ 37,191,568	
Improvements other than buildings	4,065,380	
Machinery and equipment	31,092,319	
Automotive	4,278,917	
Accumulated depreciation	<u>(46,611,808)</u>	
Total capital assets		30,016,376

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

Compensated absences payable	<u>(5,253,354)</u>
Net position of governmental activities (total net position of governmental activities)	<u>\$ 70,980,738</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, 2019**

	General Fund	Other Governmental Funds	Total
REVENUE			
Charges for services	\$ 2,621,815	33,310	\$ 2,655,125
Intergovernmental	759,326	-	759,326
Institutional sales	760,608	-	760,608
Investment earning	34,281,071	-	34,281,071
Miscellaneous	22,743,318	-	22,743,318
Federal grants and contributions	845,058	-	845,058
Total revenue	<u>62,011,196</u>	<u>33,310</u>	<u>62,044,506</u>
EXPENDITURES, CURRENT			
Personal services & employee benefits	144,406,318	808,125	145,214,443
Contractual services	54,056,611	6,904,633	60,961,244
Other	126,607,383	180,389	126,787,772
Expenditures, capital outlay	5,186,041	1,637,546	6,823,587
Total expenditures	<u>330,256,353</u>	<u>9,530,693</u>	<u>339,787,046</u>
Excess (deficiency) revenues over expenditures	<u>(268,245,157)</u>	<u>(9,497,383)</u>	<u>(277,742,540)</u>
OTHER FINANCINE SOURCES (USES)			
State general fund appropriations	292,624,700	7,524,100	300,148,800
Inter-agency transfer-in	217,218	-	217,218
Inter-agency transfer-out	-	-	-
STB proceeds	-	47,065	47,065
Other revenue	-	50,309	50,309
Reversions to state general fund	(568,138)	-	(568,138)
Net other financing sources (uses)	<u>292,273,780</u>	<u>7,621,474</u>	<u>299,895,254</u>
Net changes in fund balance	24,028,623	(1,875,909)	22,152,714
Fund balance, beginning of year	<u>21,255,840</u>	<u>2,809,162</u>	<u>24,065,002</u>
Fund balance, end of year	<u>\$ 45,284,463</u>	<u>933,253</u>	<u>\$ 46,217,716</u>

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 TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Net change in fund balances - Total Government Funds
(Statement of Revenue, Expenditures and Changes in Fund Balance) \$ 22,152,714

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	\$	(88,472)
----------------------	----	----------

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	6,823,587	
Net transfers	(93,442)	
Depreciation Expense	<u>(3,254,043)</u>	
Excess of depreciation expense over capital outlay		3,476,102

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:

Change in net position of governmental activities (statement of activities)	\$ <u>25,540,344</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 BALANCE
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUE				
Other state funds	\$ 3,914,600	12,054,747	37,872,119	\$ 25,817,372
Federal funds	-	656,930	471,252	(185,678)
Total revenue	3,914,600	12,711,677	38,343,371	25,631,694
EXPENDITURES, CURRENT				
Personal services & employee benefits	144,001,300	148,277,796	144,406,319	3,871,477
Contractual services	53,214,800	59,650,269	54,056,611	5,593,658
Other	122,908,000	130,799,628	126,607,382	4,192,246
Expenditures, capital outlay	-	5,186,041	5,186,041	-
Total expenditures	320,124,100	343,913,734	330,256,353	13,657,381
Excess (deficiency) revenues over expenditures	(316,209,500)	(331,202,057)	(291,912,982)	39,289,075
OTHER FINANCING SOURCES (USES)				
State general fund appropriations	297,895,500	300,948,100	300,948,100	-
Inter-agency transfer-in	17,646,000	18,021,513	15,520,774	(2,500,739)
Budgeted fund balance	668,000	12,232,444	-	(12,232,444)
Operating transfers-out	-	-	-	-
Miscellaneous	-	-	40,869	40,869
Reversions to state general fund	-	-	(568,138)	(568,138)
Net other financing sources (Uses)	316,209,500	331,202,057	315,941,605	(15,260,452)
Net Changes in Fund Balance	-	-	24,028,623	24,028,623
Fund balance, beginning of year			21,255,840	
Fund balance, end of year			\$ 45,284,463	

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, 2019**

ASSETS

Investment, state treasurer	\$	1,566,957
Petty cash		1,820
Receivables, net of allowance for doubtful accounts		710,859
Inventories		834,159
Total current assets		<u>3,113,795</u>
Capital Assets		
Machinery and equipment		2,139,625
Buildings and improvements		1,141,450
Automotive		1,085,642
Less accumulated depreciation		(3,666,161)
Total noncurrent assets		<u>700,556</u>
Total assets	\$	<u><u>3,814,351</u></u>

LIABILITIES

Vouchers and accounts payable	\$	457,948
Payroll benefits payable		23,243
Payroll taxes payable		6,845
Accrued wages payable		24,667
Compensated absences payable		73,140
Unearned revenue		10,000
Due to Local Government		85,695
Total liabilities		<u>681,538</u>

NET POSITION

Net investment in Capital Assets		700,556
Restricted Net Position		2,432,257
Total Net Position		<u>3,132,813</u>
Total liabilities and fund balance	\$	<u><u>3,814,351</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, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2019**

OPERATING REVENUES

Sales	\$ 10,734,194
-------	---------------

OPERATING EXPENSES

Costs of goods sold:

Cost of materials used	8,631,136
Direct labor (inmate payroll)	165,911
Manufacturing and administrative overhead	2,823,672
Change in work in process and finished goods inventory, net	29,282
Depreciation expense	146,251

Total operating expenses	<u>11,796,252</u>
---------------------------------	-------------------

OPERATING INCOME (LOSS)	(1,062,058)
--------------------------------	-------------

NONOPERATING REVENUE (EXPENSE)

Interest on deposits with state treasurer	35,978
Inkind revenue	650
Miscellaneous income	113,346

Total nonoperating revenue (expense)	<u>149,974</u>
---	----------------

CHANGE IN NET POSITION	(912,084)
-------------------------------	-----------

Total net position, beginning of year	<u>4,044,897</u>
--	------------------

Total net position, end of year	<u><u>\$ 3,132,813</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 CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2019**

Cash Flows from Operating Activities:	
Cash received from customers	\$ 12,011,379
Cash payments to suppliers for goods and services	(10,082,075)
Cash payments to employees and inmates	(1,599,205)
Cash payments to inmates for services	(165,911)
Net cash Used by Operating activities	<u>164,188</u>
Cash Flows from Investing Activities	
Interest income	35,978
Miscellaneous income	155,820
Net Cash Provided by Investing Activities	<u>191,798</u>
Net increase in agency interest in SGFIP	355,986
Investments, state treasurer at beginning of year	1,210,971
Investments, state treasurer at end of year	<u>\$ 1,566,957</u>
Reconciliation of Operating loss to Net Cash Used by Operating Activities:	
Operating Income (Loss)	(1,062,058)
Adjustments to Reconciliation Operating loss to Net Cash Used by Operating Activities:	
Depreciation	146,251
Changes in Assets and Liabilities:	
Accounts receivable	1,277,185
Inventories	172,854
Accounts payable	(448,199)
Prepays	566
Compensated absences payable	(6,079)
Accrued wages payable	(2,220)
Payroll taxes payable	193
Other liabilities	85,695
Total adjustments and changes	<u>1,226,246</u>
Net cash used by operating activities	<u>\$ 164,188</u>

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

AGENCY FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
 AGENCY FUND
 June 30, 2019**

	<u>Inmate Trust Account</u>
ASSETS	
Cash	\$ 2,111,792
Due from others	1,057,952
Total assets	<u>\$ 3,169,744</u>
LIABILITIES	
	\$
Due to others	1,102,641
Deposits held for others	2,067,103
Total liabilities	<u>\$ 3,169,744</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, 2019**

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 7,266 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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)

Information Technology Division (Continued)

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 - 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)

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.

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 15 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

The governmental fund statements are presented on the current financial resource's 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 government-wide presentation.

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.

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

General Fund (Continued)

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.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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 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."

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Enterprise Fund (Continued)

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.

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.

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual (Continued)

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.

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."

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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.

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.

**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Assets, Liabilities and Fund Balance

Deposits and Investments

At year end, the carrying amount of the Department's Agency fund deposits was \$2,111,792 and the bank balance was \$2,130,825. The difference represents outstanding checks, deposits, and other reconciling items. In addition, there was \$3,670 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.

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, 2019.

New Mexico State Treasurer's Office	<u>Fair Value</u>
General Fund Investment Pool	<u>\$ 78,241,368</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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Deposits and Investments (Continued)

Credit Risk: The New Mexico State Treasurer's Office pool is not rated.

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, 2019 are \$142,573 and \$254,048, respectively. In fiscal year 2019, the amount of allowance for financial statement purposes is listed below.

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts receivable	\$ 344,992	964,907	\$ 1,309,899
Less: Allowance for doubtful accounts	(142,573)	(254,048)	(396,621)
Total investments	<u>\$ 202,419</u>	<u>710,859</u>	<u>\$ 913,278</u>

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.

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)

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Due to/ Due from Other State Agencies (Continued)

other items required to be accrued from other agencies per GAAP. There are no Interagency Receivables, or Payables as of June 30, 2019.

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 \$3,481,331 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:

	Fair Value
Raw materials	\$ 248,298
Work in progress	52,563
Finished goods	533,298
Total inventory	\$ 834,159

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.

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

**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Capital Assets (Continued)

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
Improvements other than buildings	20 years
Machinery and equipment & other personal property	12 years
Software	3 to 7 years
Furniture and Fixtures	10 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 2019. The Department has one internally generated intangible asset (software), which is capitalized.

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.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Compensated Absences (Continued)

Compensatory time may be granted by to individuals when overtime is needed. FLSA Covered and Exempt may accrue up to 240 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.

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. Pursuant to the 'Addenda to Accounting Policy Statement Four - Custodial Funds' issued by the State Controller on July 14, 2017, the reversion to State General Fund was treated as a cash transaction as of June 30th, rather than recording the amount as a liability as of June 30th, which was the practice in prior years. Current year reversion amounted to \$568,138 transferred to SHARE Fund 85300. Hence, there were no amounts due at June 30, 2019.

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).

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Non-Reverting Funds (Continued)

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.

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.

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 are established in Community Corrections Vendor run program code P534. [Section 33-9-3 NMSA 1978]

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]

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Non-Reverting Funds (Continued)

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 and 33-2-2 NMSA 1978]

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]

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.

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, 2019.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Deferred Inflows/Outflows (Continued)

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, 2019.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$74,113,571 of which \$39,483,893 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".

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

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, 2019, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total amount on deposit	\$ 2,111,192
Less: amount covered by FDIC	(250,000)
	<hr/>
Total uninsured funds	1,861,192
Amount requiring collateral (50%)	\$ 930,596
	<hr/> <hr/>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3: CASH (CONTINUED)

Pledged Collateral (Continued)
Custodial Credit Risk (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.

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 6/30/19</u>	<u>Bank Balance at 6/30/19</u>
General Fund:							
NM State Treasurer	General Operating	General	90700	State Treasury	No	\$ 71,867,192	72,435,330
NM State Treasurer	Probation and Parole	General	91500	State Treasury	No	2,634,739	2,634,739
NM State Treasurer	Probation and Parole	General	93100	State Treasury	No	-	-
N/A Various	General		N/A	Petty Cash	No	1,850	-
Total general fund						<u>\$ 74,503,781</u>	<u>75,070,069</u>
Special Revenue Funds:							
NM State Treasurer	General Operating	General	90200	State Treasury	No	\$ 1,631,879	1,631,879
Capital Project Funds:							
NM State Treasurer	General Operating	General	89200	State Treasury	No	\$ 19,528	(27,537)
Enterprise Funds:							
NM State Treasurer	Correction Industries	Enterprise	7700	State Treasury	Yes	\$ 1,566,957	1,566,957
N/A	Various	Enterprise	N/A	Petty Cash	No	1,820	-
Total enterprise fund						<u>\$ 1,568,777</u>	<u>1,566,957</u>
Total						<u>\$ 77,723,965</u>	<u>78,241,368</u>

Cash Reconciliation

Bank Balance	\$ 78,241,368
Reversion	(568,138)
Deposit in Transit	47,065
Petty Cash	3,670
Book Balance	<u>\$ 77,723,965</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 3: CASH (CONTINUED)

Schedule of Deposit Accounts held at Wells Fargo Bank

Name of Depository	Account Name	Fund Type	Fund No. of Account	Interest Bearing	Book	Bank
					Balance at 6/30/19	Balance at 6/30/19
Wells Fargo Bank	Analyzed Business Checking - PF	Agency	55700	No	\$ 2,111,792	\$ 2,111,192

As of June 30, 2019, there is an unreconciled balance difference of \$600. See Finding 2018-001

NOTE 4. 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, 2019 the value of the State Permanent Fund investments held for the benefit of the Department was \$333,340,992 at market. Related investment income for the year then ended was \$13,587,051.

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 \$135,318,998 at June 30, 2019. Related investment income from the trust for the year then ended was \$791,998.

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, 2019 the Enterprise Fund incurred \$165,911 in inmate wages expense

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 5. CAPITAL ASSETS

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

	Balance, June 30, 2018	Additions	Deletions	Transfers	Balance, June 30, 2019
Governmental-Type Activities					
Buildings and improvements	\$ 36,610,086	575,481	-	6,001	\$ 37,191,568
Improvements other than buildings	3,991,383	73,997	-	-	4,065,380
Machinery and equipment	24,377,683	6,766,662	46,025	(6,001)	31,092,319
Automotive	3,453,636	918,723	-	(93,442)	4,278,917
Total capital assets at historical cost	68,432,788	8,334,863	46,025	(93,442)	76,628,184
Less: Accumulated Depreciation					
Buildings and improvements	20,497,133	1,353,202	-	(61,193)	21,789,142
Improvements other than buildings	1,817,507	174,422	-	-	1,991,929
Machinery and equipment	18,446,697	1,474,768	46,025	61,193	19,936,633
Automotive	2,642,453	251,651	-	-	2,894,104
Total accumulated depreciation	43,403,790	3,254,043	46,025	-	46,611,808
Governmental activities capital assets, net	\$ 25,028,998	5,080,820	-	(93,442)	\$ 30,016,376
Business-Type Activities					
Buildings and improvements	\$ 1,141,450	-	-	-	\$ 1,141,450
Machinery and equipment	2,206,601	-	66,976	-	2,139,625
Automotive	1,085,642	-	-	-	1,085,642
Total capital assets at historical cost	4,433,693	-	66,976	-	4,366,717
Less: Accumulated Depreciation					
Buildings and improvements	913,057	7,226	-	-	920,283
Machinery and equipment	1,694,538	63,517	25,581	-	1,732,474
Automotive	937,897	75,507	-	-	1,013,404
Total accumulated depreciation	3,545,492	146,250	25,581	-	3,666,161
Business-type activities capital assets, net	\$ 888,201	(146,250)	41,395	-	\$ 700,556

Depreciation expense for the current year is \$3,254,043 and \$146,250 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.

**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019**

NOTE 5. CAPITAL ASSETS (CONTINUED)

Capital Outlay

During the year, the Department purchased and transferred certain assets to General Services Department (GSD), since the purchase passed through the Department, it created a variance between the automotive category net additions and capital outlay in the amount of \$93,442. In addition, certain capital expenditures that were improperly classified as general expenditure in FY 2018 and adjustments were made to capitalize the expenditures in FY 2019. This created an additional variance of \$1,511,276 between capital asset additions and capital outlay in the current year; this adjustment made resulted in a restatement of fund balance. The following schedule reconciles capital outlay to additions as follow:

Capital Outlay Reconciliation - Fund 90700:

Capital Outlay	\$ <u>6,823,587</u>
<i>Capital asset additions :</i>	8,334,863
Adjustment to fund balance	<u>(1,511,276)</u>
	6,823,587
Transfers to GSD	<u>(93,442)</u>
Net Capital additions	\$ <u>6,730,145</u>

NOTE 6. 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, 2019, 2018, and 2017 were \$17,527,103, \$18,550,929 and \$18,140,450, 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. 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) 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.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 7. RETIREE HEALTH CARE (CONTINUED)

Funding Policy (Continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (correctional officers), during the fiscal year ended June 30, 2019, 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, 2019, 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, 2019, 2018, and 2017 were \$1,856,259, \$1,780,256, and \$1,985,895, respectively, which equal the required contributions for each year.

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, 2019.

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, 2019 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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:

<u>Year</u>	<u>Amount</u>
2020	\$ 2,522,008
2021	2,207,309
2022	2,063,949
2023	1,772,883
2024	<u>627,684</u>
Total Minimum Lease Payments	<u><u>\$ 9,193,833</u></u>

During the year ended June 30, 2019, general fund and enterprise fund operating lease expenditures for facilities, vehicles, and equipment totaled \$5,178,849 and \$32,028 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:

<u>Year</u>	<u>Amount</u>
2020	\$ 125,976
2021	20,996
2022	-
2023	-
2024	<u>-</u>
Total Minimum Lease Revenue	<u><u>\$ 146,972</u></u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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	\$ 3,806,436	4,437,468	(4,301,121)	\$ 3,942,783
Compensatory leave	1,265,943	431,688	(487,807)	1,209,824
Sick leave	92,503	3,590,545	(3,582,302)	100,747
Total short-term liabilities	\$ 5,164,882	8,459,701	(8,371,229)	\$ 5,253,354

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

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual leave	\$ 71,167	46,575	(54,930)	\$ 62,812
Compensatory leave	8,052	18,797	(16,600)	10,249
Sick leave	-	48,390	(48,310)	79
Total short-term liabilities	\$ 79,219	113,761	(119,840)	\$ 73,140

The estimated amount expected to be paid for Compensated Absences related to government-type activities within one year is \$5,253,354 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 \$73,140 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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 \$1,500,000 to \$4,510,000 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	\$ 7,524,100	\$ -
SHARE System Fund 90700	34101-85300	269,224,400	-
SHARE System Fund 91500	34101-85300	23,400,300	-
Total State General Fund Appropriations		\$ 300,148,800	\$ -
<i>Inter-Agency Transfer</i>			
SHARE System Fund 90700	35000-35703	\$ 200,000	\$ -
SHARE System Fund 90700	35000-36503	-	-
SHARE System Fund 90700	95000-10990	17,218	-
Total Inter-Agency Transfer		\$ 217,218	\$ -
<i>State General Fund Reversions</i>			
SHARE System Fund 90700	34101-85300	\$ -	\$ 568,138
Total Inter-Agency Transfer		\$ -	\$ 568,138

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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, 2019:

General Funds	
General Operating Fund (90700)	\$ 34,333,047
Probation and Parole Fund (91500)	1,785,336
Capital Outlay Fund (90200)	1,771
Community Corrections Special Revenue Fund (90200)	931,482
Total	<u><u>\$ 37,051,636</u></u>

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 \$3,483,960 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, 2019**

NOTE 13. JPA DISCLOSURE

The Department was a party to the following Joint Power Agreements during fiscal year 2019:

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 2019: \$200,000
- 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 2019: -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 2019: -0-
- Audit Responsibility: EMNRD

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13. JPA DISCLOSURE (CONTINUED)

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 2019: -0-
- Audit Responsibility: EMNRD
- Revenue: \$219,372.08

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 2019: -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 2019: -0-
- Audit Responsibility: City of Las Cruces
- Revenue: \$283,586.64

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 13. JPA DISCLOSURE (CONTINUED)

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 2019: -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 2019: -0-
- Audit Responsibility: NMCD

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 2019: -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 2019: -0-
- Audit Responsibility: NMCD
- Revenue: \$65,756

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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 Fifth 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 22, 2019 which is the date the financial statements have been issued and has determined no events require disclosure or adjustment to the financial statements.

NOTE 16. PRIOR PERIOD ADJUSTMENT

The Department has restated net position due to an error in classification of capital expenditure. The Department has a medical contract, in which the contractor is allowed to purchase capital assets for their use in order to provide services to the inmates on the behalf of the Department. However, during reimbursement, purchases of capital assets were classified as regular invoice payments under contractual services rather than capital expenditures. In current year the Department has reclassified the expenditure and booked the additions in the current year. As a result, the capital asset additions increased by \$1,511,276 in the current year. The June 30, 2018 Government activities has been restated to reflect an increase to the ending net position from \$43,929,118 to \$45,440,394.

NOTE 17. RECENT GASB PRONOUNCEMENTS

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Earlier application is encouraged. This statement is not applicable to the NMCD.

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

NOTE 17. RECENT GASB PRONOUNCEMENTS (CONTINUED)

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.

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING BALANCE SHEET
GENERAL FUND TYPES
June 30, 2019**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Capital Outlay Fund 93100	Total
ASSETS				
Investment, state treasurer	\$ 71,867,192	2,634,739	-	\$ 74,501,931
Petty cash	1,850	-	-	1,850
Receivables, net of allowance for doubtful accounts	199,015	3,404	-	202,419
Federal grants receivable	5,795	-	-	5,795
Other receivables	21,680	1,697	-	23,377
Due from Other Agencies	10,916	-	-	10,916
Inventories	3,318,148	163,183	-	3,481,331
Prepaid items	779	-	-	779
Total assets	\$ 75,425,375	2,803,023	-	\$ 78,228,398
LIABILITIES				
Accounts payable	\$ 1,796,874	1,560	-	\$ 1,798,434
Vouches payable	25,298,935	143,742	-	25,442,677
Payroll benefits payable	1,799,212	266,351	-	2,065,563
Payroll taxes payable	575,226	112,812	-	688,038
Accrued wages payable	2,593,881	323,273	-	2,917,154
Stale Dated Warrants- Due to SGF	(77)	77	-	-
Unearned revenues	15,929	-	-	15,929
Receipts held in suspense	634	-	-	634
Other liabilities	8,817	6,689	-	15,506
Total liabilities	32,089,431	854,504	-	32,943,935
FUND BALANCES				
Reserved for:				
Nonspendable	3,320,777	163,183	-	3,483,960
Restricted	34,333,047	1,785,336	-	36,118,383
Unassigned	5,682,120	-	-	5,682,120
Total fund balance	43,335,944	1,948,519	-	45,284,463
Total liabilities and fund balance	\$ 75,425,375	2,803,023	-	\$ 78,228,398

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 - GENERAL FUND TYPES
Year Ended June 30, 2019**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Capital Outlay Fund 93100	Total
Revenue				
Other state funds	57,565,406	3,600,732	-	61,166,138
Federal funds	\$ 845,058	-	-	\$ 845,058
Total revenue	<u>58,410,464</u>	<u>3,600,732</u>	<u>-</u>	<u>62,011,196</u>
Expenditures, Current				
Personal services & employee benefits	125,128,519	19,277,799	-	144,406,318
Contractual services	54,056,611	-	-	54,056,611
Other	120,251,989	6,355,394	-	126,607,383
Expenditures, capital outlay	3,022,974	1,283,067	880,000	5,186,041
Total expenditures	<u>302,460,093</u>	<u>26,916,260</u>	<u>880,000</u>	<u>330,256,353</u>
Excess (deficiency) revenues over expenditures	<u>(244,049,629)</u>	<u>(23,315,528)</u>	<u>(880,000)</u>	<u>(268,245,157)</u>
Other Financing Sources (Uses)				
General fund appropriation	269,224,400	23,400,300	-	292,624,700
Operating transfer-in	217,218	-	-	217,218
Operating Transfers-Out	-	-	-	-
Reversions to state general fund	(568,138)	-	-	(568,138)
Net other financing sources(uses)	<u>268,873,480</u>	<u>23,400,300</u>	<u>-</u>	<u>292,273,780</u>
Net changes in fund balance	24,823,851	84,772	(880,000)	24,028,623
Fund balance, beginning of year	<u>18,512,093</u>	<u>1,863,747</u>	<u>880,000</u>	<u>21,255,840</u>
Fund balance, end of year	<u>\$ 43,335,944</u>	<u>1,948,519</u>	<u>-</u>	<u>\$ 45,284,463</u>

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-GENERAL OPERATING FUND
SHARE SYSTEM FUND 90700
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 273,893,300	276,429,400	276,429,400	\$ -
Other state funds	1,414,600	9,554,747	35,397,227	25,842,480
Inter-agency transfers	17,646,000	18,021,513	15,520,774	(2,500,739)
Miscellaneous			33,429	33,429
Federal funds		656,930	471,252	(185,678)
Total revenue	<u>292,953,900</u>	<u>304,662,590</u>	<u>327,852,082</u>	<u>23,189,492</u>
 Budgeted fund balance	 <u>611,600</u>	 <u>10,117,075</u>	 <u>8,132,413</u>	 <u>(1,984,662)</u>
 Total budgeted revenues	 \$ <u>293,565,500</u>	 <u>314,779,665</u>	 <u>335,984,495</u>	 \$ <u>21,204,830</u>
 Expenditures				
Personal services & employee benefits	123,736,800	128,013,296	125,128,519	2,884,777
Contractual services	53,214,800	59,650,269	54,056,611	5,593,658
Other	116,613,900	127,116,100	123,274,963	3,841,137
Reversions	-	-	568,138	(568,138)
Total budgeted expenditures	\$ <u>293,565,500</u>	<u>314,779,665</u>	<u>303,028,231</u>	\$ <u>11,751,434</u>

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 - PROBATION AND PAROLE
GENERAL OPERATING FUND
SHARE SYSTEM FUND 91500
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 24,002,200	\$ 24,518,700	\$ 24,518,700	\$ -
Other state funds	2,500,000	2,500,000	2,474,892	(25,108)
Inter-agency transfers	-	-	-	-
Miscellaneous	-	-	7,440	7,440
Federal funds	-	-	-	-
Total revenue	<u>26,502,200</u>	<u>27,018,700</u>	<u>27,001,032</u>	<u>(17,668)</u>
Budgeted fund balance	<u>56,400</u>	<u>1,235,369</u>	<u>-</u>	<u>(1,235,369)</u>
Total budgeted revenues	<u>\$ 26,558,600</u>	<u>28,254,069</u>	<u>27,001,032</u>	<u>\$ (1,253,037)</u>
Expenditures				
Personal services & employee benefits	20,264,500	20,264,500	19,277,800	986,700
Contractual services	-	-	-	-
Other	6,294,100	7,989,569	7,638,460	351,109
Reversions	-	-	-	-
Total budgeted expenditures	<u>\$ 26,558,600</u>	<u>28,254,069</u>	<u>26,916,260</u>	<u>\$ 1,337,809</u>

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 – CAPITAL OUTLAY
SHARE SYSTEM FUND 93100
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ -		\$ -	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Miscellaneous	-	-	-	-
Federal funds	-	-	-	-
Total revenue	-	-	-	-
Budgeted fund balance	-	880,000	880,000	-
Total budgeted revenues	\$ -	880,000	880,000	\$ -
Expenditures				
Personal services & employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	880,000	880,000	-
Reversions	-	-	-	-
Total budgeted expenditures	\$ -	880,000	880,000	\$ -

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 - PROGRAM SUPPORT-P530
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 12,544,200	12,239,200	12,239,200	\$ -
Other state funds	154,800	164,800	246,941	82,141
Inter-agency transfers	200,000	200,000	200,000	-
Miscellaneous	-	-	5,884	5,884
Federal funds	-	234,655	55,090	(179,565)
Total revenue	<u>12,899,000</u>	<u>12,838,655</u>	<u>12,747,115</u>	<u>(91,540)</u>
Budgeted fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total budgeted revenues	<u>\$ 12,899,000</u>	<u>12,838,655</u>	<u>12,747,115</u>	<u>\$ (91,540)</u>
Expenditures				
Personal Services & employee benefits	10,376,100	\$ 10,080,635	\$ 9,580,992	\$ 499,643
Contractual services	555,200	571,620	529,024	42,596
Other	1,967,700	2,186,400	2,078,774	107,626
Reversions	-	-	558,325	(558,325)
Total budgeted expenditure	<u>\$ 12,899,000</u>	<u>12,838,655</u>	<u>12,747,115</u>	<u>\$ 91,540</u>

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 – INMATE MANAGEMENT AND CONTROL - P531
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 261,349,100	261,137,600	261,137,600	\$ -
Other state funds	1,259,800	1,292,947	35,150,286	33,857,339
Inter-agency transfers	17,446,000	17,821,513	15,320,774	(2,500,739)
Miscellaneous	-	-	27,544	27,544
Federal funds	-	422,275	416,163	(6,112)
Total revenue	<u>280,054,900</u>	<u>280,674,335</u>	<u>312,052,367</u>	<u>31,378,032</u>
 Budgeted fund balance	 <u>611,600</u>	 <u>1,947,672</u>	 <u>-</u>	 <u>(1,947,672)</u>
 Total budgeted revenues	 <u>\$ 280,666,500</u>	 <u>282,622,007</u>	 <u>312,052,367</u>	 <u>\$ 29,430,360</u>
 Expenditures				
Personal services & employee benefits	113,360,700	112,816,317	110,431,184	2,385,133
Contractual services	52,659,600	52,738,649	52,276,786	461,863
Other	<u>114,646,200</u>	<u>117,067,041</u>	<u>116,378,319</u>	<u>688,722</u>
 Total budgeted expenditures	 <u>\$ 280,666,500</u>	 <u>282,622,007</u>	 <u>279,086,290</u>	 <u>\$ 3,535,717</u>

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 - SPECIAL APPROPRIATIONS
FUND 90700
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ -	3,052,600	3,052,600	\$ -
Other state funds	-	8,097,000	-	(8,097,000)
Total revenue	-	11,149,600	3,052,600	(8,097,000)
Budgeted fund balance	-	8,169,403	8,132,413	(36,990)
Total budgeted revenues	\$ -	19,319,003	11,185,013	\$ (8,133,990)
Expenditures				
Personal services & employee benefits	-	5,116,344	5,116,344	-
Contractual services	-	6,340,000	1,250,804	5,089,196
Other	-	7,862,659	4,817,865	3,044,794
Reversions	-	-	9,813	(9,813)
Total budgeted expenditures	\$ -	19,319,003	11,194,826	\$ 8,124,177

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 - COMMUNITY OFFENDER MANAGEMENT - P534
Year Ended June 30, 2019**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 31,576,600	32,093,100	32,093,109	\$ 9
Other state funds	2,540,000	2,540,000	2,508,202	(31,798)
Inter-agency transfers	-	-	-	-
Miscellaneous	-	-	7,440	7,440
Federal funds	-	-	-	-
Total revenue	34,116,600	34,633,100	34,608,751	(24,349)
Budgeted fund balance	656,400	3,428,308	1,877,685	(1,550,623)
Total budgeted revenues	\$ 34,773,000	38,061,408	36,486,436	\$ (1,574,972)
Expenditures				
Personal services & employee benefits	21,178,500	21,178,500	20,085,925	1,092,575
Contractual services	7,059,400	7,059,400	6,904,633	154,767
Other	6,535,100	9,823,508	9,411,101	412,407
Total budgeted expenditures	\$ 34,773,000	38,061,408	36,401,659	\$ 1,659,749

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, 2019**

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.

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Change in Fund Balance</u>
Net changes in fund balance per statement of revenues, expenditures and changes in fund balance			
General Fund (90700, 91500 & 93100)	\$ 354,853,114	330,824,491	\$ 24,028,623
Special Revenue Fund (90200)	<u>7,607,719</u>	<u>9,485,399</u>	<u>(1,877,680)</u>
Total	<u>362,460,833</u>	<u>340,309,890</u>	<u>22,150,943</u>
Net changes in fund balance per budget schedules			
General Appropriations:			
Program Support (P530)	\$ 12,747,115	12,747,115	\$ -
Inmate Management and Control (P531)	312,052,367	279,086,290	32,966,077
Special Appropriations (Z Codes - 90700)	3,052,600	11,194,826	(8,142,226)
Community Corrections (P534)	34,608,751	36,401,659	(1,792,908)
Capital Outlay (Z Code-93100)	<u>-</u>	<u>880,000</u>	<u>(880,000)</u>
Total	<u>\$ 362,460,833</u>	<u>340,309,890</u>	<u>\$ 22,150,943</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, 2019**

	Community Corrections Special Revenue Fund SHARE System Fund 90200	Capital Projects Fund 89200	Total
ASSETS			
Investment, state treasurer	\$ 1,631,879	19,528	\$ 1,651,407
Total assets	\$ 1,631,879	19,528	\$ 1,651,407
LIABILITIES			
Accounts payable	\$ -	-	\$ -
Vouches payable	669,717	17,757	687,474
Payroll benefits payable	11,377	-	11,377
Payroll taxes payable	4,960	-	4,960
Accrued wages payable	14,343	-	14,343
Total liabilities	700,397	17,757	718,154
FUND BALANCES			
Reserved for:			
Nonspendable	-	-	-
Restricted	931,482	1,771	933,253
Unassigned	-	-	-
Total fund balance	931,482	1,771	933,253
Total liabilities and fund balance	\$ 1,631,879	19,528	\$ 1,651,407

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- NON MAJOR FUNDS
Year Ended June 30, 2019**

	Community Corrections Special Revenue Fund 90200	Capital Projects Fund 89200	Total
Revenue			
Charges for services	\$ 33,310	-	\$ 33,310
Total revenue	<u>33,310</u>	<u>-</u>	<u>33,310</u>
Expenditures, Current			
Personal services & employee benefits	808,125	-	808,125
Contractual services	6,904,633	-	6,904,633
Other	1,772,641	45,294	1,817,935
Total Expenditures	<u>9,485,399</u>	<u>45,294</u>	<u>9,530,693</u>
Excess (deficiency) revenues over expenditures	<u>(9,452,089)</u>	<u>(45,294)</u>	<u>(9,497,383)</u>
Other Financing Sources (Uses)			
State general fund appropriations	7,524,100	-	7,524,100
STB proceeds	-	47,065	47,065
Other revenue	50,309	-	50,309
Inter-Agency Transfer-out	-	-	-
Net other financing sources(uses)	<u>7,574,409</u>	<u>47,065</u>	<u>7,621,474</u>
Net changes in fund balance	<u>(1,877,680)</u>	<u>1,771</u>	<u>(1,875,909)</u>
Fund balance, beginning of year	<u>2,809,162</u>	<u>-</u>	<u>2,809,162</u>
Fund balance, end of year	<u>\$ 931,482</u>	<u>1,771</u>	<u>\$ 933,253</u>

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, 2019**

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations
Improvements at correctional facilities statewide	Laws of 2019, Ch 271, Sect 5, Item 93	2019-2021	90700	\$ 1,750,200
Equipment replacement fund from 2017 for radio replacement charges	Laws of 2019, Ch 271, Sect 6, Item 29	2019-2021	90700	\$ 2,543,400
Projected shortfalls in personal services and benefits and other costs categories in Community offender management program. The other state funds appropriation from the penitentiary income fund.	Laws of 2019, Ch 271, Sect 6, Item 30	2019-2021	90700	\$ 500,000
Projected shortfall in the inmate management and control program in fiscal year 2019. The other state funds appropriation comes from the penitentiary income fund.	Laws of 2019, Ch 271, Sect 6, Item 31	2019	90700	\$ 2,250,800
To implement a commercial off-the-shelf offender management information system. The other state funds appropriation comes from the penitentiary income fund.	Laws of 2019, Ch 271, Sect 7, Item 29	2019-2021	90700	\$ 4,105,200
For the purchase of body scanners in public prison facilities.	Laws of 2018, Ch 73, Sect 5, Item 93	2018-2019	93100	\$ 880,000
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
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
				<u>\$ 26,219,600</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)
Year Ended June 30, 2019**

Prior Year Expenditures	Current Year Expenditures	Prior Year Reversion Amount	Current Year Reversion Amount	Reserved Fund Balance	Outstanding Encumbrances	Unencumbered Balance
	-	-		1,750,200	-	-
	2,543,336	-		64	-	-
	500,000	-		-	-	-
-	2,250,800	-		-	-	-
	-	-	-	4,105,200	-	-
	880,000	-		-	-	-
	21,286	-	-	2,268,714	-	-
883,655	4,116,344	-	-	1	-	-
236,940	1,753,246			9,813	-	-
7,061	1,592,939	-	-	-	-	-
\$ 2,121,031	1,178,969	-	-	-	-	-
\$ 3,248,688	\$ 14,836,921	\$ -	\$ -	\$ 8,133,992	\$ -	\$ -

STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES, BY ENTERPRISE
Year Ended June 30, 2019

	CNMCF	CCA	Cleaning	SCF Horse		Distribution	Public	
	Furniture	Telemarketing	Products	Rescue	Textiles	Center	Sales	MDC
Revenue from Sales	\$ 790,527	8,811	338,910	21,062	\$ 505,178	137,043	2,156	2,758,386
Manufacturing Costs:								
Cost of Materials Used:								
Beg inventory, raw materials	121,574	154	30,952	-	74,167	-	-	-
Materials purchases	411,211	57	213,166	5,666	392,139	5	-	2,548,643
Net materials transfers	-	-	-	-	-	-	-	-
Materials available	532,785	211	244,118	5,666	466,306	5	-	2,548,643
Less ending inventory	(115,209)	(150)	(30,683)	-	(70,468)	-	-	-
Cost of raw materials used	417,577	62	213,435	5,666	395,838	5	-	2,548,643
Direct labor-Inmate Pay	51,157	-	3,725	-	15,422	8,177	-	-
Manufacturing Overhead:								
Salaries	138,017	-	45,881	-	42,800	45,817	-	-
Benefits	73,169	-	25,317	-	30,532	27,715	-	-
In-state travel	8,343	-	-	944	-	16,053	-	1,969
Maintenance & repairs	6,251	-	-	5,076	-	430	6	398
Supplies	24,755	-	-	25,513	1,047	61	-	174
Contractual services	4,652	-	-	13,040	-	29,055	-	329,590
Other operating costs	1,232	1,079	1,000	2,108	3,161	12,487	-	2,408
Out-of-state travel	-	-	-	-	-	-	-	-
Irrigation fees	-	-	-	-	-	-	-	-
Depreciation	1,899	-	3,787	2,033	3,471	7,613	-	-
Miscellaneous	204	-	-	-	-	-	1,281	364,716
Total manufacturing overhead	258,522	1,079	75,985	48,715	81,010	139,231	1,288	699,254
Total manufacturing costs	727,255	1,141	293,146	54,381	492,271	147,413	1,288	3,247,897
Add beginning work in process	69,200	-	-	-	1,218	-	-	-
Less ending work in process	(52,563)	-	-	-	-	-	-	-
Total Cost of Goods Manufactured	743,892	1,141	293,146	54,381	493,488	147,413	1,288	3,247,897
Add beginning finished goods	96,037	-	80,712	984	346,761	-	-	-
Less ending finished goods	(113,285)	-	(54,762)	(4,800)	(336,998)	-	-	-
Net finished goods transfers	-	-	-	-	-	-	-	-
Total Cost of Goods Sold	726,645	1,141	319,096	50,565	503,252	147,413	1,288	3,247,897
Gross Profit (Loss)	63,882	7,670	19,814	(29,503)	1,927	(10,370)	868	(489,512)
Allocated overhead:								
Facility overhead	(48,852)	(544)	(20,943)	(1,302)	(31,218)	(8,469)	(133)	(170,460)
Sales & marketing	-	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-	-
Other income (expense)	214	-	214	-	428	864	-	-
Other Financing Uses	-	-	-	-	-	-	-	-
Net Income (Loss)	\$ 15,244	7,126	(915)	(30,805)	\$ (28,864)	(17,975)	735	(659,971)

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, 2019

	PNM Old Main	Santa Rosa Print	CMU Farm	Sales & Marketing	PNM Canteen	Central Office	Contract Food Svcs
Revenue from Sales	\$ 52,269	105,065	-	-	5,413,708	-	836,101
Manufacturing Costs:							
Cost of Materials Used:							
Beg inventory, raw materials	-	34,081	-	-	-	-	-
Materials purchases	-	61,722	2,662	-	4,072,204	-	633,614
Net materials transfers	-	-	-	-	-	-	-
Materials available	-	95,803	2,662	-	4,072,204	-	633,614
Less ending inventory	-	(40,969)	-	-	-	-	-
Cost of raw materials used	-	64,014	2,662	-	4,072,204	-	633,614
Direct labor-Inmate Pay	260	6,285	-	353	54,255	-	4,884
Manufacturing Overhead:							
Salaries	1,502	46,013	-	58,679	107,300	364,037	156,485
Benefits	-	22,715	-	25,572	39,710	210,754	23,524
In-state travel	621	-	65	499	1,784	8,150	2,452
Maintenance & repairs	505	19,168	-	-	1,566	716	110,501
Supplies	-	1,812	-	117	7,222	6,586	10,023
Contractual services	-	2,118	-	-	-	708	40,665
Other operating costs	822	27,881	-	1,560	2,927	46,666	690
Out-of-state travel	-	-	-	-	-	-	-
Irrigation fees	-	-	45,048	-	-	-	-
Depreciation	2,107	-	-	-	1,908	35,773	55,370
Miscellaneous	-	-	-	-	130,810	362	1,277
Total manufacturing overhead	5,557	119,706	45,113	86,428	293,227	673,753	400,987
Total manufacturing costs	5,817	190,005	47,775	86,781	4,419,685	673,753	1,039,485
Add beginning work in process	-	831	-	-	-	-	-
Less ending work in process	-	-	-	-	-	-	-
Total Cost of Goods Manufactured	5,817	190,836	47,775	86,781	4,419,685	673,753	1,039,485
Add beginning finished goods	18,925	476	-	-	-	-	-
Less ending finished goods	(22,979)	(476)	-	-	-	-	-
Net finished goods transfers	-	-	-	-	-	-	-
Total Cost of Goods Sold	1,764	190,836	47,775	86,781	4,419,685	673,753	1,039,485
Gross Profit (Loss)	50,506	(85,771)	(47,775)	(86,781)	994,022	(673,753)	(203,384)
Allocated overhead:							
Facility overhead	(3,230)	(6,493)	-	86,780	(334,550)	637,775	(112,885)
Sales & marketing	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-
Other income (expense)	14,834	3,259	-	-	126,000	35,978	451
Other Financing Uses	-	-	-	-	-	-	-
Net Income (Loss)	\$ 62,110	(89,005)	(47,775)	(1)	785,472	-	(315,818)

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, 2019

	Drug Screening	PNM Livestock	PNM Bakery	Rosewell Dairy Goat	Rosewell Dairy Cow	PNM Landscaping	PNM Hoop House	Total Industries
Revenue from Sales	\$ 5,325	601	-	-	(398,242)	157,297	-	\$ 10,734,194
Manufacturing Costs:								
Cost of Materials Used:								
Beg inventory, raw materials	-	-	-	-	-	-	-	260,928
Materials purchases	12	-	-	-	-	-	-	8,341,100
Net materials transfers	-	-	-	-	-	-	-	-
Materials available	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,602,030</u>
Less ending inventory	-	-	-	-	-	-	-	(257,477)
Cost of raw materials used	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,353,732</u>
Direct labor-Inmate Pay	-	-	-	-	-	18,696	2,699	165,911
Manufacturing Overhead:								
Salaries	-	-	-	-	-	179,814	-	1,186,345
Benefits	-	-	-	-	-	91,656	-	570,665
In-state travel	-	-	-	-	-	8,012	-	48,892
Maintenance & repairs	-	-	-	-	-	-	-	144,617
Supplies	-	-	-	-	-	-	-	77,310
Contractual services	2,528	-	-	-	-	-	-	422,355
Other operating costs	-	-	-	-	-	685	134	104,840
Out-of-state travel	-	-	-	-	-	-	-	-
Irrigation fees	-	2,354	-	-	-	-	-	47,402
Depreciation	-	-	10,903	5,581	8,721	7,083	-	146,250
Miscellaneous	-	-	-	-	-	-	-	498,650
Total manufacturing overhead	<u>2,528</u>	<u>2,354</u>	<u>10,903</u>	<u>5,581</u>	<u>8,721</u>	<u>287,250</u>	<u>134</u>	<u>3,247,326</u>
Total manufacturing costs	2,540	2,354	10,903	5,581	8,721	305,946	2,832	11,766,970
Add beginning work in process	-	-	-	-	-	-	-	71,248
Less ending work in process	-	-	-	-	-	-	-	(52,563)
Total Cost of Goods Manufactured	<u>2,540</u>	<u>2,354</u>	<u>10,903</u>	<u>5,581</u>	<u>8,721</u>	<u>305,946</u>	<u>2,832</u>	<u>11,785,655</u>
Add beginning finished goods	-	-	-	-	-	-	-	543,895
Less ending finished goods	-	-	-	-	-	-	-	(533,298)
Total Cost of Goods Sold	<u>2,540</u>	<u>2,354</u>	<u>10,903</u>	<u>5,581</u>	<u>8,721</u>	<u>305,946</u>	<u>2,832</u>	<u>11,796,252</u>
Gross Profit (Loss)	2,785	(1,753)	(10,903)	(5,581)	(406,964)	(148,650)	(2,832)	(1,062,058)
Allocated overhead:								
Facility overhead	(329)	(37)	-	-	24,610	(9,720)	-	-
Sales & marketing	-	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-	-
Other income (expense)	-	9,124	-	-	(41,393)	-	-	149,974
Other Financing Uses	-	-	-	-	-	-	-	-
Net Income (Loss)	\$ <u>2,456</u>	<u>7,334</u>	<u>(10,903)</u>	<u>(5,581)</u>	<u>(423,747)</u>	<u>(158,370)</u>	<u>(2,832)</u>	\$ <u>(912,084)</u>

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, 2019**

	WNMCF Cleaning Prod	WNMCF Plastic	Total Cleaning Products
Revenue from Sales	\$ -	338,910	\$ 338,910
Manufacturing Costs:			-
Cost of Materials Used:			-
Beg inventory, raw materials	-	30,952	30,952
Materials purchases	-	213,166	213,166
Net materials transfers	-	-	-
Materials available	-	244,118	244,118
			-
Less ending inventory	-	(30,683)	(30,683)
			-
Cost of raw materials used	-	213,435	213,435
Direct labor-Inmate Pay	-	3,725	3,725
Manufacturing Overhead:			-
Salaries	-	45,881	45,881
Benefits	-	25,317	25,317
In-state travel	-	-	-
Maintenance & repairs	-	-	-
Supplies	-	-	-
Contractual services	-	-	-
Other operating costs	-	1,000	1,000
Out-of-state travel	-	-	-
Irrigation fees	-	-	-
Depreciation	3,787	-	3,787
Miscellaneous	-	-	-
Total manufacturing overhead	3,787	72,198	75,985
Total manufacturing costs	3,787	289,358	293,146
Add beginning work in process	-	-	-
Less ending work in process	-	-	-
Total Cost of Goods Manufactured	3,787	289,358	293,146
Add beginning finished goods	-	80,712	80,712
Less ending finished goods	-	(54,762)	(54,762)
Net finished goods transfers	-	-	-
Total cost of goods sold	3,787	315,308	319,096
Gross Profit (Loss)	(3,787)	23,601	19,814
Allocated overhead:			-
Facility overhead	-	(20,943)	(20,943)
Sales & marketing	-	-	-
Distribution center	-	-	-
Central office	-	-	-
General fund subsidy	-	-	-
Other income (expense)	-	214	214
Other Financing Uses	-	-	-
Net Income (Loss)	\$ (3,787)	2,872	\$ (915)

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, 2019**

	CCA Textiles	Santa Rosa Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 127,231	-	377,947	\$ 505,178
Manufacturing Costs:				-
Cost of Materials Used:				-
Beg inventory, raw materials	50,519	23,648	-	74,167
Materials purchases	69,504	6,133	316,502	392,139
Net materials transfers	-	-	-	-
Materials available	120,023	29,781	316,502	466,306
Less ending inventory	(46,820)	(23,648)	-	(70,468)
Cost of raw materials used	73,204	6,133	316,502	395,838
Direct labor-Inmate Pay	13,491	-	1,931	15,422
Manufacturing Overhead:				-
Salaries	42,800	-	-	42,800
Benefits	30,532	-	-	30,532
In-state travel	-	-	-	-
Maintenance & repairs	-	-	-	-
Supplies	662	-	385	1,047
Contractual services	-	-	-	-
Other operating costs	3,161	-	-	3,161
Out-of-state travel	-	-	-	-
Irrigation fees	-	-	-	-
Depreciation	3,471	-	-	3,471
Miscellaneous	-	-	-	-
Total manufacturing overhead	80,625	-	385	81,010
Total manufacturing costs	167,320	6,133	318,818	492,271
Add beginning work in process	1,218	-	-	1,218
Less ending work in process	-	-	-	-
Total Cost of Goods Manufactured	168,538	6,133	318,818	493,488
Add beginning finished goods	82,082	89,560	175,119	346,761
Less ending finished goods	(81,984)	(89,560)	(165,454)	(336,998)
Net finished goods transfers	-	-	-	-
Total Cost of Goods Sold	168,636	6,133	328,483	503,252
Gross Profit (Loss)	(41,405)	(6,133)	49,464	1,927
Allocated overhead:				-
Facility overhead	(7,862)	-	(23,356)	(31,218)
Sales & marketing	-	-	-	-
Distribution center	-	-	-	-
Central office	-	-	-	-
General fund subsidy	-	-	-	-
Other income (expense)	214	-	214	428
Other Financing Uses	-	-	-	-
Net Income (Loss)	\$ (49,053)	(6,133)	26,322	\$ (28,864)

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, 2019**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Sales	\$ 10,746,700	10,746,700	10,734,194	(12,506)
Interest on deposits	-	-	35,978	35,978
Other revenue	104,800	104,800	113,996	9,196
Total revenues	<u>10,851,500</u>	<u>10,851,500</u>	<u>10,884,168</u>	<u>32,668</u>
 Budgeted fund balance	 64,800	 1,139,800	 -	 -
 Total budgeted revenues	 \$ 10,916,300	 11,991,300	 10,884,168	 32,668
 Expenditures				
Personal services & employee benefits	\$ 2,132,200	1,872,200	1,757,010	115,190
Contractual Services	51,400	439,600	422,355	17,245
Other	8,732,700	9,679,500	9,470,636	208,864
Other Transfers	-	-	-	-
Total budgeted expenditures	<u>10,916,300</u>	<u>11,991,300</u>	<u>11,650,001</u>	<u>341,299</u>
Non budgeted expenditures				
Depreciation	-	-	146,251	(146,251)
Total budgeted and non budgeted expenditures	\$ <u>10,916,300</u>	<u>11,991,300</u>	<u>11,796,252</u>	<u>195,048</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, 2019**

	Balance as of June 30, 2018	Additions	Deletions	Balance as of June 30, 2019
ASSETS				
Cash	\$ 2,462,209	-	(350,417)	\$ 2,111,792
Due from Others	596,828	461,125	-	1,057,952
Total Assets	<u>\$ 3,059,037</u>	<u>461,125</u>	<u>(350,417)</u>	<u>\$ 3,169,744</u>
LIABILITIES				
Due to Others	\$ 881,326	-	221,315	\$ 1,102,641
Deposits Held for Others	2,177,711	110,608	-	2,067,103
Total Liabilities	<u>\$ 3,059,037</u>	<u>110,608</u>	<u>221,315</u>	<u>\$ 3,169,744</u>

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

COMPLIANCE SECTION



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

**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 Auditors' Report

Brian S. Colón, Esq.
New Mexico State Auditor
and
Alisha Tafoya Lucero, 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 and major special revenue funds of the State of New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2019, 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 22, 2019.

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. We did identify deficiencies in internal control, which are described in the accompanying schedule of findings and responses as items 2018-001.

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 did not identify a deficiency in internal control that we consider to be material weaknesses.

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 did identify deficiencies in internal control that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and responses as items 2018-002 and 2019-002.

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

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

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, New Mexico
October 22, 2019

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2019**

Summary Schedule of Prior Year Audit Findings

2012-001	Residential Housing/Trailer Court Benefits at Facilities	Resolved
2018-001	Inmate Cash not reconciled on timely basis	Repeated
2018-002	Compensated Absences	Repeated
2018-003	Corrections Industries Account receivable	Resolved

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019**

SUMMARY OF AUDITORS' REPORT

Financial Statements

<u>Type of Auditors' Report Issued:</u>	<u>Unmodified</u>
Internal control over financial reporting:	
Material Weakness reported?	No
Significant deficiencies reported not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
a. Material weaknesses reported?	No
b. Significant deficiencies reported not considered material weaknesses?	No
c. Known questioned costs greater than \$25,000 for a compliance requirement for a major program?	No
d. Known questioned costs greater than \$25,000 for which is not audited as a major program?	No
e. Known or likely fraud?	No
f. Significant instances of abuse relating to major programs?	No
g. Circumstances causing the auditors' report on compliance for each major program to be modified, unless otherwise reported as audit findings?	No
h. Instances where results of audit follow-up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresents the status of any prior audit finding?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
16.606	State Criminal Alien Assistance Program (SCAAP)
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019**

FINANCIAL STATEMENT FINDINGS

Finding 2018-001 – Inmate Cash not reconciled on timely basis (Other Matter) - Modified and Repeated

Condition:

During the course of our audit procedures on cash, the Department could not provide a complete and accurate cash reconciliation on Inmate cash account as of June 30, 2019. There was an unreconciled variance of \$600, although not material. However, the agency has fiducial and custodial obligation over inmates' cash.

The agency appears to have implemented some of the corrective plan and made strides in resolving procedural errors.

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 Department assets to misappropriation, abuse, or non-compliance.

Cause:

Contributing factors in variance can be attributed to lack of competency to perform reconciliation and procedures used in performing reconciliation

Auditors' Recommendation:

NMCD should set up proper protocols and procedures to ensure accurate reconciliation of the Inmate cash accounts.

Management Response:

A top priority in the coming year will be training for the inmate trust accountants at the facilities. This training will help the NMCD Accounting Manager oversee that the facility accountants have done their jobs timely and accurately. The reconciliation of the accounts will continue to be the Financial Management Bureau's responsibility until the new inmate management system is available in FY21. In addition, NMCD policies are being updated to reflect what is needed to account for all the inmate trust activities.

Responsible Official:

ASD Accounting Manager

Timeline to Correct:

The update to the NMCD policies will be presented to management by October 31, 2019. This update identifies some tasks for management of the inmate accounts. The training is planned for January 2020 so that it can incorporate items that have been identified and to include changes needed to accommodate the policy update.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2018-002 Compensated Absences (Significant Deficiency) -Modified and Repeated

Condition:

During our audit procedures regarding compensated absences, we noted that compensatory time was not being monitored. We noted 2 of the 8 individual selected were FLSA covered employees; NMCD could not provide the supporting agreement of which the employees agree to receive compensatory time in lieu of cash payment for over time worked. We noted 5 of the 8-individual selected for testing had balances over the maximum of 240 hours. These individuals had a combined total accrual compensatory time of 2358 hours, 438 hours in excess of maximum number of hours allowed.

Management has made progress in reducing the compensatory balance, they have been monitoring the individuals with balances over the maximum to ensure compensatory time are being used during the year.

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. 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:

In FY19, the total number of individuals with more than 240 hours of comp time was reduced as a result of notification being made to management that there were persons who had excessive hours. This reporting will continue in the current year

Responsible Official:

Chief Financial Officer (CFO)

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Timeline to Correct:

The reporting will continue beginning November 1, 2019.

Finding 2019-001 – Use of State Owned or Leased Vehicle (Other Non- Compliance)

Condition:

During our audit procedures over Use of State Owned or Leased Vehicle, we noted that 1 out of the 6 individuals selected did not have a completed Driver's log for the month selected for testing. Procedures over the control of reviewing driver's log deemed to be inefficient and ineffective.

Criteria:

NMCD's policy titled "Use of State- and Privately-Owned Motor Vehicle" # CD-022001. Part B establishes the criteria for vehicle assignment. Sections 2 of Part B requires supervisors to monitor vehicle use and assignment to ensure compliance to the policy and procedure. Part M establishes reporting procedures which includes reporting monthly, the number of miles driven by each commuting department employee using state-owned or leased vehicle.

Effect:

Lack of monitoring and reporting results to Non-compliance with NMCD's policies

Cause:

Lack of monitoring of vehicle use and reporting according to policy CD-022001

Auditors' Recommendation:

NMCD should implement a monitoring process to ensure employees are reporting use of vehicle according to the policy in place.

Management Response:

The individual that was noncompliant was informed of their lack of compliance with the policy. Beginning January 1, 2020, a sample of 25% of all driver's logs will be requested by the fleet manager. The CFO will examine the sample for completeness. Noncompliant individuals will be notified.

Responsible Official:

Chief Financial Officer

Timeline to Correct:

Quarterly, submissions will be monitored for accuracy and completeness.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2019**

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding 2019-002 – Capital Asset (Significant Deficiency)

Condition:

During our audit procedures over capital asset, we noted certain capital expenditures that were improperly classified as general expenditure in FY 2018 and adjustments were made to capitalize the expenditures in FY 2019. This created an additional variance of \$1,511,276 between capital asset additions and capital outlay in the current year; this adjustment made resulted in a restatement of fund balance.

Criteria:

Best practices as established pursuant to NMAC 2.20.1.15, each agency shall establish controls over its fixed assets for the primary purposes of safeguarding them and establish accountability for their custody and use.

Effect:

Lack of control and monitoring results to results in the susceptibility of Department assets to misappropriation, abuse or non-compliance.

Cause:

The Department has a medical contract, in which the contractor is allowed to purchase capital assets for their use in order to provide services to the inmates on the behalf of the Department. However, during reimbursement, purchases of capital assets were classified as regular invoice payments under contractual services rather than capital expenditures.

Auditors' Recommendation:

NMCD should implement a proper protocols and procedures to ensure accurate reporting of acquisitions through third party.

Management Response:

NMCD identified the assets in question as a result of questioning procedures that had been used in prior years. Currently, NMCD identifies the expenditures categorized as maintenance or supplies in order to reclassify the expenditures to capital assets when needed. NMCD has expanded that process to include the expenditures in accounts 535300, Other Contractual Services, and 535800, Capital Professional Contracts. In addition, NMCD is conducting the identification on a monthly basis rather than once per year and the Administrative Services Division is reporting additions to the appropriate responsible NMCD department quarterly. ASD is also updating the capital asset policy to include steps so that one department may notify another when capital assets are purchased on the behalf of the recipient.

Responsible Official:

ASD Accounting Manager

Timeline to Correct:

The steps have already commenced.

FEDERAL FINANCIAL ASSISTANCE



1030 18th Street NW
Albuquerque, NM 87104
505 338 0800 office www.riccicpa.com

**Report On Compliance For Each Major Federal Program; Report On
Internal Control Over Compliance; And Report On Schedule Of Expenditures
Of Federal Awards Required By The Uniform Guidance**

Independent Auditors' Report

Brian S. Colón, Esq.
New Mexico State Auditor
and
Alisha Tafoya Lucero, Secretary,
State of New Mexico Corrections Department

Report on Compliance for Each Major Federal Program

We have audited State of New Mexico Corrections Department's (the "Department") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2019. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated October 22, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ricci & Company, LLC

Albuquerque, New Mexico
October 22, 2019

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019**

Federal Grantor or Pass-Trough Grantor/Program Title	Pass Through Number	Federal CFDA	Federal Expenditures
U.S. Department of Education			
Passed through from New Mexico Higher Education Department Adult Basic Education		84.002	\$ 268,319
Total U.S. Department of Education			<u>268,319</u>
U. S. Department of Justice			
Direct U.S. Department of Justice State Criminal Alien Assistance Program (SCAAP)	None	16.606	404,235 *
Subtotal - Direct U.S. Department of Justice			<u>404,235</u>
Passed through from State Department of public safety Residential Substance Abuse Treatment Grant (RSAT)		16.593	38,799
Edward Byrne Memorial Justice Assistance Grant (JAG)		16.738	32,802
Prison Rape Elimination Act Award (PREA)		16.735	55,090
Subtotal - Passed through State Department of public safety			<u>126,691</u>
Passed through from New Mexico Crime Victims Reparation Commission Victims of Crime Act (VOCA)		16.575	33,885
Subtotal - Passed through New Mexico Crime Victims Reparation Commission			<u>33,885</u>
Total U. S. Department of Justice			<u>564,811</u>
U. S. Department of Health and Human Services			
Passed through from Centers for Disease Control and Prevention Public Health Emergency Response (OUD)		93.354	6,161
Total U. S. Department of Health and Human Services			<u>6,161</u>
Total Federal Financial Assistance			<u><u>\$ 839,291</u></u>

* Denotes major program

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2019**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Department and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule of federal awards presents only a selected portion of the operations of NMCD, it is not intended to and does not present the financial position, changes in fund balance or cash flows of the Department.

SUB RECIPIENTS

The Department did not provide any federal awards to subrecipients during fiscal year 2019.

INDIRECT COST RATE

The Department has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER DISCLOSURES

The Department did not receive any non-cash assistance during fiscal year 2019.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
EXIT CONFERENCE
June 30, 2019**

An exit conference was held on October 18, 2019 and attended by the following:

Representing the Department:

Alisha Tafoya Lucero	Secretary of Corrections
Edward Smith	Budget Director
Paul Trujillo	Financial Management Bureau Chief/CFO
Carl Ortega	Budget Bureau Chief
John Gay	Director APD
Kathleen Branchal	Chief Procurement Officer
Michelle Vigil	Corrections Industries Business Manager
Vicki Trujillo	Accounting Auditor
Katie Rodriguez	Accounting Manager

Representing Ricci & Company, LLC:

Esther Alejo	Senior Auditor
Mark Santiago, CPA	Senior Audit Manager