



**State of New Mexico
New Mexico Corrections Department**

**Financial Statements and
Supplementary Information**

For the Year Ended June 30, 2022

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Introductory Section

State of New Mexico
New Mexico Corrections Department
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June 30, 2022

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State of New Mexico
New Mexico Corrections Department
Official Roster
June 30, 2022

<u>Name</u>	<u>Title</u>
Alisha Tafoya Lucero	Cabinet Secretary
Karen Cann	Deputy Secretary
Ed Smith	Acting Director of Administrative Services
Jerry Brinegar	Chief Information Officer
Brianne Bigej	General Counsel
Anthony Romero	Acting Director of Training Academy
Gary Maciel	Director of Adult Prisons Division
Morgen Jaco	Director of Recidivism Reduction
David Gonzales	Acting Director of Corrections Industries
Melanie Martinez	Director of Probation and Parole Division

Financial Section



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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, and the aggregate remaining fund information of the Department, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the Department. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2022, and the changes in its financial position for the year then ended in

accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Restatement of Net Position

As discussed in Note 2 to the basic financial statements, the prior year statements have been restated in the amounts of \$1,006,140 and \$25,823 in the governmental activities and business-type activities, respectively. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 12 through 24 and the schedule of revenues, expenditures, and changes in fund balance – budget to actual – by appropriation on pages 70 through 74, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department’s basic financial statements. The accompanying combining and individual nonmajor fund financial statements, schedule of deposits, schedule of joint power agreements, schedule of special, deficiency, specific, and capital outlay appropriations, schedule of leases, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as identified in the table of contents (the “Supplementary Information”), are presented for purposes of additional analysis and are 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

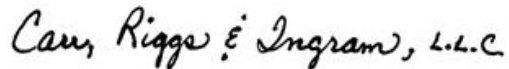
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, and other disclosures but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 14, 2022

State of New Mexico

New Mexico Corrections Department

Management's Discussion and Analysis

Introduction

The New Mexico Corrections Department's (the "Department") 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.

Using this Annual Report

This annual report is presented under the Governmental Accounting Standards Board (GASB) pronouncement Statement No. 34. The primary focus in State government is on both the Department (government-wide) and the major individual funds and the financial statements that comprise them. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Department is one of several agencies within the State of New Mexico Government, the Primary Government focus in this financial report is the Department and not the State of New Mexico as a whole.

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

Management's Discussion and Analysis

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

Highlights and Accomplishments

Financial Highlights

The Department's net position increased by \$8,014,515 for fiscal year (FY) 2022: governmental net position increased by \$8,709,770 and the business-type net position decreased \$(695,255).

The Corrections Industries Division is classified as a business-type activity. For FY 2022, the Corrections Industries Division had a decrease in net position of \$(695,255). Operating revenues decreased by \$(2,483,793) and operating expenses decreased by \$(1,711,865) over the prior period.

Total costs for all Department Programs were \$346,448,937. This consists of \$341,351,944 for the governmental activities and \$5,096,993 for the enterprise activities.

State of New Mexico

New Mexico Corrections Department

Management's Discussion and Analysis

Accomplishments

The Department's use of technology continues to grow, requiring new and innovative solutions to be researched and implemented by the Information Technology Division. Cutting-edge video surveillance solutions continue to be implemented at various NMCD locations, such as Southern New Mexico Correctional Facility. Continued efforts will be implemented for both Adult Prisons and Probation and Parole locations statewide. Video conferencing demands continue to grow, requiring our IT Division has implemented an updated solutions to meet these increasing needs. The COMPAS suite of software, an assessment instrument tool to collect and rank offender risks and needs at prison or community supervision intake, during incarceration, and re-entry is installed statewide in both prison facilities and probation/parole offices and is actively used every day to identify the offender's risk of recidivism, violence, and their needs, so that appropriate case planning can occur.

The ITD is in the implementation phase of a Commercial, Off-The-Shelf (COTS) Offender Management Systems (OMS) CORIS®, internally named OMNI (Offender Management Network Information). The OMNI system will address the public safety risk of the current 20-year-old legacy system, as well as provide much anticipated business process updates. Full funding for the base functionality of the application (17 modules) along with application mobility, a business intelligence tool to increase data visualization, and a method to improve data export and sharing abilities across jurisdictions and partners, has been received. The Department is now poised to complete the implementation of this critical system. The Department is also moving forward with a C2 request to fund an Electronic Health Record (EHR) system.

The New Mexico Corrections Department successfully transitioned two privately run prison facilities to state run facilities in November 2021.

The majority of the behavioral health contracts and resources are centralized in Bernalillo County which during FY20 and FY21, PPD was able to expand services through telehealth platforms. The lack of housing resources including transitional living, alternative housing resources for felons and halfway houses that are sex offender specific, have been a major challenge throughout the State. As a result, majority of inmates who are granted parole are supervised by the Intensive Supervision Program (ISP), Community Corrections Program (CCU) and High-Risk Units in Region II-Albuquerque Special Programs. The Intensive Supervision Program (ISP) has a statutory cap of 40 cases per Officer, Community Corrections (CCU) caseloads has a cap of 35 cases per Officer and High Risk has a cap of 50 cases per Officer, although not statutory attached but serves as a best practice. The offenders in this program include those who are at the highest risk of reoffending and need the highest level of supervision, as well as those with the highest needs in programming based on the COMPAS Risk/Needs Assessment. These programs have stringent reporting requirements and an emphasis on offender monitoring in the community. The Division continues to expand efforts of community supervision across the state; effectively supervising offenders outside the office setting to get a more global view of the needs of the population we are serving.

The entry level salary beginning in FY22 for Probation/Parole Officer I's was increased to \$25.88 hourly from \$21.01 hourly, this may help with officer retention and recruiting. The Probation/Parole Division is currently at a 19% annual vacancy rate, majority off resignations was due to higher paying job opportunities prior to the salary increase.

The Division is currently utilizing the COMPAS Risk/Needs Assessment Tool (evidence based) to provide appropriate placement and services for offenders on supervision. PPD completed refresher training for Supervisors who in turn trained their subordinates within the division.

State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis

Accomplishments (Continued)

The Division continues to work with Human Services Division to retrain Officers using NARCAN. PPD expanded the Officers certification across the State, in turn, the Officer can train offenders and family members on how to obtain and use NARCAN due to the current opiate epidemic and overdose increase in New Mexico.

The Probation/Parole Division works in partnership with local, state and federal law enforcement divisions in efforts with fugitive apprehension. Corrections Industries is expanding commissary services to two additional facilities, adding property, clothing & goods, to our catalog. Increasing opportunities for offender participation. Increasing work opportunities for offenders by 75%, guarantee post incarceration job opportunities and reduce the need to use prison staff for onsite distribution.

- Successfully moved and opened print operations from Santa Rosa to WNMCF-S. Offenders are learning modern printing techniques and use of industry standard software and equipment.
- Continued successful contract with Mid Region Council of Governments to re-upholster 3200 seats for the Rail Runner transit system. Re-upholstery is a highly sought-after skill that is beneficial to the post release offender.
- Achieved a 100% rating on American Correctional Association Certification.
- Established a relationship with the New Mexico Administrative office of the Courts to install court room benches and furniture with security features to protect against gun violence. The relationship will be on going for at least three years.
- Established an ongoing relationship with the National Guard to establish office furniture at all NG offices throughout the state.

The Reentry Program began to take shape in 2020 as a reorganization of the Recidivism Reduction Division in order to align resources with the needs of NMCD, which will be more effective in meeting the ultimate goal of recidivism reduction. Defining the success of programming and services in terms of rates of criminal re-offense can quickly lead to stale programming and services because there is no conceptualization of the mechanisms that actually lead any individual offender to choose to live well. Reentry understands that recidivism is most effectively reduced when individuals realize that their success is a function of being willing and committed participants in the well-being of their families, communities, and social institutions. Successful reentry decreases the probability of an incarcerated person reoffending upon release.

The reorganization became official July 1, 2022, as the Reentry Program received its own program code. In itself, this reorganization is a substantial success and has introduced the potential for improving departmental practices. In anticipation of the program launch, the department created a statewide workgroup to develop a recidivism reduction plan that includes participants across NMCD divisions. Recommendations align with the mission and values of the Reentry Program and draw other NMCD divisions into making changes of policy and practice that promote the best outcomes for incarcerated individuals and those transitioning into the community.

State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis

Government-Wide Financial Statements

Volunteer and faith-based services and Native American programming were also transferred from Adult Prisons Division due to their fitness for Reentry and given immediate expansion under a new position, Coordinator of Community Outreach and Faith-based Services.

The Reentry Program saw continuous quality improvement for pre-release program and service delivery in FY22. Through the establishment of a successful professional learning community, Reentry Coordinators in the facilities provide mutual support and effectively problem-solve through creative solutions. Program leadership developed a partnership with Goodwill Industries of New Mexico for FY23 to provide pre-release job readiness case management and post-release care. Leadership was also awarded \$227,000 from AmeriCorps for eleven service members to provide career readiness and financial literacy instruction within correctional facilities, which is pending contract approval between NMCD and Department of Workforce Solutions.

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 that consist of a statement of net position and a statement of activities. These statements should report all of the assets, deferred outflows, liabilities, deferred inflows, 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.

State of New Mexico

New Mexico Corrections Department

Management's Discussion and Analysis

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. Enterprise 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.

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.
- Enterprise funds – Goods and Services for which the Department's Corrections Industries Division charges customers a fee are reported as enterprise funds. Enterprise 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 enterprise 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 38.

State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis

Infrastructure Assets

GASB Statement No. 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 Statement No. 34.

Budgetary Comparisons

In addition to the Management Discussion and Analysis, GASBS No. 34 requires budgetary comparison schedules 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 budgets are not adopted on a basis consistent with GAAP fund structure. The annual appropriation budget is legally enacted and provided for a legal level of control at the appropriation program level (PCode and ZCode) and is presented as required supplementary information in accordance with GASBS No. 41. The budgetary comparisons can be found on pages 70 to 74 of this report.

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

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

**State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis**

Financial Analysis of the Department as a Whole

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

June 30,	Governmental Activities		Business-Type Activities		Total *	
	2021	2022	2021	2022	2021	2022
Current and Other Assets	\$ 73,371,927	\$ 70,572,877	\$ 3,550,575	\$ 3,247,584	\$ 76,922,502	\$ 73,820,461
Capital and						
Non-Current Assets	31,979,217	131,448,744	499,488	761,239	32,478,705	132,209,983
Total Assets	105,351,144	202,021,621	4,050,063	4,008,823	109,401,207	206,030,444
Current Liabilities	40,856,920	46,252,334	743,785	361,598	41,600,705	46,613,932
Long-Term Liabilities	-	82,565,295	-	4,619	-	82,569,914
Deferred inflows of resources	-	-	-	1,031,585	-	1,031,585
Total Liabilities						
and deferred inflows	40,856,920	128,817,629	743,785	1,397,802	41,600,705	130,215,431
Net Position						
Investment in Capital Assets	31,979,217	40,928,906	499,488	751,341	32,478,705	41,680,247
Restricted	33,363,079	7,967,798	2,806,790	1,859,680	36,169,869	9,827,478
Unrestricted (deficit)	(848,073)	24,307,288	-	-	(848,073)	24,307,288
Total Net Position	\$ 64,494,223	\$ 73,203,992	\$ 3,306,278	\$ 2,611,021	\$ 67,800,500	\$ 75,815,013

* Amounts are taken from the Statement of Net Position

Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2022. Net position for Governmental Activities and Business-type Activities were \$73,203,992 and \$2,611,021, respectively. Total Department net position for fiscal year 2022 is \$75,815,013. 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 \$24,307,288 at the end of the fiscal year. In the Business-type activities, the restricted amount of \$1,859,680 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements

State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis

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

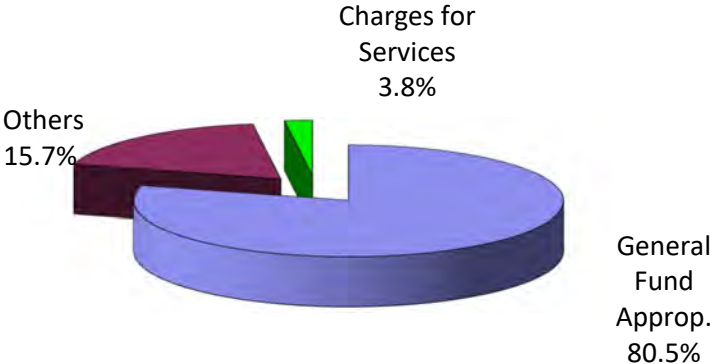
For the year ended	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues						
Charges for Services	\$ 3,108,146	\$ 3,278,493	\$ 6,622,483	\$ 4,138,690	\$ 9,730,629	\$ 7,417,183
Operating Grants & Contributions	126,683,302	42,785,123	-	-	126,683,302	42,785,123
General Revenues						
State General Fund Appropriations, net of reversions	198,167,303	282,238,663	-	-	198,167,303	282,238,663
Others	17,063,755	23,172,863	227,755	300,221	17,291,510	23,473,084
Loss on disposal of capital assets	(36,170)	(10,866)	-	(11,352)	(36,170)	(22,218)
Total Revenues	344,986,336	351,464,276	6,850,238	4,427,559	351,836,574	355,891,835
Expenses						
Public Safety - Corrections	349,580,304	340,722,950	6,808,858	5,096,993	356,389,162	345,819,943
Interest and other charges	-	1,025,416	-	-	-	1,025,416
Total Expenses	349,580,304	341,748,366	6,808,858	5,096,993	356,389,162	346,845,359
Increase (Decrease) in Net Position	(4,593,968)	9,715,910	41,380	(669,434)	(4,552,588)	9,046,476
Beginning Net Position	68,339,547	64,494,222	3,264,896	3,306,276	71,604,443	67,800,498
Prior Period Adjustment	748,643	(1,006,140)	-	(25,821)	748,643	(1,031,961)
Beginning Net Position Position, Restated	69,088,190	63,488,082	3,264,896	3,280,455	72,353,086	66,768,537
Ending Net Position	\$ 64,494,222	\$ 73,203,992	\$ 3,306,276	\$ 2,611,021	\$ 67,800,498	\$ 75,815,013

Changes in Net Position

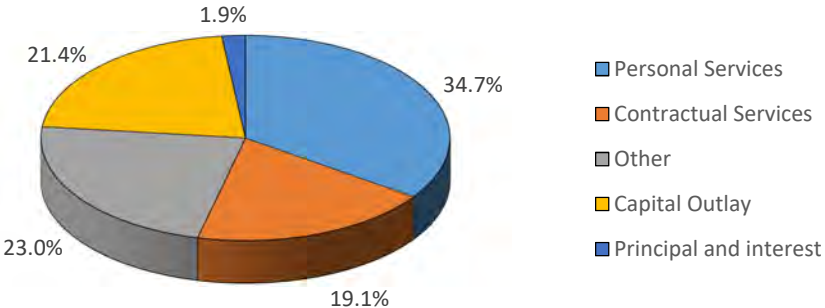
The Department's change in net position for the governmental activities in fiscal year 2022 increased by \$14,309,878. A significant portion, 81%, of the Department's revenue comes from State General Fund Appropriations, 4% comes from charges for services, and 16% comes from other revenue sources.

**State of New Mexico
New Mexico Corrections Department
Management’s Discussion and Analysis**

**Figure A-1
Sources of Revenues for Fiscal Year 2022**



**Figure A-2
Functional Expenses for Fiscal Year 2022**



The Department’s total expenditures for government-type funds during the fiscal year were \$351.4 million. Approximately 35% of the expenditures of the Department are in the area of personal services and employee benefits. Half (50%) 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 (23%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 2022, approximately 18% was for the housing male inmates in contract prisons, and the remaining 13% was for the other operating costs.

Expenditures in the contractual services category accounted for 19% of the Department’s expenditures, with approximately 20% of these expenditures directly related to medical services for inmates and about 4% are related to other contractual services. About 21% of the total expenditures were for capital outlay with the majority of those costs being for the lease of new right-of-use assets during fiscal year 2022.

State of New Mexico

New Mexico Corrections Department

Management's Discussion and Analysis

Business-Type Activities

Program revenues of the Department's business-type activity (Corrections Industries) decreased from \$6.6 million to \$4.1 million and expenses decreased from approximately \$6.8 million to \$5.1 million. The Department switched to a new vendor to assist with its canteen activities in early 2022, which resulted in a lower cost and billing structure, which accounts for the majority of the decreases.

Fund Balance

The Department, in its governmental funds, reported a combined fund balance of approximately \$38.4 million, an approximate \$0.2 million reduction from last year's amount. Further detail of the changes in fund balance are included on page 30.

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 2022, the Department invested a total of \$131.4 million in governmental type activities and \$0.8 million in business-type activities for a total amount of \$132.2 million in a variety of capital assets. This amount represents an overall net increase (including additions and deletions) of \$99.7 million (307%) from the prior fiscal year. Accumulated depreciation increased by \$13.3 million (23%) over the prior period. Much of the increase in assets arose due to the implementation of GASB Statement No. 87, *Leases*, which impacted the Department's statement of net position by recording right-of-use assets in the amount of \$97.4 million.

State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis

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

June 30,	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
Buildings and Improvements	39.1	51.6	1.2	1.4	40.3	53.0
Improvements other than Buildings	4.9	9.0	-	-	4.9	9.0
Machinery and Equipment	37.7	32.6	1.8	1.3	39.5	33.9
Other assets	-	4.4	-	-	-	4.4
Automotive	5.1	5.3	1.0	1.1	6.1	6.4
Righth-of-Use Assets	-	97.4	-	-	-	97.4
Depreciation	(54.9)	(68.9)	(3.7)	(3.0)	(58.6)	(71.9)
	31.9	131.4	0.3	0.8	32.2	132.2

Additional detailed information about the Department's capital assets is presented in Note 8 to the financial statements.

GASB Statement No. 34 requires the recording and depreciation of infrastructure assets such as roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets.

Long-Term Debt

The Department implemented GASB Statement No. 87 during fiscal year 2022. This resulted in the recognition of right-of-use assets (summarized above) and lease liabilities in the statement of net position. Total lease liabilities as of June 30, 2022 were \$90.5 million and \$10 thousand in the governmental activities and business-type activities, respectively. More detailed information regarding the Department's short-term and long-term debt is presented in Note 9 to the financial statements. Restatements to the governmental and business-type activities were also required related to the implementation of the new standard which are further detailed in Note 2.

Economic Factors and Next Year's Budgets and Rates

The New Mexico Corrections Department (NMCD) fiscal year FY23 operating budget was increased by .5 percent or \$1.8 million to \$365.8 million, from the FY22 operating budget. The increase is minimal overall for the agency to support increased staff salary increases appropriated by the state legislature.

In FY22, the New Mexico prison population decreased from the FY21 count by 7.3%. Per the New Mexico Sentencing Commission, the Department's high population in FY22 was 5,852, which was a decrease in population of 463 from the FY21 high count of 6,315. The New Mexico Sentencing Commission estimates New Mexico's inmate population will decrease in FY23 to 5,608, which is 244 (4.2%) below the FY22 level. The prison population is anticipated to slowly decrease between FY23 to FY32 ending up with an estimated inmate population of 4,822 by the end of FY32.

State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis

For FY23, the Department had an actual general fund base increase of \$5.3 million, or 1.5%; which covered a portion of agency, medical and inmate cost and salary increases. The Department completed a category transfer budget adjustment in order to cover the remaining medical and inmate costs while maintaining a balanced budget.

The Department requested a total budget of \$367.4 million from all funding sources for FY23, which is a 1.1 percent increase from the FY22 operating budget. The general fund request was \$338.8 million. The Department received an operating budget of \$365.8 million.

The New Mexico Corrections Department (NMCD) FY23 Operating Budget outlined below are changes by Program for any variances from the appropriations contained in House Bill 2, Section 4.

Program Support (P530)

The FY23 Program Support budget is \$2.1 million above the FY22 operating level. Included is an allocation of \$674.6 thousand in General Fund to cover the associated costs of the 4% salary increases appropriated in the 2022 legislative session.

Inmate Management and Control Program (P531)

The Inmate Management and Control Program budget includes an allocation of \$3.0 million to cover the costs of the 4% salary increases appropriated in the 2022 legislative session

Corrections Industries (P533)

The Corrections Industries (CI) budget includes the use of Fund Balance or additional revenue to cover the associated costs of the 4% salary increases appropriated in the 2022 legislative session. The current budget in personnel services and employee benefits should provide sufficient vacancy savings to cover the additional costs.

Community Offender Management Program (P534)

The Community Offender Management Program FY23 budget includes a decrease of \$7 million overall due to the creation of a new program Re-entry P535 which took a portion of this program and IMAC P531. The FY23 operating budget also includes the use of \$781.4 thousand in Fund Balance which is not sustainable. NMCD will need to seek General Fund replacement of Fund Balance in future years. In addition, the operating budget includes 4.7 million in General Fund to cover the 4% salary increase appropriated in the 2022 legislative session.

State of New Mexico
New Mexico Corrections Department
Management's Discussion and Analysis

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: Carl Ortega, Deputy Director of finance CO-CFO
4337 NM 14
Post Office Box 27116
Santa Fe, New Mexico 87502-0116

Basic Financial Statements

State of New Mexico
New Mexico Corrections Department
Statement of Net Position

June 30, 2022	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Investment in the State General Fund Investment Pool	\$ 64,155,408	\$ 813,554	\$ 64,968,962
Cash	2,150	554	2,704
Accounts receivable, net of allowance	185,877	646,707	832,584
Lease receivable	-	1,035,102	1,035,102
Other receivables	18,058	-	18,058
Due from other state agencies	2,918	-	2,918
Due from federal government	23,136	-	23,136
Due from local governments	407,784	-	407,784
Inventories	5,777,546	751,667	6,529,213
Prepaid expenses	779	-	779
Total current assets	70,573,656	3,247,584	73,821,240
Noncurrent assets			
Capital assets being depreciated	200,324,165	3,760,578	204,084,743
Less accumulated depreciation	(68,875,421)	(2,999,339)	(71,874,760)
Total noncurrent assets	131,448,744	761,239	132,209,983
Total assets	\$ 202,022,400	\$ 4,008,823	\$ 206,031,223
Liabilities			
Current liabilities			
Accounts payable	\$ 26,828,019	\$ 236,001	\$ 27,064,020
Accrued payroll	5,233,568	45,921	5,279,489
Unearned revenue	102,912	10,000	112,912
Other liabilities	17,057	-	17,057
Current portion of leases payable	7,954,543	5,279	7,959,822
Compensated absences	6,116,235	64,397	6,180,632
Total current liabilities	46,252,334	361,598	46,613,932
Noncurrent liabilities			
Leases payable, net of current portion	82,565,295	4,619	82,569,914
Total noncurrent liabilities	82,565,295	4,619	82,569,914
Total liabilities	128,817,629	366,217	129,183,846
Deferred inflows of resources			
Deferred inflows - leases	-	1,031,585	1,031,585
Total deferred inflows of resources	-	1,031,585	1,031,585
Net position			
Net investment in capital assets	40,928,906	751,341	41,680,247
Restricted	7,967,798	1,859,680	9,827,478
Unrestricted	24,308,067	-	24,308,067
Total net position	73,204,771	2,611,021	75,815,792
Total liabilities, deferred inflows of resources, and net position	\$ 202,022,400	\$ 4,008,823	\$ 206,031,223

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Statement of Activities

For the Year Ended June 30, 2022	Governmental Activities	Business-type Activities	Total
Expenses			
Public safety-corrections	\$ 340,325,749	\$ -	\$ 340,325,749
Corrections industries	-	5,096,993	5,096,993
Interest and other charges	1,025,416	-	1,025,416
Total expenses	341,351,165	5,096,993	346,448,158
Program revenues			
Operating grants and contributions	42,785,123	-	42,785,123
Charges for services	3,278,493	4,138,690	7,417,183
Total program revenues	46,063,616	4,138,690	50,202,306
Net program expense	(295,287,549)	(958,303)	(296,245,852)
General revenues and transfers			
General Fund appropriation	327,897,100	-	327,897,100
Interest income	-	10,817	10,817
Miscellaneous income	467,607	289,404	757,011
Interagency transfer in	22,705,256	-	22,705,256
Reversion - 2022	(45,658,437)	-	(45,658,437)
Capital asset transfer	(396,422)	-	(396,422)
Loss on disposal of capital assets	(10,866)	(11,352)	(22,218)
Total general revenues and transfers	305,004,238	288,869	305,293,107
Change in net position	9,716,689	(669,434)	9,047,255
Net position - beginning of year, as originally stated	64,494,222	3,306,276	67,800,498
Net position - restatement (note 2)	(1,006,140)	(25,821)	(1,031,961)
Net position - beginning of year, as restated	63,488,082	3,280,455	66,768,537
Net position - end of year	\$ 73,204,771	\$ 2,611,021	\$ 75,815,792

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Balance Sheet - Governmental Funds

June 30, 2022	General Fund	Nonmajor Governmental Fund 90200 Community Corrections Special Revenue Fund	Total Governmental Funds
Assets			
Investment in the State General			
Fund Investment Pool	\$ 57,592,614	\$ 6,562,794	\$ 64,155,408
Cash	2,150	-	2,150
Accounts receivable, net of allowance	183,468	2,409	185,877
Other receivables	18,058	-	18,058
Due from other state agencies	2,918	-	2,918
Due from federal government	23,136	-	23,136
Due from local governments	407,784	-	407,784
Inventories	5,777,546	-	5,777,546
Prepaid expenses	779	-	779
Total assets	\$ 64,008,453	\$ 6,565,203	\$ 70,573,656
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 25,807,708	\$ 1,020,311	\$ 26,828,019
Accrued payroll	5,196,540	37,028	5,233,568
Unearned revenue	102,912	-	102,912
Other liabilities	17,057	-	17,057
Total liabilities	31,124,217	1,057,339	32,181,556
Fund balances			
Nonspendable (note 16)	5,778,325	-	5,778,325
Spendable			
Restricted (note 16)	2,259,902	5,507,864	7,767,766
Unassigned	24,846,009	-	24,846,009
Total fund balances	32,884,236	5,507,864	38,392,100
Total liabilities and fund balances	\$ 64,008,453	\$ 6,565,203	\$ 70,573,656

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position

June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because

Fund balances - total governmental funds	\$ 38,392,100
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,868,095
Right of use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.	89,580,649
Some liabilities are not due and payable in the current period, and therefore are not reported in the funds. These liabilities consist of the following	
Compensated absences	(6,116,235)
Leases payable	(90,519,838)
Net position of governmental activities	\$ 73,204,771

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds

For the Year Ended June 30, 2022	General Fund	Nonmajor Governmental Fund <u>90200</u> Community Corrections Special Revenue Fund	Total Governmental Funds
Revenues			
Charges for services	\$ 2,209,867	\$ 19,436	\$ 2,229,303
Institutional sales	1,049,190	-	1,049,190
Miscellaneous income	465,198	2,409	467,607
Federal grants and contributions	42,785,123	-	42,785,123
Total revenues	46,509,378	21,845	46,531,223
Expenditures			
Current - Executive			
Personnel services and employee benefits	146,501,742	1,019,607	147,521,349
Contractual services	72,298,952	8,847,768	81,146,720
Other costs	98,245,642	163,039	98,408,681
Capital outlay	90,952,766	-	90,952,766
Debt service			
Principal	6,889,959	-	6,889,959
Interest and other charges	1,025,416	-	1,025,416
Total expenditures	415,914,477	10,030,414	425,944,891
Excess (deficiency) of revenues over expenditures	(369,405,099)	(10,008,569)	(379,413,668)
Other financing sources (uses)			
General Fund appropriations	315,121,400	12,775,700	327,897,100
Leases	73,718,295	-	73,718,295
Interagency transfers in	22,686,156	19,100	22,705,256
Reversion - 2022	(45,658,437)	-	(45,658,437)
Total other financing sources (uses)	365,867,414	12,794,800	378,662,214
Net change in fund balances	(3,537,685)	2,786,231	(751,454)
Fund balances, beginning of year	35,883,559	2,721,633	38,605,192
Change in inventory	538,362	-	538,362
Fund balances, end of year	\$ 32,884,236	\$ 5,507,864	\$ 38,392,100

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the Year Ended June 30, 2022

The change in net position reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds	\$ (751,454)
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Certain outlays are reported as expenditures in governmental funds. However, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives. In the current period these amounts are

Capital outlay	90,952,766
Depreciation expense	(13,761,313)
Gain on disposal of capital assets	(10,866)
Transfer out of capital assets	(396,422)

Inventory purchases are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of inventory is recognized as expense when consumed

538,362

The issuance of long-term deb provides current financial resources to

governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these difference in the treatment of long-term debt and related items.

New leases issued	(73,718,295)
Principal payments on leases	6,889,959
Increase in compensated absences	(26,048)

Change in net position of governmental activities	\$ 9,716,689
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The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Statement of Net Position - Enterprise Fund

June 30, 2022	Corrections Industries
Assets	
Current assets	
Investment in the State General Fund Investment Pool	\$ 813,554
Cash	554
Accounts receivable, net of allowance	646,707
Lease receivable	1,035,102
Inventories	751,667
Total current assets	3,247,584
Noncurrent assets	
Capital assets being depreciated	3,760,578
Less accumulated depreciation	(2,999,339)
Total noncurrent assets	761,239
Total assets	\$ 4,008,823
Liabilities	
Current liabilities	
Accounts payable	\$ 236,001
Accrued payroll	45,921
Unearned revenue	10,000
Current portion of leases payable	5,279
Compensated absences	64,397
Total current liabilities	361,598
Noncurrent liabilities	
Leases payable, net of current portion	4,619
Total noncurrent liabilities	4,619
Total liabilities	366,217
Deferred inflows of resources	
Deferred inflows - leases	1,031,585
Total deferred inflows of resources	1,031,585
Net position	
Net investment in capital assets	751,341
Restricted	1,859,680
Total net position	2,611,021
Total liabilities, deferred inflows of resources, and net position	\$ 4,008,823

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Statement of Revenues, Expenses, and Changes in Net Position -
Enterprise Fund

For the Year Ended June 30, 2022	Corrections Industries
Operating revenues	
Sales	\$ 4,138,690
Total operating revenues	4,138,690
Operating expenses	
Cost of materials used	3,021,996
Direct labor (inmate payroll)	159,044
Manufacturing and administrative overhead	1,802,421
Other	108
Depreciation expense	113,424
Total operating expenses	5,096,993
Operating income (loss)	(958,303)
Non-operating revenues (expenses)	
Interest income	10,817
Loss on disposal of assets	(11,352)
Miscellaneous	289,404
Total non-operating revenues (expenses)	288,869
Change in net position	(669,434)
Net position - beginning of year, as originally stated	3,306,276
Net position - restatement (note 2)	(25,821)
Net position - beginning of year, as restated	3,280,455
Net position, end of year	\$ 2,611,021

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Statement of Cash Flows - Enterprise Fund

For the year ended June 30, 2022	Corrections Industries
Cash flows from operating activities	
Cash received from customers	\$ 4,365,204
Cash payments to employees for services	(1,467,069)
Cash payments for inmate labor	(159,044)
Cash payments to suppliers for goods and services	(3,786,847)
Net cash provided (used) by operating activities	(1,047,756)
Cash flows from noncapital financing activities	
Miscellaneous income	289,404
Net cash provided by noncapital financing activities	289,404
Cash flows from investing activities	
Interest income	10,817
Net cash (used) provided by investing activities	10,817
Cash flows from capital and related financing activities	
Acquisition of capital assets	(377,549)
Principal payments on lease liabilities	(24,902)
Net cash (used) by capital and related financing activities	(402,451)
Net increase/(decrease) in cash and cash equivalents	(1,149,986)
Cash and cash equivalents - beginning of year	1,964,094
Cash and cash equivalents - end of year	\$ 814,108

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Statement of Cash Flows - Enterprise Fund

For the year ended June 30, 2022	Corrections Industries
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (958,303)
Adjustments to reconcile opera. ng income (loss) to net cash provided (used) by operating activities	
Depreciation	113,424
Changes in assets, liabilities and deferred outflows of resources	
Receivables	230,031
Leases receivable	(1,035,102)
Inventory	(41,924)
Accounts payable	(391,616)
Accrued payroll	3,793
Accrued compensated absences	356
Deferred inflows - leases	1,031,585
Net cash provided (used) by operating activities	\$ (1,047,756)

The accompanying notes are an integral part of these financial statements.

**State of New Mexico
New Mexico Corrections Department
Statement of Fiduciary Net Position
Fiduciary Funds**

June 30, 2022	Inmate Trust Fund
Assets	
Cash and cash equivalents	\$ 4,170,918
Due from intrafund	1,003,196
Total assets	\$ 5,174,114
Liabilities	
Due to intrafund	\$ 1,184,317
Due to other agencies	165,383
Other liabilities	246,187
Total liabilities	1,595,887
Net position	
Restricted	3,578,227
Total net position	3,578,227
Total liabilities and net position	\$ 5,174,114

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended June 30, 2022	Custodial Funds
Additions	
Commissary collections for inmates	\$ 11,113,873
Total additions	11,113,873
Deductions	
Distributions to inmates	12,025,549
Total deductions	12,025,549
Net increase (deficiency) in fiduciary net position	(911,676)
Net position - beginning of year	4,489,903
Net position - end of year	\$ 3,578,227

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of New Mexico Corrections Department (the "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 Cabinet Secretary (the "Secretary") is appointed by the Office of the Governor and has decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Secretary is also 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 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.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Information Technology Division

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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.

The Department is a department of the primary government of the State of New Mexico. These financial statements present the financial position and results of operation of only those Statewide Human Resources Accounting and Management Reporting System (SHARE) funds for which the Secretary has oversight responsibility and do not purport to and do not present fairly the financial position of the State of New Mexico.

This summary of significant accounting policies of the Department is presented to assist in the understanding of Department's financial statements. The financial statements and notes are the representation of Department's management who is responsible for their integrity and objectivity. The financial statements of the Department have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 90. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Department has no component unit.

The Department is not included in any other governmental "reporting entity" as defined by Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, but would be included in the state-wide Annual Comprehensive Financial Report (ACFR).

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and fund financial statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Appropriations and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, noncurrent liabilities, including expenditures related to compensated absences are recorded only when payment is due.

Generally capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases agreements are reported as other financing sources.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the Department's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Under the requirements of GASB Statement No. 34, the Department is required to present certain of its governmental funds as major based upon certain criteria. The major governmental funds presented in the fund financial statements include the following:

The *General Fund* is the Department's primary operating fund. This fund is used to account for all financial resources except those required to be accounted for in another fund. Unexpended amounts that are not restricted at the end of the fiscal year shall revert to the State General Fund. The General Fund is comprised of the General Operating Fund (90700) and the Parole Division Fund (91500). Sources of non-reverting revenue include permanent fund income and land income (Section 19-1-17 NMSA 1978), as well as probation and parole fees (Sections 31-20-6 and 31-21-19 NMSA 1978).

Additionally, the following nonmajor governmental fund is presented in the fund financial statements.

Special Revenue Fund: Special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes. No expenditures can be made from special revenue funds for operations of the Department. Unexpended amounts at year-end are restricted for future program expenditures in the fund balance sheets.

Community Corrections Special Revenue Fund (SHARE 90200) — is a non-major fund established by §33-9-3 NMSA 1978 for the purpose of providing programs and services for the diversion of criminal offenders to community-based settings. 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.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Department has one major proprietary fund as follows.

The *Corrections Industries Revolving Fund (SHARE 07700)* - is the Department's only major proprietary fund established by §33-9-3 NMSA 1978. All income, receipts and earnings from the operation of enterprises are credited to the fund and all interest earned on money in the fund are credited to the fund. Money deposited in the fund is 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. No part of the fund reverts back to the State at the end of the year.

Additionally, the Department has the following custodial fund.

The *Inmate Trust Fund (SHARE 55700)* is the Departments only custodial fund. The assets in the fund are 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.

During the course of operations, the Department has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as interfund transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity

Deposits and Investments

The Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Department to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Receivables and Payables

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. 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.

Lease Receivable

The Department's lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Due From Other State Agencies

Due from other state agencies consist of appropriations to the Department transferred via other state agencies and drawdowns of bond proceeds.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Due From Federal Government

The balance due from federal sources is comprised of reimbursements to the Department for grant and contract-related expenditures, but not received by year-end. No allowance for doubtful accounts for the due from federal sources were necessary because the amounts are considered fully collectible by management.

Due From Local Governments

Due from local governments consists of balances due from various other state correctional departments related to the housing of prisoners and other related costs.

Interfund Activities and Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. All other interfund transfers are reported as operating transfers.

Inventory

The Departments' method of accounting for inventory is the consumption method in the enterprise funds and the government-financial statements. Under the consumption approach, governments report inventories they purchase as an asset and defer the recognition of the expenditures until the period in which the inventories actually are consumed.

The governmental fund financial statements account for inventory under the purchase method. As such, the funds recognize expenditures for inventory purchases when paid.

Supplies inventory are maintained on a purchase basis of accounting where the Department records expenditures at the time the goods and materials are received and accepted as delivered. Inventories held by the General fund and consist of generic supplies and materials in the various department operated correctional facilities. Inventories are valued using the average cost method.

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.

**State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Capital Assets

Capital assets, which include buildings and improvements, improvements other than buildings, machinery and equipment, computer equipment, furniture and fixtures, other assets, and automotive assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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:

<u>Asset Category</u>	<u>Years</u>
Buildings and improvements	40
Improvements other than buildings	20
Machinery and equipment	12
Computer equipment	3 to 7
Furniture and fixtures	10
Other assets	3 to 7
Automotive	5

Right of Use Asset

The Department has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Deferred Outflows of Resources

In addition to assets, the governmental funds balance sheet and statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Department has no deferred outflows at June 30, 2022.

Deferred Inflows of Resources

In addition to liabilities, the governmental funds balance sheet and statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized.

If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Department reports deferred inflows related to lease receivables in the amount of \$1,031,585 at June 30, 2022.

Accrued Payroll

Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2022, along with applicable Public Employees Retirement Association, Retiree Health Care, Social Security Taxes, and Medicare liabilities.

Compensated Absences

Department employees are entitled to certain compensated absences based on their employment classification and length of employment.

Vacation leave – Employees may accumulate up to 240 hours of vacation and carry leave forward from calendar year to calendar year. Upon termination, employees will be paid up to 240 hours, at their current hourly rate, of accrued vacation pay leave. All vacation pay is accrued when incurred in the government-wide financial statements.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Sick Leave – Each employee of the Department accumulates sick leave of 3.69 hours per pay period. Sick leave can be carried forward from calendar year to calendar year. There is no limit to the amount of sick leave that an employee may accumulate. Sick leave is paid once per fiscal year in either January or July. In accordance with Section 10-7-10 NMSA 1978, employees who have accumulated 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their hourly rate of pay for up to 120 hours of sick leave. Payment for unused sick leave may be made only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July.

Upon termination, employees who have accumulated over 600 hours of unused sick leave are entitled to be paid for unused sick leave in excess of 600 hours at a rate equal to fifty percent (50%) of their current hourly rate up to 400 hours of sick leave.

Compensatory leave – FLSA covered and non-exempt employees entitled to overtime pay may elect to receive compensatory time (comp time) off instead of cash payment. If the comp time option is exercised, the employee is credited with one and one-half times the hours worked. Maximum accruals of compensatory time shall be limited to 240 hours.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities of the statement of net position.

The Department has entered into agreements to lease certain equipment and land. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Fund Balance Classification Policies and Procedures

Fund Balances

The Department has implemented GASB No. 54 and has defined the various categories reported in fund balance. For committed fund balance, the Department's highest level of decision-making authority is the Legislative and Executive Branches of the State. The formal action that is required to be taken to establish a fund balance commitment is the Legislative and Executive Branches of the State.

For assigned fund balance, the Legislative and Executive Branches of the State or an official body to which the Legislative and Executive Branches of the State delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund. Assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the Department considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Department considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance – At June 30, 2022, the Department had nonspendable fund balance in the amount of \$5,777,546 relating to inventory balances and \$779 related to prepaid expenses.

Restricted and Committed Fund Balance – At June 30, 2022, the Department has presented restricted fund balance on the governmental funds balance sheet in the amount of \$7,767,766. The Department had no committed funds on the governmental funds balances sheet at June 30, 2022. The details of these fund balance items are located in note 15.

Net Position

Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of net of accumulated depreciation, reduced by unspent proceeds and the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Equity (Continued)

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for “special revenue” and are described in note 15.

Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Revenues and Expenditures/Expenses

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the Department’s citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Department’s general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Department facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as bureau of reclamation to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all state appropriations.

The Department reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The Department does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met and the availability criterion have been met.

When both restricted and unrestricted resources are available for use, it is the Department’s policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Department’s financial statements include the expected useful lives of capital assets, receivable allowance for doubtful accounts, and the current portion of accrued compensated absences.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the general fund and the special revenue funds. Encumbrances not recorded as vouchers payable at year end lapse.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 14, 2022, and determined that there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

During the fiscal year ended June 30, 2022, the Department adopted GASB Statement No. 87, *Leases*, GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

The implementation of GASB Statement No. 87 had a significant impact on the Entity. The implementation of GASB Statement No. 89, 92, 93, 97, and 98 did not affect the Department in a material manner.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for varying dates depending on the requirement.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

The Department is evaluating the requirements of the above statements and the impact on reporting.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 2: RESTATEMENT OF FUND BALANCE AND NET POSITION

In fiscal year 2022, the Department had a prior period restatement of net position in the governmental activities and business-type activities. The restatement arose as a result adjustments made to the beginning balances of cost of capital assets and accumulated depreciation. Further details are available in note 8.

Additionally, beginning balances in the governmental activities and business-type activities were restated for the implementation of GASB Statement No. 87, *Leases*, as further detailed in notes 8 and 9. There was no impact on fund balance or net position.

The restatements are composed of the following components.

Governmental Activities	Governmental Activities	Business Type Activities
Capital asset cost	\$ (650,791)	\$ -
Accumulated depreciation	(355,349)	(25,821)
Right-of-use assets	23,691,502	34,800
Total (note 8)	22,685,362	8,979
Lease liabilities (note 9)	(23,691,502)	(34,800)
Total restatement	\$ (1,006,140)	\$ (25,821)

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The State Legislature makes annual appropriations to the Department which lapse at fiscal yearend. Legal compliance is monitored through the establishment of a budget (budgetary basis) and a financial control system which permits a budget-to-actual revenue and expenditure comparison.

Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. The budgetary comparison is prepared on the modified accrual basis of accounting. Budgeted appropriation unit amounts may be amended upon approval from the State of New Mexico, Budget Division of the Department of Finance and Administration within the limitations specified in the annual General Appropriation Act. Budget amounts identified as “final” in the financial statements (budget comparison statements) are the final authorized expenditure levels, including any approved revisions (budget adjustment requests).

The Department uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. No later than September 1, the Department prepares a budget appropriation request by category to be presented to the next Legislature.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

2. The appropriation request is submitted to the New Mexico Department of Finance and Administration's Budget Division (DFA) and to the Legislative Finance Committee (LFC).
3. DFA makes recommendations and adjustments to the appropriation request, which then becomes the Governor's proposal to the Legislature.
4. The LFC holds hearings on the appropriation request, also submitting recommendations and adjustments before presentation to the Legislature.
5. Both the DFA's and LFC's recommended appropriation proposals are presented to the Legislature for approval of the final budget plan.
6. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated into the General Appropriations Act.
7. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
8. The Department submits, no later than May 1, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1.
9. All subsequent budget adjustments must be approved by the Department and the Director of the DFA Budget Division. The budget for the current year was properly amended.
10. Legal budget control for expenditures and encumbrances is at the appropriation unit level.
11. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and the Special Revenue Funds.
12. The budget is adopted on a modified accrual basis of accounting that is consistent with accounting principles generally accepted in the United States of America. This change was implemented with the Laws of 2004, Chapter 114, Section 3 Paragraph N and Paragraph O. It is effective for fiscal years beginning July 1, 2004. However, there is a statutory exception per General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA. 1978. Those accounts payable must be paid out of the next year's budget.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

13. Each year the Legislature approves multiple 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 the budgeting methodology.

Multi-Year Budget

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

Budgetary Comparisons

In addition to the Management Discussion and Analysis, GASBS No. 34 requires budgetary comparison schedules 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 budgets are not adopted on a basis consistent with GAAP fund structure. The annual appropriation budget is legally enacted and provided for a legal level of control at the appropriation program level (PCode and ZCode) and is presented as required supplementary information in accordance with GASBS No. 41.

The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period, as well as the actual inflows, outflow and balances, stated on the government's budgetary basis. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

The accompanying schedule of revenues, expenditures and changes in fund balance – budget and actual – by appropriation presents the legally adopted budget with actual data.

NOTE 4: DEPOSITS AND INVESTMENTS

Investment in State General Fund Investment Pool

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Investment in State General Fund Investment Pool (Continued)

A reconciliation of claims on the SGFIP to the related assets managed by STO assets is performed monthly. There is no material difference between the two amounts.

State law (Section 8-6-3 NMSA 1978) requires the Department’s cash be managed by the New Mexico State Treasurer’s Office. Accordingly, the investments of the Department consist of an interest in the SGFIP managed by the New Mexico State Treasurer’s Office.

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

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

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer’s Office for the fiscal year ended June 30, 2022.

The following is a summary of the Department’s investment account of the State General Fund Investment Pool held by the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA):

SHARE Account	Fund Description	SHARE Balance
07700	Corrections industries	\$ 813,554
90200	Community Corrections Special Revenue Fund	6,562,794
90700	General Fund	54,308,396
91500	Parole Division Fund	3,284,218
<hr/>		
Total Investment in State General Fund Investment Pool per statement of net position		64,968,962
18000	Petty cash	2,704
<hr/>		
Total share of Investment in the State General Fund Investment Pool and cash accounts		\$ 64,971,666

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Detail of pledged collateral specific to this Department is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the New Mexico State Treasurer’s Office collateral bureau monitors pledged collateral for all state funds held by state agencies in such “authorized” bank accounts.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions

The Department maintains separately authorized bank accounts for deposit of custodial fund cash which are further detailed in the schedule of deposits and investments. Deposits of funds may be made in interest bearing or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Department. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The Department's accounts are located at an insured depository institution. All noninterest-bearing transaction accounts will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000 for all deposit accounts out of state and up to \$250,000 for all time and saving accounts plus up to \$250,000 for all demand deposit accounts held at a single institution in state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. The Department's formal policy relating to custodial credit risk on its deposits requires that all funds are collateralized at a minimum level of 50%. In addition, the Department follows state statutes as put forth in the Public Money Act (Section 6- 10-1 to 6-10-63, NMSA 1978). The New Mexico Office of the State Treasurer's collateral bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 5: ACCOUNTS RECEIVABLE

The Department's accounts receivable balances as of June 30, 2022 were as follows.

	General Fund	Nonmajor Funds	Total
Accounts receivable, net of allowance			
Miscellaneous revenue	\$ 274,451	\$ 2,409	\$ 276,860
Allowance for doubtful accounts	(90,983)	-	(90,983)
	183,468	2,409	185,877
Other receivables			
Miscellaneous revenue	8,940	-	8,940
Payroll	9,118	-	9,118
	18,058	-	18,058
Total	\$ 201,526	\$ 2,409	\$ 203,935

	Corrections Industries
Lease income	\$ 1,035,102
Sales	900,755
Allowance for doubtful accounts	(254,048)
Totals	\$ 646,707

On August 1, 2021, the Department leased warehouse space to a third party at an interest rate of 0.75%, which resulted in the initial recognition of a lease receivable and corresponding deferred inflow totaling \$1,165,084 in the business-type activities. The lease requires 96 monthly payments of \$12,500 through expiration of the agreement in July of 2029. For the year ended June 30, 2022, total income recognized was \$141,018 which is comprised of lease revenue and interest income totaling \$133,500 and \$7,518, respectively. As of June 30, 2022, the lease receivable balance and relating deferred inflow had balances of \$1,035,102 and 1,031,585, respectively. Future lease revenues are as follows:

Year Ending June 30,	Revenue	Interest	Total
2023	\$ 145,635	\$ 7,179	\$ 152,814
2024	145,635	6,104	151,739
2025	145,635	5,021	150,656
2026	145,635	3,930	149,565
2027	145,635	2,831	148,466
2028-32	306,927	2,331	309,258
Totals	\$ 1,035,102	\$ 27,396	\$ 1,062,498

**State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements**

NOTE 6: DUE FROM/DUE TO OTHER STATE AGENCIES

The Department had the following due from other state agencies as of June 30, 2022:

SHARE Fund	Agency		
General Fund (90700)			
(1) 91602	(78000) Crime Victims Reparation Commission	\$	2,918
Total		\$	2,918

(1) Unpaid restitution payments

NOTE 7: INTERAGENCY TRANSFERS

General fund appropriations were received as follows for the year ended June 30, 2022:

SHARE Fund	Agency		
General Fund (90700)			
(1) 85300	(34101) Department of Finance and Administration	\$	289,801,400
Parole Division Fund (91500)			
(1) 85300	(34101) Department of Finance and Administration		25,320,000
Community Corrections Special Revenue Fund (90200)			
(1) 85300	(34101) Department of Finance and Administration		12,775,700
Total		\$	327,897,100

(1) General Fund Appropriation

**State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements**

NOTE 7: INTERAGENCY TRANSFERS (Continued)

The Department had the following interagency transfers in and out for the year ended June 30, 2022:

SHARE Fund	Agency	
General Fund (90700)		
(1) 60100	(33700) State Investment Council	\$ 15,771,909
(2) 00900	(34100) Department of Finance and Administration	4,000,000
(3) 62000	(34100) Department of Finance and Administration	1,739,100
(4) 76100	(34100) Department of Finance and Administration	63,335
(4) 09800	(53900) Commission of Public Lands	218,180
(4) 77700	(53900) Commission of Public Lands	492,732
Parole Division Fund (91500)		
(3) 62000	(34100) Department of Finance and Administration	400,900
Community Corrections Special Revenue Fund (90200)		
(3) 62000	(34100) Department of Finance and Administration	19,100
Total		\$ 22,705,256

- (1) LGPF Distributions
- (2) Computer enhancement appropriations
- (3) Legislative compensation increases
- (4) Land distribution income

The Department had the following reversion to the State General Fund for the year ended June 30, 2022 related to fiscal year 2022:

SHARE Fund	Description	
90700	State General Fund appropriation reversion	\$ 45,367,556
91500	State General Fund appropriation reversion	290,881
		\$ 45,658,437

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

Governmental Activities

	Balance June 30, 2021	Restatement (Note 2)	Additions	Deletions	Balance June 30, 2022
Governmental activities					
Capital assets being depreciated					
Buildings and improvements	\$ 39,109,363	\$ 2,624,629	\$ 9,855,388	\$ (11,963)	\$ 51,577,417
Improvements other than buildings	4,947,883	344,092	3,697,711	-	8,989,686
Machinery and equipment	37,666,382	(25,054,699)	1,273,207	(94,274)	13,790,616
Computer equipment	-	17,294,736	1,486,571	-	18,781,307
Furniture and fixtures	-	1,033,744	83,129	-	1,116,873
Other assets	-	2,975,450	294,991	-	3,270,441
Automotive	5,109,719	131,257	147,052	-	5,388,028
ROU assets - equipment*	-	486,899	129,691	-	616,590
ROU assets - real estate*	-	23,204,603	73,588,604	-	96,793,207
Total	86,833,347	23,040,711	90,556,344	(106,237)	200,324,165
Less accumulated depreciation					
Buildings and improvements	(24,695,711)	(1,626,450)	(1,693,590)	1,097	(28,014,654)
Improvements other than buildings	(2,333,540)	(202,906)	(238,019)	-	(2,774,465)
Machinery and equipment	(24,098,318)	17,363,946	(1,341,007)	94,274	(7,981,105)
Computer equipment	-	(13,195,727)	(1,728,118)	-	(14,923,845)
Furniture and fixtures	-	(760,924)	(99,579)	-	(860,503)
Other assets	-	(1,850,654)	(435,756)	-	(2,286,410)
Automotive	(3,726,561)	(82,634)	(396,097)	-	(4,205,292)
ROU assets - equipment	-	-	(184,260)	-	(184,260)
ROU assets - real estate	-	-	(7,644,887)	-	(7,644,887)
Total	(54,854,130)	(355,349)	(13,761,313)	95,371	(68,875,421)
Net capital assets	\$ 31,979,217	\$ 22,685,362	\$ 76,795,031	\$ (10,866)	\$ 131,448,744

* The notes require a restatement due to the implementation of GASBS 87. There is no impact on the financial statements.

The Department has lease liabilities associated with the right of use lease assets as of June 30, 2022 which are further described in note 9. Depreciation expense for the Department amounted to \$5,932,166 and is included in public safety – corrections in the statement of activities. Additionally, amortization of right of use assets totaled \$7,829,147 for the year ended June 30, 2022 and is also included in public safety – corrections in the statement of activities.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 8: CAPITAL ASSETS (Continued)

The following is to provide additional clarification on reconciling to capital outlay in the statement of revenues, expenditures, and changes in fund balances – governmental funds.

Capital outlay per statement of revenues, expenditures and changes in fund balance - governmental funds	\$ 90,952,766
Transfer out of capital assets	(396,422)
Total capital asset additions	<u>\$ 90,556,344</u>

Business-Type Activities

	Balance June 30, 2021	Restatement (Note 2)	Additions	Deletions	Balance June 30, 2022
Business-Type Activities					
Capital assets being depreciated					
Buildings and improvements	\$ 1,220,261	\$ 119,637	\$ 181,394	\$ (147,345)	\$ 1,373,947
Machinery and equipment	1,884,378	(110,287)	87,236	(581,596)	1,279,731
Automotive	1,046,134	(9,350)	108,918	(73,602)	1,072,100
ROU assets - equipment*	-	34,800	-	-	34,800
Total	4,150,773	34,800	377,548	(802,543)	3,760,578
Less accumulated depreciation					
Buildings and improvements	(934,734)	(91,581)	(21,913)	147,345	(900,883)
Machinery and equipment	(1,704,573)	57,222	(43,429)	570,244	(1,120,536)
Automotive	(1,011,978)	8,538	(23,153)	73,602	(952,991)
ROU assets - equipment	-	-	(24,929)	-	(24,929)
Total	(3,651,285)	(25,821)	(113,424)	791,191	(2,999,339)
Net capital assets	\$ 499,488	\$ 8,979	\$ 264,124	\$ (11,352)	\$ 761,239

* The notes require a restatement due to the implementation of GASBS 87. There is no impact on the financial statements.

The Department has lease liabilities associated with the right of use lease assets as of June 30, 2022 which are further described in note 9. Depreciation expense for the Department amounted to \$88,495 and is included in corrections industries in the statement of activities. Additionally, amortization of right of use assets totaled \$24,929 for the year ended June 30, 2022.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 9: LONG-TERM LIABILITIES

Compensated absences payable – The liability at June 30, 2022 represents the Department’s commitment to fund accrued annual, sick and compensatory leave costs from future operations. The compensated absence liability of the governmental fund is expected to be liquidated by the General Fund.

Leases – The Agency has entered into various lease agreements for equipment and real estate. The lease agreements have been recorded at the present value of future lease payments as of the date of their inception or, for leases existing prior to the implementation year, at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021. Further detail regarding lease liabilities, right-of-use assets, and lease terms can be found in the schedule of leases.

The following represents the long-term liabilities of the Department for the year ended June 30, 2022:

Governmental Activities

	Balance				Balance	Due Within
	June 30, 2021	Restatement*	Additions	Deletions	June 30, 2022	One Year
Compensated absences	\$ 6,090,186	\$ -	\$ 9,580,999	\$ 9,554,950	\$ 6,116,235	\$ 6,116,235
Lease liabilities	-	23,691,502	73,718,295	6,889,959	90,519,838	7,954,543
Total	\$ 6,090,186	\$ 23,691,502	\$ 83,299,294	\$ 16,444,909	\$ 96,636,073	\$ 14,070,778

* The notes require a restatement due to the implementation of GASBS 87. There is no impact on the financial statements.

The future minimum payments on lease liabilities as of June 30, 2022 were as follows.

Year Ending				
June 30,	Principal	Interest	Total	
2023	\$ 7,954,543	\$ 1,377,152	\$ 9,331,695	
2024	7,978,908	1,297,082	9,275,990	
2025	5,378,901	1,219,911	6,598,812	
2026	4,029,273	1,156,134	5,185,407	
2027	4,048,141	1,091,419	5,139,560	
2028-32	19,565,058	4,468,965	24,034,023	
2033-37	21,546,343	2,689,741	24,236,084	
2038-42	20,018,671	752,073	20,770,744	
Totals	\$ 90,519,838	\$ 14,052,477	\$ 104,572,315	

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 9: LONG-TERM LIABILITIES (Continued)

Business-Type Activities

	Balance			Balance		Due Within
	June 30, 2020	Restatement*	Additions	Deletions	June 30, 2021	One Year
Compensated absences	\$ 64,041	\$ -	\$ 91,833	\$ 91,477	\$ 64,397	\$ 64,397
Lease liabilities	-	34,800	-	24,902	9,898	5,279
Total	\$ -	\$ 34,800	\$ -	\$ 24,902	\$ 9,898	\$ 5,279

The future minimum payments on lease liabilities as of June 30, 2022 were as follows.

Year Ending	Principal	Interest	Total
June 30,			
2023	\$ 5,279	\$ 31	\$ 5,310
2024	3,505	13	3,518
2025	1,114	2	1,116
Totals	\$ 9,898	\$ 46	\$ 9,944

NOTE 10: RISK MANAGEMENT

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. The coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2021 through June 30, 2022.

The Department is a party to various ongoing legal proceedings for which the outcomes are uncertain and potential losses to the Department are not estimable as of June 30, 2022. Historically, when cases settle or a judgement is rendered, the Department will split the cost with the Risk Management Division. As of June 30, 2022, Management of the Department believes any potential liabilities to be well below the Department's annual budget and funding available to pay such potential liabilities.

NOTE 11: OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

- The Department had no funds with deficit fund balance at June 30, 2022.
- The Department did not exceed approved budget at year end June 30, 2022.
- The Department did not have any funds in which designated cash appropriations were in excess of available budget at year end June 30, 2022.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 12: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan: Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico implemented the standard for fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).

Disclosure requirements including schedules of required supplementary information and related notes for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund and the Annual Comprehensive Financial Report (ACFR) of the State of New Mexico. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the Department's funds and therefore not reported in the Department's statement of net position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the ACFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 13: POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

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

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability.

The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any Department 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 Annual Comprehensive Financial Report (ACFR) of the State of New Mexico.

Information concerning the net OPEB liability, benefit expense, and benefit-related deferred inflows and outflows of resources of the primary government will be contained in the State of New Mexico Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021 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

NOTE 14: DEFERRED COMPENSATION PLAN

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all State employees and those local government and school district employees whose employers have elected participation in the plan which permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Amendments to the laws governing Section 457 deferred compensation plans substantially became effective January 1, 1997, with provision for existing plans to make the required changes by January 1, 1999. PERA has approved plan amendments and has amended contracts with providers to comply with this amendment. Accordingly, plan assets are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose.

There are employees who are making contributions to a Deferred Compensation Plan. Neither the Department nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants' salaries by the Department have been paid to the New Mexico Public Employees' Retirement Association, which administers the plan.

NOTE 15: FUND BALANCE AND NET POSITION

Restricted fund balance on the modified accrual basis was classified as follows at June 30, 2022:

	Nonspendable	Restricted
General Fund (90700)		
Inventory	\$ 5,504,872	\$ -
Prepaid expenses	779	-
Probation and Parole Division Fund (91500)		
Inventory	272,674	-
Probation and parole activities	-	2,259,902
Community Corrections Special Revenue Fund (90200)		
Community diversion of criminal offenders	-	5,507,864
	\$ 5,778,325	\$ 7,767,766

The government-wide statement of net position reports \$7,967,798 and \$1,859,680 of restricted net position for the governmental activities and business-type activities, respectively, all of which are restricted by enabling legislation.

State of New Mexico
New Mexico Corrections Department
Notes to Financial Statements

NOTE 15: FUND BALANCE AND NET POSITION (Continued)

Restricted net position was classified as follows as of June 30, 2022:

Governmental Activities	
Probation and parole activities	\$ 2,459,934
Community diversion of criminal offenders	5,507,864
<u>Total Governmental Activities</u>	<u>\$ 7,967,798</u>
Business-type Activities	
Enterprise operations	\$ 1,859,680
<u>Total Business-type Activities</u>	<u>\$ 1,859,680</u>
<u>Total</u>	<u>\$ 9,827,478</u>
Fiduciary Funds	
Inmate commissary	\$ 3,578,227
<u>Total Fiduciary Funds</u>	<u>\$ 3,578,227</u>

NOTE 16: CONCENTRATIONS

The Department depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Department is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Required Supplementary Information

State of New Mexico
New Mexico Corrections Department
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - By Appropriation

For the year ended June 30, 2022	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
P530				
Revenues				
Charges for services	\$ 129,800	\$ 129,800	\$ 82,250	\$ (47,550)
Other sales of services	25,000	25,000	40,576	15,576
Federal contract - interagency	-	28,588	20,403	(8,185)
Miscellaneous	-	-	3,912	3,912
General fund appropriation	12,576,300	12,576,300	12,576,300	-
Other financing sources	183,400	183,400	183,400	-
Total revenues	12,914,500	12,943,088	12,906,841	(36,247)
Expenditures				
Personal services & fee benefit	10,462,600	10,137,600	9,298,698	838,902
Contractual services	316,200	369,700	317,305	52,395
Other costs	2,135,700	2,435,788	2,341,799	93,989
Total expenditures	12,914,500	12,943,088	11,957,802	985,286
P531				
Revenues				
Charges for services	161,000	161,000.00	5,575	(155,425)
Fund balance	1,433,000	1,433,000	-	(1,433,000)
Other services - Interagency	-	-	28,197	28,197
Payments for care-government	500,000	500,000	971,401	471,401
Other institutional sales	31,500	31,500	28,198	(3,302)
Other sales of services	-	-	9,015	9,015
Federal direct - operating	-	60,450	41,645,310	41,584,860
Federal contract - interagency	259,200	1,413,815	1,118,283	(295,532)
Miscellaneous	-	-	11,562,713	11,562,713
General fund appropriation	277,225,100	277,025,100	277,225,100	200,000
Other financing sources	18,765,800	18,765,800	18,101,856	(663,944)
Total revenues	298,375,600	299,390,665	350,695,648	51,304,983
Expenditures				
Personal services & fee benefit	133,620,500	122,780,634	126,274,438	(3,493,804)
Contractual services	63,270,100	66,807,273	65,533,975	1,273,298
Other costs	101,485,000	109,802,758	106,898,999	2,903,759
Transfers out of capital assets	-	-	396,422	(396,422)
Total expenditures	298,375,600	299,390,665	299,103,834	286,831

(Continued)

State of New Mexico
New Mexico Corrections Department
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - By Appropriation

For the year ended June 30, 2022	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
P533				
Revenues				
Fund balance	\$ 61,300	\$ 61,300	\$ -	\$ (61,300)
Institutional Sales	10,906,500	10,906,500	4,138,690	(6,767,810)
Investment earnings	-	-	3,299	3,299
Interest Earned on Lease	-	-	7,518	7,518
Miscellaneous	-	-	71,573	71,573
Other rentals	-	-	84,333	84,333
Total revenues	10,967,800	10,967,800	4,305,413	(6,662,387)
Expenditures				
Personal services & fee benefit	2,191,000	2,191,000	1,461,513	729,487
Contractual services	51,400	51,400	25,583	25,817
Other costs	8,725,400	8,725,400	3,931,144	4,794,256
Total expenditures	10,967,800	10,967,800	5,418,240	5,549,560
P534				
Revenues				
Charges for services	2,115,000	2,115,000	2,113,281	(1,719)
Fund balance	1,081,400	1,081,400	-	(1,081,400)
Federal indirect	-	-	1,129	1,129
Federal contract - interagency	-	1,148	-	(1,148)
Miscellaneous	-	-	3,500	3,500
General fund appropriation	38,095,700	38,295,700	38,095,700	(200,000)
Other financing sources	420,000	420,000	420,000	-
Total revenues	41,712,100	41,913,248	40,633,610	(1,279,638)
Expenditures				
Personal services & fee benefit	22,665,100	22,866,248	22,574,464	291,784
Contractual services	13,339,700	13,339,700	10,164,387	3,175,313
Other costs	5,707,300	5,707,300	4,817,647	889,653
Total expenditures	41,712,100	41,913,248	37,556,498	4,356,750

(Continued)

State of New Mexico
Office of the Secretary of State
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - By Appropriation

For the year ended June 30, 2022	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
ZC7029				
Revenues				
Fund balance	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Total revenues	100,000	100,000	-	100,000
Expenditures				
Other costs	100,000	100,000	100,000	-
Total expenditures	100,000	100,000	100,000	-
ZD7029				
Revenues				
Fund balance	3,185,433	3,185,433	-	3,185,433
Total revenues	3,185,433	3,185,433	-	3,185,433
Expenditures				
Contractual services	3,010,433	3,002,881	2,992,037	10,844
Other costs	175,000	182,552	182,552	-
Total expenditures	3,185,433	3,185,433	3,174,589	10,844
ZE1010				
Revenues				
Federal contract - interagency	76,442	-	-	-
Total revenues	76,442	-	-	-
Expenditures				
Personal services	76,442	-	-	-
Total expenditures	76,442	-	-	-
ZE5103				
Revenues				
Fund balance	200,000	200,000	-	200,000
Total revenues	200,000	200,000	-	200,000
Expenditures				
Contractual services	150,000	-	-	-
Other costs	50,000	200,000	200,000	-
Total expenditures	200,000	200,000	200,000	-

(Continued)

State of New Mexico
Office of the Secretary of State
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - By Appropriation

For the year ended June 30, 2022	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
ZE5104				
Revenues				
Other financing sources	\$ -	\$ 6,000,000	\$ -	\$ 6,000,000
Total revenues	-	6,000,000	-	6,000,000
Expenditures				
Contractual services	-	-	1,882,161	(1,882,161)
Other costs	-	6,000,000	9,512,373	(3,512,373)
Total expenditures	-	6,000,000	11,394,534	(5,394,534)
ZE5106				
Revenues				
Fund balance	300,000	300,000	-	300,000
Total revenues	300,000	300,000	-	300,000
Expenditures				
Contractual services	250,000	250,000	249,954	46
Other costs	50,000	50,000	35,646	14,354
Total expenditures	300,000	300,000	285,600	14,400
ZF7036				
Revenues				
Other financing sources	250,000	250,000	500,000	(250,000)
Total revenues	250,000	250,000	500,000	(250,000)
Expenditures				
Personal services	150,000	-	-	-
Contractual costs	-	150,000	6,900	-
Other costs	100,000	100,000	17,642	82,358
Total expenditures	250,000	250,000	24,542	82,358

(Continued)

State of New Mexico
Office of the Secretary of State
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual - By Appropriation

For the year ended June 30, 2022	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
ZG7045				
Revenues				
Other financing sources	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ -
Total revenues	3,500,000	3,500,000	3,500,000	-
Expenditures				
Contractual services	3,500,000	3,500,000	-	3,500,000
Total expenditures	3,500,000	3,500,000	-	3,500,000
Summary				
Total revenues	368,005,433	375,250,234	412,541,512	37,291,278
Total expenditures	368,005,433	375,250,234	369,215,639	(6,034,595)
Excess (deficiency) of revenues over expenditures	-	-	43,325,873	(43,325,873)
Corrections industries - change in net position	-	-	669,434	(669,434)
Custodial funds - decrease in net position	-	-	911,676	(911,676)
Less reversion to State General Fund	-	-	(45,658,437)	45,658,437
Net change in fund balance	\$ -	\$ -	\$ (751,454)	\$ 751,454

Supplementary Information

**State of New Mexico
New Mexico Corrections Department
Combining Balance Sheet
General Fund**

June 30, 2022	General Fund (90700)	Probation and Parole Division Fund (91500)	Total General fund
Assets			
Investment in the State General Fund Investment Pool	\$ 54,308,396	\$ 3,284,218	\$ 57,592,614
Cash	2,150	-	2,150
Accounts receivable, net of allowance	183,468	-	183,468
Other receivables	15,563	2,495	18,058
Due from other state agencies	2,918	-	2,918
Due from federal government	23,136	-	23,136
Due from local governments	407,784	-	407,784
Inventories	5,504,872	272,674	5,777,546
Prepaid expenses	779	-	779
Total assets	\$ 60,449,066	\$ 3,559,387	\$ 64,008,453
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 25,474,252	\$ 333,456	\$ 25,807,708
Accrued payroll	4,509,917	686,623	5,196,540
Unearned revenue	102,912	-	102,912
Other liabilities	10,325	6,732	17,057
Total liabilities	30,097,406	1,026,811	31,124,217
Fund balances			
Nonspendable	5,505,651	272,674	5,778,325
Spendable			
Restricted	-	2,259,902	2,259,902
Unassigned	24,846,009	-	24,846,009
Total fund balances	30,351,660	2,532,576	32,884,236
Total liabilities and fund balances	\$ 60,449,066	\$ 3,559,387	\$ 64,008,453

The accompanying notes are an integral part of these financial statements.

State of New Mexico
New Mexico Corrections Department
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
General Fund

June 30, 2022	General Fund (90700)	Probation and Parole Division Fund (91500)	Total General fund
Revenues			
Charges for services	\$ 116,022	\$ 2,093,845	\$ 2,209,867
Institutional sales	1,049,190	-	1,049,190
Miscellaneous income	464,107	1,091	465,198
Federal grants and contributions	42,783,994	1,129	42,785,123
Total revenues	44,413,313	2,096,065	46,509,378
Expenditures			
Current - Executive			
Personnel services and employee benefits	124,946,883	21,554,859	146,501,742
Contractual services	70,982,332	1,316,620	72,298,952
Other costs	95,177,559	3,068,083	98,245,642
Capital outlay	90,746,141	206,625	90,952,766
Debt service			
Principal	5,578,874	1,311,085	6,889,959
Interest and other charges	901,355	124,061	1,025,416
Total expenditures	388,333,144	27,581,333	415,914,477
Excess (deficiency) of revenues over expenditures	(343,919,831)	(25,485,268)	(369,405,099)
Other financing sources (uses)			
General Fund appropriations	289,801,400	25,320,000	315,121,400
Leases	73,663,047	55,248	73,718,295
Interagency transfers in	22,285,256	400,900	22,686,156
Reversion	(45,367,556)	(290,881)	(45,658,437)
Total other financing sources (uses)	340,382,147	25,485,267	365,867,414
Net change in fund balances	(3,537,684)	(1)	(3,537,685)
Fund balances, beginning of year	33,415,112	2,468,447	35,883,559
Change in inventory	474,232	64,130	538,362
Fund balances, end of year	\$ 30,351,660	\$ 2,532,576	\$ 32,884,236

The accompanying notes are an integral part of these financial statements.

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State of New Mexico
Office of the State Engineer/Interstate Stream Commission
Schedule of Deposit
June 30, 2022

Bank Account Type/Name	State of New Mexico	Wells Fargo Bank	New Mexico Bank & Trust	Totals
Miscellaneous Account - Checking	\$ -	\$ 4,178,737	\$ 142,130	\$ 4,320,867
Investment in State General Fund Investment Pool	64,968,962	-	-	64,968,962
Total on deposit and investment	64,968,962	4,178,737	142,130	69,289,829
Reconciling items	-	(149,949)	-	(149,949)
Reconciled balance June 30, 2022	\$ 64,968,962	\$ 4,028,788	\$ 142,130	69,139,880
Less Cash and cash equivalents per statement of fiduciary net position				(4,170,918)
Total investment in State General Fund Investment Pool per statement of net position				\$ 64,968,962

**State of New Mexico
New Mexico Corrections Department
Schedule of Joint Powers Agreements
June 30, 2022**

Agreements	Participants	Responsible Party	Description
1 JPA #09-006J Inmate work crews for City of Grants	City of Grants NMCD	City of Grants	Provide inmate work crews for maintenance, beautification and enhancement at various locations in the City
2 JPA #14-521-0400-0143 Inmate labor	NM Energy, Minerals, and Natural Resources Department ("ENMRD") NMCD	ENMRD	Provide inmate forestry work camp that will provide training and labor for fire suppression
3 JPA #02-521-05-012 Inmate labor	NM Energy, Minerals, and Natural Resources Department ("ENMRD") NMCD	ENMRD	Provide inmate labor to maintain NM State Parks
4 JPA #02-04J Inmate labor	Santa Fe Solid Waste Management Agency (SFSWMA) NMCD	SFSWMA	Provide inmate labor to perform minor maintenance, beautification and litter control of the Caja Del Rio Landfill.
5 JPA #99-7J Inmate labor	City of Las Cruces NMCD	City of Las Cruces	Provide inmate labor to perform minor maintenance, beautification and litter control of public areas.
6 JPA #10-001J Inmate labor	City of Santa Fe NMCD	City of Santa Fe	Provide inmate labor
7 JPA #1-7/96 Mental Health Services	NM Department of Health NMCD	NMCD	Provide mental health Services

Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed current fiscal year	Audit Responsibility	Fiscal agent and and responsible reporting entity
12/5/2008 thru Indefinite	N/A	\$	- City of Grants	City of Grants
6/19/2014 thru Indefinite	N/A	\$	- ENMRD	ENMRD
7/20/2001 thru Indefinite	N/A	\$	- ENMRD	ENMRD
9/1/2001 thru Indefinite	N/A	\$	- SFSWMA	SFSWMA
7/28/1998 thru Indefinite	N/A	\$	- City of Las Cruces	City of Las Cruces
7/1/2009 thru Indefinite	N/A	\$	- City of Santa Fe	City of Santa Fe
9/21/2000 thru Indefinite	N/A	\$	- NMCD	NMCD

**State of New Mexico
New Mexico Corrections Department
Schedule of Joint Powers Agreements
June 30, 2022**

Agreements	Participants	Responsible Party	Description
8 Use of Old Main	Department of Military Affairs NMCD	NMCD	Operation and use of PNM Old Main
9 Filming at the Old Main	Facilities Management Division of the General Services Department and the Film Division of the NM Economic Development Department NMCD	NMCD	Make use of the old Penitentiary of New Mexico (Old Main) by the motion picture industry for economic development

Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed current fiscal year	Audit Responsibility	Fiscal agent and and responsible reporting entity
12/20/2010 thru Indefinite	N/A	\$ -	NMCD	NMCD
7/22/2013 thru Indefinite	N/A	\$ -	NMCD	NMCD

State of New Mexico
New Mexico Corrections Department
Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations
For the Year Ended June 30, 2022

Description	SHARE Identifier #	Original Appropriation
FUND 90700 General Fund		
Laws of 2018, Chapter 73, Section 7, Item 29	ZC7029	\$ 2,290,000
Laws of 2019, Chapter 271, Section 7, Item 29	ZD7029	4,105,200
Laws of 2020, Chapter 83, Section 5, Item 103	ZE5103	200,000
Laws of 2020, Chapter 83, Section 5, Item 104	ZE5104	16,000,000
Laws of 2020, Chapter 83, Section 5, Item 106	ZE5106	300,000
Laws of 2021, Chapter 137, Section 7, Item 36	ZF7036	250,000
Laws of 2022, Chapter 54, Section 7, Item 45	ZG7045	3,500,000
Total Special Appropriations - Fund 90700		\$ 26,645,200

(Continued)

Appropriation Period	Expenditures To Date	Outstanding Encumbrances	Unencumbered Balances	Amounts Reverted
2018-2022	\$ 2,290,000	\$ -	\$ -	\$ -
2019-2023	4,094,355	-	-	-
2020-2024	200,000	-	-	-
2020-2024	15,319,789	70,335	-	-
2020-2024	285,600	11,709	-	-
2021-2025	23,971	571	-	-
2022-2026	-	-	-	-
	\$ 22,213,715	\$ 82,615	\$ -	

(Continued)

State of New Mexico
New Mexico Corrections Department
Schedule of Leases
June 30, 2022

Description	Effective Date	End Date	Borrowing Rate
Governmental Activities			
Equipment			
069-002889-1800-CC1919204635QU	7/1/2021	10/24/2023	0.50%
069-002889-3000-RC1347014469QU	7/1/2021	1/31/2024	0.50%
069-002889-4000-MA1824002686QU	7/1/2021	9/30/2023	0.50%
069-002889-5000-0300064Y-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0300132X-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-ZC2038219037QU	7/1/2021	5/31/2025	0.50%
069-002889-7000-C86298405-RI	7/1/2021	6/23/2024	0.50%
069-002889-1000-CC1838233610QU	7/1/2021	3/20/2023	0.50%
069-002889-9000-RB1605214778QU	7/1/2021	6/30/2025	0.50%
069-002889-1800-2JH01604-CA	7/1/2021	11/29/2023	0.50%
069-002889-1800-2JH00932-CA	7/1/2021	11/29/2023	0.50%
069-002889-1200-2JH00934-CA	7/1/2021	12/1/2023	0.50%
069-002889-1200-C86314477-RI	7/1/2021	3/31/2025	0.50%
069-002889-1200-C86315786-RI	7/1/2021	3/31/2025	0.50%
069-002889-1200-C86315531-RI	7/1/2021	3/31/2025	0.50%
069-002889-1200-C86315425-RI	7/1/2021	3/31/2025	0.50%
069-002889-1200-C86314431-RI	7/1/2021	12/1/2023	0.50%
069-002889-1200-C86315467-RI	7/1/2021	3/31/2025	0.50%
069-002889-1200-C86314792-RI	7/1/2021	3/31/2025	0.50%
069-002889-1200-C86315473-RI	7/1/2021	3/31/2025	0.50%
069-002889-1200-C86314511-RI	7/1/2021	3/31/2025	0.50%
069-002889-1000-003024532-SH	7/1/2021	6/4/2024	0.50%
069-002889-1000-003023762-SH	7/1/2021	6/4/2024	0.50%
069-002889-5000-0301479X-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0301522X-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0301545X-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0301679X-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-3039719-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-3039529-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0301710X-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0301688Y-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-13015261-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-3035961-SH	7/1/2021	3/31/2024	0.50%
069-002889-5000-0300401Y-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0301676X-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0300454Y-SH	7/1/2021	3/31/2025	0.50%

Monthly Payment	Lease Liability	Right-to-Use Asset, Net
\$ 390	\$ 6,133	\$ 6,118
390	7,382	5,693
796	11,905	11,888
288	9,430	9,407
239	7,831	7,811
454	15,774	15,735
307	7,272	7,254
435	3,755	3,745
129	4,600	4,588
240	4,065	4,055
240	4,065	4,055
240	4,081	4,071
129	4,215	4,205
151	4,945	4,932
141	4,620	4,609
213	6,971	6,954
176	5,756	5,741
183	5,999	5,984
163	5,351	5,337
158	5,188	5,175
158	5,188	5,175
218	5,023	5,010
218	5,023	5,010
137	4,493	4,482
137	4,493	4,482
137	4,493	4,482
137	4,493	4,482
137	4,493	4,482
137	4,493	4,482
137	4,493	4,482
137	4,493	4,482
170	5,563	5,549
160	5,240	5,227
175	3,669	3,660
141	4,621	4,609
141	4,493	4,482
141	4,621	4,609

(Continued)

State of New Mexico
New Mexico Corrections Department
Schedule of Leases
June 30, 2022

Description	Effective Date	End Date	Borrowing Rate
Governmental Activities (Continued)			
Equipment (Continued)			
069-002889-5000-0300396Y-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0300452Y-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-0300360Y-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-13002451-SH	7/1/2021	3/31/2025	0.50%
069-002889-5000-13002431-SH	7/1/2021	3/31/2025	0.50%
069-002889-1100-95111454-SH	7/1/2021	6/16/2023	0.50%
069-002889-1100-95013004-SH	7/1/2021	6/25/2023	0.50%
069-002889-1100-95013304-SH	7/1/2021	6/23/2023	0.50%
069-002889-1100-95036718-SH	7/1/2021	1/5/2024	0.50%
069-002889-1100-13001282-SH	7/1/2021	4/17/2025	0.50%
069-002889-1400-C86276576-RI	7/1/2021	7/19/2023	0.50%
069-002889-3000-3AG888613-XE	7/1/2021	9/30/2023	0.50%
069-002889-4000-C94006069-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006070-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006071-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006112-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006082-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006083-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006122-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006124-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006123-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006109-RI	11/1/2021	6/30/2025	0.50%
069-002889-4000-C94006110-RI	11/1/2021	6/30/2025	0.50%
069-002889-7000-0302844X-SH	7/1/2021	2/17/2025	0.50%
069-002889-7000-15011717-SH	12/10/2021	11/10/2025	0.50%
069-002889-7000-15013297-SH	12/9/2021	11/9/2025	0.50%
069-002889-7000-15013287-SH	12/9/2021	11/9/2025	0.50%
069-002889-7000-15013567-SH	12/15/2021	11/15/2025	0.50%
069-002889-7000-C86301670-RI	7/1/2021	7/5/2024	0.50%
069-002889-7000-C86298886-RI	7/1/2021	5/29/2024	0.50%
069-002889-7000-C86298885-RI	7/1/2021	5/29/2024	0.50%
069-002889-7000-C86298392-RI	7/1/2021	7/12/2024	0.50%
069-002889-7000-C86298944-RI	7/1/2021	5/29/2024	0.50%
069-002889-7000-C86298943-RI	7/1/2021	5/29/2024	0.50%
069-002889-9000-6TB-454569-XE	7/1/2021	12/31/2024	0.50%
069-002889-9000-8TB-645929-XE	7/1/2021	12/31/2024	0.50%

Monthly Payment	Lease Liability	Right-to-Use Asset, Net
141	4,621	4,609
121	3,973	3,964
127	4,165	4,154
147	4,829	4,817
147	4,829	4,817
334	3,845	3,836
227	2,675	2,668
227	2,660	2,653
178	3,226	3,218
177	5,913	5,898
238	2,999	2,991
256	3,823	3,814
153	5,479	5,470
153	5,479	5,470
153	5,479	5,470
161	5,745	5,735
190	6,805	6,794
190	6,805	6,794
185	6,628	6,617
185	6,628	6,617
185	6,628	6,617
210	7,513	7,500
210	7,513	7,500
147	4,605	4,594
101	4,036	4,030
101	4,033	4,027
101	4,033	4,027
101	4,053	4,048
193	4,633	4,621
196	4,467	4,456
196	4,467	4,456
196	4,748	4,736
162	3,702	3,692
162	3,702	3,692
281	8,384	8,364
245	7,309	7,291

(Continued)

State of New Mexico
New Mexico Corrections Department
Schedule of Leases
June 30, 2022

Description	Effective Date	End Date	Borrowing Rate
Governmental Activities (Continued)			
Equipment (Continued)			
069-002889-7000-31216697-MA	7/1/2021	8/15/2024	0.50%
069-002889-1300-2HU02282-CA	7/1/2021	12/23/2023	0.50%
069-002889-1800-2JH00990-CA	7/1/2021	11/29/2023	0.50%
069-002889-1700-M5071CORD-SH	7/1/2021	2/24/2025	0.50%
069-002889-1700-M5071RCD-SH	11/29/2021	10/29/2025	0.50%
069-002889-1700-M6071RD-SH	11/9/2021	10/9/2025	0.50%
069-002889-6000-ZB1926213286MA	7/1/2021	9/30/2024	0.50%
069-002889-6000-8TB-601135-XE	7/1/2021	11/30/2023	0.50%
069-002889-1100-95013014-SH	7/1/2021	12/29/2023	0.50%
069-002889-1100-95032260-SH	7/1/2021	12/29/2023	0.50%
Total equipment			
Real estate			
069-002889-2-2020-0019-7000-RE	7/1/2021	4/30/2027	0.75%
069-002889-3a-2019-0025-7000RE	7/1/2021	12/31/2039	1.75%
069-002889-4a-2008-0111-7000RE	7/1/2021	8/30/2028	0.75%
069-0028895a2003162070001600RE	7/1/2021	12/31/2022	0.50%
069-002889-6-2019-0014-7000-RE	7/1/2021	6/30/2039	1.75%
069-002889-8-2013-0029-7000-RE	7/1/2021	12/31/2034	1.75%
069-002889-13-2015-0004-7000RE	7/1/2021	1/31/2025	1.75%
069-002889-16a2008-0118-7000RE	7/1/2021	5/31/2029	0.75%
069-002889-18-1764-7000-RE	7/1/2021	3/31/2023	0.50%
069-002889-20a2009-0008-7000RE	7/1/2021	5/31/2029	0.75%
069-002889-22a2008-2080-7000RE	7/1/2021	1/6/2028	0.75%
069-002889-26b2008-0148-7000RE	7/1/2021	11/30/2028	0.75%
069-002889-28a2015-0006-7000RE	7/1/2021	11/30/2036	1.75%
069-002889-29a2015-0005-7000RE	7/1/2021	11/30/2036	1.75%
069-002889-35a2021-1104-1900RE	11/1/2021	10/31/2041	1.75%
069-002889-25-2019-0019-7000RE	7/1/2021	6/30/2039	1.75%
069-002889-24-2011-0012-7000RE	7/1/2021	5/31/2031	0.75%
069-002889-10-1997-0021-7000RE	7/1/2021	1/31/2027	0.75%
069-002889-21-2019-0013-7000RE	7/1/2021	10/31/2029	1.75%
069-002889-9-2015-0027-7000-RE	7/1/2021	6/30/2026	0.50%
069-002889-12a2019-0013-7000RE	7/1/2021	10/31/2039	1.75%
069-002889-17-2021-0031-7000RE	11/1/2021	10/31/2036	0.75%
069-002889-19a20080112017000RE	7/1/2021	6/30/2028	0.75%

Monthly Payment	Lease Liability	Right-to-Use Asset, Net
427	10,822	10,795
289	5,108	5,096
253	4,272	4,262
129	4,085	4,075
129	5,112	5,105
200	7,792	7,780
181	3,067	3,613
188	3,183	3,176
220	2,608	3,130
178	3,187	3,179
-	433,898	432,330

2,750	156,694	156,111
880	159,316	158,001
5,588	383,574	378,369
8,737	52,365	52,235
1,000	176,600	175,141
2,000	269,672	267,413
1,750	237,369	235,381
10,288	792,660	783,439
21,470	192,908	192,427
2,745	214,087	211,971
1,720	111,565	111,151
1,892	142,254	141,727
7,813	1,195,611	1,185,652
8,179	1,251,596	1,241,171
333,333	71,730,437	71,100,422
5,598	988,548	980,379
2,375	245,893	244,984
3,859	208,692	207,916
2,150	386,064	382,877
418	19,869	19,819
2,150	386,064	382,877
230	35,017	34,822
9,160	674,189	667,451

(Continued)

**State of New Mexico
New Mexico Corrections Department
Schedule of Leases
June 30, 2022**

Description	Effective Date	End Date	Borrowing Rate
Governmental Activities (Continued)			
Real estate (Continued)			
069-002889-7a-2003-1768-7000RE	7/1/2021	7/31/2023	0.50%
069-002889-23b2022-0025-7000RE	7/1/2021	3/31/2027	0.75%
069-002889-32b2020-0018-1800RE	7/1/2021	10/31/2041	1.75%
Total real estate			
Total Governmental Activities			
Business-Type Activities			
Equipment			
069-002889-8000-RB1844207220QU	7/1/2021	3/1/2025	0.50%
069-002889-8000AA2K011003876KO	7/1/2021	6/30/2024	0.50%
069-002889-8000A85E011000357DO	7/1/2021	7/31/2022	0.50%
069-002889-8000-A79M11010798DO	7/1/2021	7/31/2022	0.50%
Total Business-Type Activities			

Monthly Payment	Lease Liability	Right-to-Use Asset, Net
1,532	19,864	19,815
15,150	847,963	845,410
24,618	9,207,069	8,971,360
	90,085,940	89,148,321
	\$ 90,519,838	\$ 89,580,651

\$ 139	\$ 4,424	\$ 4,413
154	3,684	3,672
896	895	893
896	895	893
	\$ 9,898	\$ 9,871

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Supporting Schedules

State of New Mexico
New Mexico Corrections Department
Schedule of Revenue and Expenditures by Enterprise

For the Year Ended June 30, 2022	CNMCF Furniture	Horse Rescue	PNM Livestock Rental	PNM Bakery
Revenues	\$ 359,335	\$ -	\$ -	\$ -
Cost of goods sold				
Beg inventory, raw materials	94,782	-	-	-
Materials purchases	288,774	-	-	-
Materials available	383,556	-	-	-
Less ending inventory	(135,919)	-	-	-
Cost of raw materials used	247,637	-	-	-
Direct labor-inmate pay	54,941	-	-	-
Manufacturing overhead				
Salaries	169,055	-	-	-
Benefits	95,180	-	-	-
In-state travel	15,893	-	-	-
Maintenance and repairs	11,321	341	-	-
Supplies	27,720	89	-	-
Contractual services	-	-	-	-
Other operating costs	861	-	-	-
Out-of-state travel	-	-	-	-
Irrigation feeds	-	-	2,354	-
Depreciation	14,258	-	-	13,494
Miscellaneous	-	-	-	-
Total manufacturing overhead	334,288	429	2,354	13,494
Total manufacturing costs	636,867	429	2,354	13,494
Add beginning work in process	58,135	-	-	-
Less ending work in process	-	-	-	-
Total cost of goods manufactured	695,002	429	2,354	13,494
Add beginning work in process	4,100	-	-	-
Less ending finished goods	(4,301)	-	-	-
Total costs of goods sold	694,801	429	2,354	13,494
Gross profit (loss)	(335,467)	(429)	(2,354)	(13,494)
Allocation overhead				
Other income (expense)	-	-	-	-
Facility overhead	(74,200)	-	-	-
Net income (loss)	\$ (409,666)	\$ (429)	\$ (2,354)	\$ (13,494)

PNM	Santa Rosa	CCA			
Old Main	Print	Telemarketing	Canteen	CMU Farm	Sales & Mkt
\$ 35,675	\$ 45,516	\$ 12,000	\$ 2,466,392	\$ -	\$ -
-	59,570	112	-	-	-
-	63,879	-	1,400,970	-	-
-	123,449	112	1,400,970	-	-
-	(61,287)	(112)	-	-	-
-	62,162	-	1,400,970	-	-
-	179	-	64,913	-	-
12,483	13,979	-	92,947	-	62,255
-	5,871	-	43,746	-	26,240
-	-	-	-	-	244
-	4,232	-	2,467	-	-
-	2,837	-	27,779	-	-
-	16,444	-	207	-	-
-	1,778	(782)	3,405	49,275	1,644
-	-	-	-	-	-
-	-	-	-	-	-
3,371	3,019	-	5,065	-	-
-	21,340	-	77,855	-	-
15,854	69,499	(782)	253,470	49,275	90,384
15,854	131,839	(782)	1,719,354	49,275	90,384
-	3,392	-	-	-	-
-	-	-	-	-	-
15,854	135,231	(782)	1,719,354	49,275	90,384
17,253	-	-	-	-	-
(17,253)	-	-	-	-	-
15,854	135,231	(782)	1,719,354	49,275	90,384
19,821	(89,715)	12,782	747,038	(49,275)	(90,384)
-	16,383	-	138,853	-	-
(7,367)	(9,399)	(2,478)	(509,291)	-	90,384
\$ 12,455	\$ (82,731)	\$ 10,304	\$ 376,599	\$ (49,275)	\$ -

(Continued)

State of New Mexico
New Mexico Corrections Department
Schedule of Revenue and Expenditures by Enterprise

For the Year Ended June 30, 2022	CNMCF		PNM		Drug
	Distribution	Central Office	Landscaping	Screening	
Revenues	\$ 56,816	\$ -	\$ 16,435	\$ -	
Cost of goods sold					
Beg inventory, raw materials	-	-	-	-	
Materials purchases	14,033	-	-	-	
Materials available	14,033	-	-	-	
Less ending inventory	-	-	-	-	
Cost of raw materials used	14,033	-	-	-	
Direct labor-inmate pay	5,959	-	-	-	
Manufacturing overhead					
Salaries	12,200	436,670	102,193	-	
Benefits	3,333	209,382	50,728	-	
In-state travel	26,767	11,946	1,550	-	
Maintenance and repairs	5,909	4,617	-	-	
Supplies	-	13,377	-	-	
Contractual services	-	45	-	-	
Other operating costs	1,644	33,603	-	-	
Out-of-state travel	-	5,571	-	-	
Irrigation feeds	-	-	-	-	
Depreciation	2,899	16,123	-	-	
Miscellaneous	38,155	36,859	-	-	
	-	90,907	768,193	154,471	-
Total manufacturing costs	110,898	768,193	154,471	-	
Add beginning work in process	-	-	-	-	
Less ending work in process	-	-	-	-	
	-	110,898	768,193	154,471	-
Add beginning work in process	-	-	-	-	
Less ending finished goods	-	-	-	-	
	-	110,898	768,193	154,471	-
Gross profit (loss)	(54,082)	(768,193)	(138,036)	-	
Allocation overhead					
Other income (expense)	-	3,968	-	-	
Other financing uses	(11,732)	764,225	(3,394)	(24)	
Net income (loss)	\$ (65,814)	\$ -	\$ (141,430)	\$ (24)	

Roswell Service	Contract Food Service	PNM Hoop House	Total Industries
\$ 20,477	\$ -	\$ -	\$ 3,012,645
644	-	-	155,107
42,995	-	-	1,810,651
43,640	-	-	1,965,759
(1,672)	-	-	(198,989)
41,968	-	-	1,766,770
2,484	-	200	128,675
-	-	-	901,781
-	-	-	434,481
-	-	-	56,400
52	-	974	29,912
6,677	-	-	78,478
-	-	-	16,696
-	-	-	91,428
-	-	-	5,571
-	-	200	2,553
-	7,244	-	65,473
-	-	-	174,208
6,729	7,244	1,174	1,856,982
51,180	7,244	1,374	3,752,427
-	-	-	61,527
(3,097)	-	-	(3,097)
48,083	7,244	1,374	3,810,858
-	-	-	21,353
(4,768)	-	-	(26,322)
43,315	7,244	1,374	3,805,889
(22,838)	(7,244)	(1,374)	(793,244)
-	-	-	-
-	-	-	159,205
(4,228)	-	200	232,696
\$ (27,067)	\$ (7,244)	\$ (1,174)	\$ (401,343)

State of New Mexico
New Mexico Corrections Department
Schedule of Revenue and Expenditures for Cleaning Products by Facility

For the Year Ended June 30, 2022	WNMCF		Total Cleaning
	Cleaning Pool	WNMCF	Products
Revenues	\$ 785,078	\$ 167,023	\$ 952,101
Cost of goods sold			
Beg inventory, raw materials	-	110,912	110,912
Materials purchases	829,632	170,878	1,000,510
Materials available	829,632	281,790	1,111,422
Less ending inventory	-	(67,769)	(67,769)
Cost of raw materials used	829,632	214,021	1,043,653
Direct labor-inmate pay	-	4,700	4,700
Manufacturing overhead			
Salaries	40,225	-	40,225
Benefits	16,145	-	16,145
In-state travel	5,288	-	5,288
Maintenance and repairs	10,582	540	11,121
Supplies	44,845	395	45,240
Contractual services	378	-	378
Other operating costs	4,435	1,000	5,435
Out-of-state travel	-	-	-
Irrigation feeds	-	-	-
Depreciation	6,473	9,908	16,381
Miscellaneous	205,767	-	205,767
Total manufacturing overhead	334,136	11,842	345,978
Total manufacturing costs	1,163,767	230,563	1,394,330
Add beginning work in process	-	-	-
Less ending work in process	-	-	-
Total cost of goods manufactured	1,163,767	230,563	1,394,330
Add beginning work in process	443,063	11,609	454,672
Less ending finished goods	(413,006)	(8,430)	(421,436)
Total costs of goods sold	1,193,824	233,743	1,427,567
Gross profit (loss)	(408,746)	(66,720)	(475,466)
Allocation overhead			-
Other income (expense)	-	-	-
Other financing uses	(162,113)	(34,489)	(196,602)
Net income (loss)	\$ (570,859)	\$ (101,209)	\$ (672,068)

State of New Mexico
New Mexico Corrections Department
Schedule of Revenue and Expenditures for Textiles by Facility

For the Year Ended June 30, 2022	CCA Textiles	Santa Rosa Textiles	WNMCF Textiles	Total Textiles
Revenues	\$ 50,214	\$ 118,969	\$ 4,762	\$ 173,945
Cost of goods sold				
Beg inventory, raw materials	21,671	14,652	20,114	56,437
Materials purchases	(6,032)	48,923	39,389	82,280
Materials available	15,639	63,575	59,502	138,717
Less ending inventory	-	(4,692)	(20,114)	(24,806)
Cost of raw materials used	15,639	58,883	39,389	113,911
Direct labor-inmate pay	11,594	5,072	5,256	21,923
Manufacturing overhead				
Salaries	46,263	-	-	46,263
Benefits	31,967	-	-	31,967
In-state travel	-	-	-	-
Maintenance and repairs	-	537	29	566
Supplies	4,583	10,919	207	15,710
Contractual services	8,510	-	-	8,510
Other operating costs	1,340	-	-	1,340
Out-of-state travel	-	-	-	-
Irrigation feeds	-	-	-	-
Depreciation	6,641	-	-	6,641
Miscellaneous	-	-	-	-
Total manufacturing overhead	99,304	11,456	236	110,997
Total manufacturing costs	126,538	75,411	44,881	246,830
Add beginning work in process	-	9,599	-	9,599
Less ending work in process	-	-	-	-
Total cost of goods manufactured	126,538	85,010	44,881	256,429
Add beginning work in process	-	17,644	-	17,644
Less ending finished goods	-	(1,956)	(14,323)	(16,279)
Total costs of goods sold	126,538	100,698	30,558	257,794
Gross profit (loss)	(76,324)	18,271	(25,796)	(83,849)
Allocation overhead				
Other income (expense)	-	-	-	-
Other financing uses	(10,369)	(24,566)	(983)	(35,918)
Net income (loss)	\$ (86,693)	\$ (6,295)	\$ (26,779)	\$ (119,767)

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Compliance Section

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
Alisha Tafoya Lucero, Secretary
State of New Mexico Corrections Department
Santa Fe, NM

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, and the aggregate remaining fund information of the New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated November 14, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on 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 financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, NM
November 14, 2022



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

Brian S. Colón, Esq.
New Mexico State Auditor
The Office of Management and Budget and
Alisha Tafoya Lucero, Secretary
State of New Mexico Corrections Department
Santa Fe, NM

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the New Mexico Corrections Department's (the "Department") compliance with the types of compliance requirements identified as subject to audit 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, 2022. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Department's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Department's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Department's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
November 14, 2022

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**State of New Mexico
New Mexico Corrections Department
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Grantor/Passthrough Grantor/Program Title	Grant/Pass-Through Number	Federal Assistance Listing Number
U.S. Department of Education <i>Passed through the State of New Mexico Higher Education Department</i> Adult Education - Basic Grants to States		84.002
<hr/>		
Total U.S. Department of Education		
U.S. Department of Justice <i>Passed through from New Mexico Department of Public Safety</i> Residential Substance Abuse Treatment for State Prisoners		16.593
Edward Byrne Memorial Justice Assistance Grant (JAG)		16.738
Edward Byrne Memorial Competitive Grant Program		16.751
Equitable Sharing Program		16.922
<hr/>		
<i>Subtotal- Passed through New Mexico Department of Public Safety</i>		
<i>Passed through the New Mexico Crime Victims Reparation Commission</i> Crime Victim Assistance (VOCA)		16.575
<hr/>		
Total U.S. Department of Justice		
U.S. Department of Health and Human Services <i>Passed through Centers for Disease Control and Prevention</i> Public Health Emergency Response (OUD)		93.354
Epidemiology and Laboratory Capacity for Infectious Diseases		93.323
STD Prevention & Control Grants (PCHD)		93.977
<hr/>		
Total U.S. Department of Health and Human Services		
U.S. Department of Homeland Security <i>Passed through the New Mexico Department of Health Services</i> Disaster Grants - Public Assistance		97.036
<hr/>		
Total U.S. Department of Homeland Security		
U.S. Department of the Treasury <i>Passed through the New Mexico Department of Finance and Administration</i> COVID-19 Coronavirus Relief Fund (CFR)		21.019 *
<hr/>		
Total U.S. Department of Treasury		
<hr/>		
Total Federal Financial Assistance		

* Major Program

See accompanying notes to schedule of expenditures of federal awards.

Federal Expenditures	Funds Provided to Subrecipients	Noncash Assistance
\$ 368,119	\$ -	\$ -
368,119	-	-
12,872	-	-
65,356	-	-
20,403	-	-
46,970	-	-
145,601	-	-
59,050	-	-
204,651	-	-
63,898	-	-
509,017	-	-
1,000	-	-
573,915	-	-
38,971	-	-
38,971	-	-
41,000,000	-	-
41,000,000	-	-
\$ 42,185,656	\$ -	\$ -

See accompanying notes to schedule of expenditures of federal awards.

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State of New Mexico
Office of the Secretary of State
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Notes to Schedule of Expenditures of Federal Awards

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the New Mexico Corrections Department (the "Agency") and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. **Loans**

The Agency did not expend federal awards related to loans or loan guarantees during the year.

3. **10% de minimus Indirect Cost Rate**

The Agency did not elect to use the allowed 10% indirect cost rate.

4. **Federally Funded Insurance**

The Agency has no federally funded insurance.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 42,185,656
Total expenditures funded by other sources	383,759,235
<hr/>	
Total expenditures	<hr/> <hr/> \$ 425,944,891

**State of New Mexico
New Mexico Corrections Department
Schedule of Findings and Questioned Costs
June 30, 2022**

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | | | | |
|---|--------------------------------------|------------------------|--------|-----------------------------------|--|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified | | | | |
| 2. Internal control over major programs: | | | | | |
| a. Material weaknesses identified? | No | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;"><u>Assistance Listing
Number</u></td> <td style="width: 50%; text-align: center;"><u>Federal Program</u></td> </tr> <tr> <td style="text-align: center;">21.019</td> <td style="text-align: center;">Coronavirus Relief Fund-CARES Act</td> </tr> </table> | <u>Assistance Listing
Number</u> | <u>Federal Program</u> | 21.019 | Coronavirus Relief Fund-CARES Act | |
| <u>Assistance Listing
Number</u> | <u>Federal Program</u> | | | | |
| 21.019 | Coronavirus Relief Fund-CARES Act | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$1,250,299 | | | | |
| 6. Auditee qualified as low-risk auditee under 2 CFR 200.520? | Yes | | | | |

State of New Mexico
New Mexico Corrections Department
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS

2022-001 – Inventory (Significant Deficiency)(previously reported as 2021-001)

Condition: The spreadsheet used by the Department to prepare the year-end consolidated inventory journal entry contained an error resulting in \$234,589 not being recorded by the entity.

Update on Status of Prior Year Finding: The Department's inventory counts, inventory listings, and the organization of the warehouses were adequate for fiscal year 2022. As noted above, the remaining area of improvement is the accuracy of the spreadsheet used to propose the yearend inventory adjustment.

Criteria: NMAC 2.20.5.8 requires that an internal control structure exists and is functioning properly, transactions are recorded timely and properly classified, and account balances are reconciled and reviewed regularly.

Effect: The trial balance provided to Auditors contained an inventory balance that was understated by \$234,589.

Cause: The Department did not verify the consolidated inventory spreadsheet to the year-end inventory balance.

Auditors' Recommendation: We recommend the Department reconcile consolidated inventory spreadsheet to the year-end inventory balance.

Agency's Response: NMCD took over the Guadalupe County Correctional Facility in November of 2021, the formula on the NMCD's inventory lead sheet inadvertently did not carry through to include this facility's inventory total. Therefore, due to this formula error an additional adjusting entry was entered in SHARE to properly record and increased inventory for FY22. Management does not feel the \$234,589 adjustment is material considering the agencies has a \$363.0 million dollar budget. The agency will implement procedures to ensure all inventory calculations are correct in the future.

Responsible Official: Chief Financial Officer

Timeline: Expected resolution by June 30, 2023

State of New Mexico
New Mexico Corrections Department
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION II: FINANCIAL STATEMENT FINDINGS (Continued)

2022-002 – Accounts Receivable and Allowance for Doubtful Accounts (Significant Deficiency)

Condition: The Department did not review and propose necessary adjustments to the accounts receivable and allowance for doubtful accounts balances included in the general operating fund at yearend. This resulted in proposed adjustments to the allowance for \$194,829 and the receivable balance of \$230,636. The relating revenue line item was impacted by \$425,465.

Criteria: NMAC 2.20.5.8 requires that an internal control structure exists and is functioning properly, transactions are recorded timely and properly classified, and account balances are reconciled and reviewed regularly.

Effect: The accounts receivable and allowance accounts required adjustments to be made. Without an appropriate review and reconciliation procedure in place, the Department may not identify required adjusting entries in the future.

Cause: The accounts receivable and allowance accounts described above are not posted to and updated automatically by SHARE. As such, manual adjustments to true up the balances are required annually (or more frequently). The Department had turnover in the Administrative Services Division during fiscal year 2022, which led to the Department not being aware of the need to update the account balances.

Auditors' Recommendation: The Department should post the proposed adjustments. In addition, review of the accounts receivable accounts and related allowance should be incorporated into the yearend closing procedures and potentially the month end closing procedures.

Agency's Response: The presumption by accounting was that an allowance adjusting entry was not necessary every fiscal year. NMCD facilities and business managers are continuously invoicing and working on collecting these outstanding items, since most accounts receivable billable items due from local governments are deemed collectable. However, the total impact amount of \$425,465 is not material taking into consideration the agency's \$363 million-dollar budget. In the future NMCD will adjust the allowance for doubtful accounts accordingly.

Responsible Official: Chief Financial Officer

Timeline: Expected resolution by June 30, 2023

State of New Mexico
New Mexico Corrections Department
Schedule of Findings and Questioned Costs
June 30, 2022

SECTION III: FEDERAL AWARD FINDINGS

None noted.

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS

None noted.

SECTION V: PRIOR YEAR AUDIT FINDINGS

2021-001 – Inventory Controls (Significant Deficiency) (Repeated and modified as finding 2022-001)

2021-002 – Account Reconciliation (Significant Deficiency) (Resolved)

2021-003 – Missing Inventory Site (Significant Deficiency) (Resolved)

2021-004 – Lack of Policies, Procedures or Internal Controls (Other noncompliance) (Resolved)

State of New Mexico
New Mexico Corrections Department
Other Disclosures
June 30, 2022

EXIT CONFERENCE

An exit conference was held on November 10, 2022. The following individuals were in attendance:

Representing the Corrections Department:

Alisha Tafoya Lucero	Secretary of Corrections
Melanie Martinez	Director of Probation & Parole
Gary Maciel	Director of Adult Prisons Division
Edward Smith	Director of Administrative Services Division
Carl Ortega	Deputy Director of Administrative Services Division
Wanda Gonzales	Financial Management Bureau Chief/CFO
Jacob Weathers	Budget Bureau Chief
Vicki Trujillo	Accounting Manager
Ruby James	Accounting Manager
Brandon Martinez	Accountant

Representing Carr, Riggs & Ingram, LLC:

Robert Lemmon	Partner
Eric Spurlin, CPA, CITP	Senior Manager

PREPARATION OF FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC assisted in the preparation of the GAAP-basis financial statements and footnotes of the Department from the original books and records provided to them by the management of the Department. The responsibility for the financial statements remains with the Department.