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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS'  
REPORT**

**JUNE 30, 2021**

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

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

**OFFICIAL ROSTER**

*Administrative Officials*

Alisha Tafoya Lucero	Cabinet Secretary
Ed Smith	Acting Director of Administrative Services Division
Jerry Brinegar	Chief Information Officer
Brianne Bigej	General Counsel
George Stephenson	Director of Training Academy
Gary Maciel	Director of Adult Prisons Division
Morgen Jaco	Director of Recidivism Reduction
Robert Leon	Director of Corrections Industries
Melanie Martinez	Director of Probation and Parole Division

*Corrections Industries Commission*

Jay Armijo	Vice Chairman
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**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT**

**List of Abbreviations**

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





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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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for general fund and major special funds, and custodial fund of the State of New Mexico Corrections Department (the Department), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds, and custodial fund of the Department as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 2, the financial statements of the Department are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the



information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department’s basic financial statements, The general fund schedule of revenues & expenditures budget and actual by fund, combining fund financial statements, schedule of revenues & expenditures by program budget and actual, schedule of special appropriations, schedule of revenues & expenses by enterprise (including cleaning products by facility and textiles by facility breakout), schedule of revenues and expenses budget and actual Correction Industries Division, and the schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information above 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of New Mexico Corrections Department’s control over financial reporting and compliance.



Albuquerque, New Mexico  
November 1, 2021

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

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

**HIGHLIGHTS AND ACCOMPLISHMENTS**

**Financial Highlights.** The Department's net position decreased by \$(3,803,942) for FY21: governmental net position decreased by \$(3,845,324) and the business-type net position increased \$41,382.

The Corrections Industries Division is classified as a business-type activity. For fiscal year (FY) 2021, the Corrections Industries Division had an increase in net position of \$41,382. Operating revenues decreased by \$(1,312,617) and operating expenses decreased by \$1,221,916 over the prior period. The Corrections Industries Division discontinued some MDC and food service programs. These discontinued programs account for the majority of the decreases in the operating revenues and expenses.

Total costs for all Department Programs were \$351,357,012. This consists of \$344,548,156 for the governmental activities and \$6,808,856 for the enterprise activities.

**Accomplishments.**

The Administrative Services Division (ASD) continues to organize itself to better align services and functions to provide greater oversight of daily operations in order to realize efficiencies. ASD purchased a commercial off-the-shelf supply inventory software in the spring 2021 to facilitate tracking and controlling inventory supplies and assisting in completing NMCD financial statements with year-end inventory balances during the annual external audit process. ASD is also working with the Department of Information Technology to implement a fixed asset inventory module in the SHARE financial system. The current system is old and archaic software that is currently in use and very cumbersome to use and understand. ASD is an integral part of the Adult Prison Division converting two more privately run facilities in Santa Rosa and Grants, New Mexico to publicly run facilities in FY22.

NMCD has created a new program Reentry and is requesting approval this coming session from the Legislature.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

NMCD’s Reentry Division accomplishments include:

- 791 Reentry packets
- 490 Reentry COMPAS Assessments
- 9 incarcerated individuals receiving HVAC Certifications
- 4 incarcerated individuals completing a Computer Technology certificate through NMSU
- 4 incarcerated individuals completing a Web Fundamental certification through NMSU
- 20 incarcerated individuals completing C-TECH
- 218 recorded measurable skills-gains in Adult Basic Education
- 111 High School Equivalency Credentials

The Information Technology Division (ITD) implemented a Voice over IP solution to begin decommissioning legacy Fujitsu phone systems at prison facilities state wide. ITD expanded the Inmate Education network to improve access to educational content, programming, and certification opportunities for the inmate population. Additional achievements include the deployment of a user acceptance testing (UAT) environment for the new offender management system (OMNI), numerous circuit upgrades for improved connectivity to the internet, NMCD file shares and system applications, installed a new inventory control system and a system file auditing software which provides security, compliance and reporting enhancements for the NMCD network.

NMCD continues to experience steady inmate population reduction without significant increases as previously projected.

### **USING THIS ANNUAL REPORT**

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

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Management’s Discussion and Analysis**

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

**Government-Wide Financial Statements**

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

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

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

**Fund Financial Statements**

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

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

The Department has three types of funds:

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

**Notes to the Financial Statements**

The notes to the financial statements consist of notes that provide additional information that is essential to a user's understanding of the basic financial statements. The notes to the financial statements can be found starting on page 27.

**Infrastructure Assets**

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Budgetary Comparisons**

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

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

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

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

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

	Governmental Activities		Business-Type Activities		Total *		Total Percentage Change
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	2020-2021
Current and Other Assets	\$ 81,477,234	\$ 73,371,926	\$ 3,790,586	\$ 3,550,575	\$ 85,267,820	\$ 76,922,501	-9.79%
Capital and							
Non-Current Assets	31,654,989	31,979,217	423,682	499,488	32,078,671	32,478,705	1.25%
<b>Total Assets</b>	<b>113,132,223</b>	<b>105,351,143</b>	<b>4,214,268</b>	<b>4,050,063</b>	<b>117,346,491</b>	<b>109,401,206</b>	<b>-6.77%</b>
Current Liabilities	44,792,676	40,856,920	949,372	743,785	45,742,048	41,600,705	-9.05%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
<b>Total Liabilities</b>	<b>44,792,676</b>	<b>40,856,920</b>	<b>949,372</b>	<b>743,785</b>	<b>45,742,048</b>	<b>41,600,705</b>	<b>-9.05%</b>
Net Position							
Investment in Capital Assets	31,654,989	31,979,217	423,682	499,488	32,078,671	32,478,705	1.25%
Restricted	37,576,809	33,363,079	2,841,214	2,806,790	40,418,023	36,169,869	-10.51%
Unrestricted (Deficit)	(892,251)	(848,073)	-	-	(892,251)	(848,073)	-4.95%
<b>Total Net Position</b>	<b>\$ 68,339,547</b>	<b>\$ 64,494,223</b>	<b>\$ 3,264,896</b>	<b>\$ 3,306,278</b>	<b>\$ 71,604,443</b>	<b>\$ 67,800,500</b>	<b>-5.31%</b>

\*Amounts are taken from the Statement of Net Position

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

**Net Position:** Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2021. Net position for Governmental Activities and Business-type Activities were \$64,494,223 and \$3,306,278 respectively. Total Department net position for fiscal year 2021 is \$67,800,501. 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 deficit of (\$848,073) at the end of the fiscal year. In the Business-type activities, the restricted amount of \$2,806,790 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements.

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

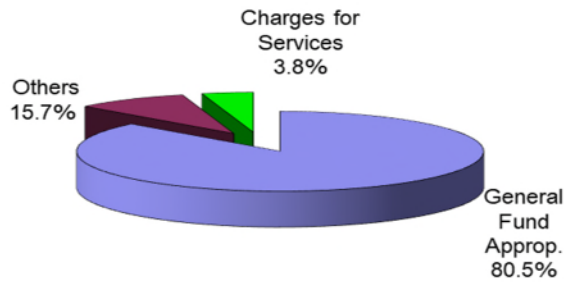
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2020-2021
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for Services	\$ 2,719,927	\$ 3,108,146	\$ 7,916,149	\$ 6,622,483	\$ 10,636,076	\$ 9,730,629	-8.51%
Operating Grants & Contributions	23,737,680	126,683,302	-	-	23,737,680	126,683,302	433.68%
<u>General Revenues</u>							
<u>State General Fund</u>							
Appropriations, net of reversions	296,928,531	198,167,303	-	-	296,928,531	198,167,303	-33.26%
Others	22,634,781	17,063,755	441,916	227,755	23,076,697	17,291,510	
Loss on disposal of capital assets	-	(36,170)	(218,705)	-	(218,705)	(36,170)	
In-kind revenue	-	-	23,495	-	23,495	-	
Transfers - Internal Activities	(111,052)	-	-	-	(111,052)	-	0.00%
<b>Total Revenues</b>	<b>345,909,867</b>	<b>344,986,336</b>	<b>8,162,855</b>	<b>6,850,238</b>	<b>354,072,722</b>	<b>351,836,574</b>	<b>-0.63%</b>
<b>Expenses</b>							
Public Safety - Corrections	348,551,058	349,580,303	8,030,772	6,808,856	356,581,830	356,389,159	-0.05%
Increase (Decrease) in Net Position	(2,641,191)	(4,593,967)	132,083	41,382	(2,509,108)	(4,552,585)	81.44%
Beginning Net Position	70,980,738	68,339,547	3,132,813	3,264,896	74,113,551	71,604,443	-3.39%
Prior Period Adjustment	-	748,643	-	-	-	748,643	
Beginning Net Position Restated	70,980,738	69,088,190	3,132,813	3,264,896	74,113,551	72,353,086	
Ending Net Position	\$ 68,339,547	\$ 64,494,223	\$ 3,264,896	\$ 3,306,278	\$ 71,604,443	\$ 67,800,501	-5.31%

**Changes in Net Position:** The Department's change in net position for the governmental activities in fiscal year 2021 decreased by (\$3,845,324). (See Table A-2). A significant portion, 80%, of the Department's revenue comes from State General Fund Appropriations, 4% comes from charges for services, and 16% comes from other revenue sources. (See Figure A-1).



**STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 MANAGEMENT’S DISCUSSION AND ANALYSIS  
 JUNE 30, 2021**

**Figure A-1  
 Sources of Revenues for Fiscal Year 2021**



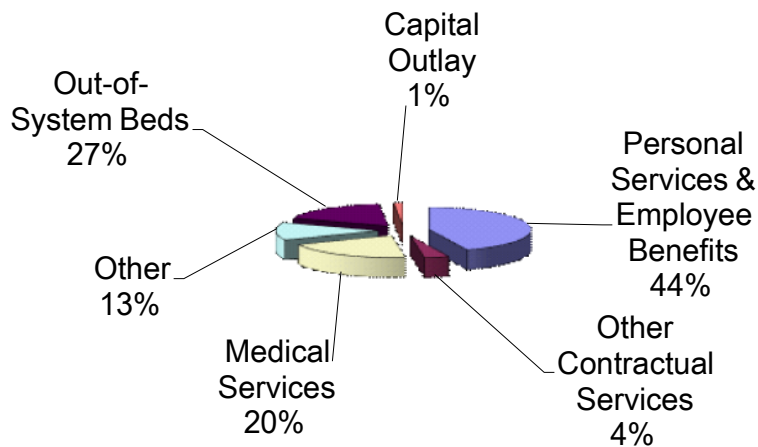
**Functional Expenses for Fiscal Year 2021**

**Business-Type Activities**

Program revenues of the Department’s business-type activity (Corrections Industries) decreased from \$8,162,855 to \$6,850,238 and expenses decreased by approximately 15.2% percent from \$8,030,772 to \$6,808,856.

**Governmental Funds**

**Figure A-2**



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

The Department’s total expenditures for government-type funds during the fiscal year were \$344.7 million. Approximately half (44%) 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 (31%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 2021, 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 24% 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 one percent of the total expenditures were for capital outlay with the majority of those costs being for machinery and equipment. Expenditures in the contractual services category accounted for 24% of the Department’s expenditures, with approximately 20% of these expenditures directly related to medical services for inmates and about 10% are related to other contractual services. About two percent of the total expenditures were for capital outlay with the majority of those costs being for machinery and equipment.

**Fund Balance**

The Department, in its governmental funds, reported a combined fund balance of approximately \$64.4 million, an approximate \$3.8 million reduction from last year’s amount.

**General Fund Budgetary Highlights**

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

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

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

- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

- 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 2021, the Department invested a total of \$31.6 million in governmental-type activities and \$0.4 million in business-type activities for a total amount of \$32.4 million in a variety of capital assets. This amount represents an overall net increase (including additions and deletions) of \$0.56 million (1.74%) from the prior fiscal year. Accumulated depreciation increased by \$3.9 million (7.1%) over the prior period.

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

	Governmental Activities		Business-type Activities		Total		Total % Change 2020-2021
	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	
Buildings and Improvements	38.3	39.1	1.1	1.2	39.4	40.3	2.32%
Improvements other than Buildings	4.3	4.9	-	-	4.3	4.9	13.95%
Machinery and Equipment	35.5	37.7	1.8	1.8	37.3	39.5	5.90%
Automotive	4.4	5.1	1.0	1.0	5.4	6.1	13.70%
Depreciation	(50.9)	(54.8)	(3.6)	(3.6)	(54.5)	(58.4)	7.16%
	<u>31.6</u>	<u>32.0</u>	<u>0.3</u>	<u>0.4</u>	<u>31.9</u>	<u>32.4</u>	1.74%

Additional detailed information about the Department’s capital assets is presented in Note 5 to the financial statements.

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

**Short-Term Debt**

The Department did not have any short-term debt other than compensated absences associated in fiscal year 2021. More detailed information regarding the Department’s short-term debt is presented in Note 9 to the financial statements.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

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

The New Mexico Corrections Department (NMCD) fiscal year FY22 operating budget was decreased by .5 percent or \$511.5 thousand to \$363.2 million, from the FY21 operating budget. The decrease is minimal overall for the agency. NMCD received a \$500 thousand special appropriation to continue implementation of a commercial off-the-shelf electronic health records system as well as extensions of two special appropriations which were delayed because of the pandemic.

In FY21, the New Mexico prison population decreased from the FY20 count by 10.7%. Per the New Mexico Sentencing Commission, the Department's high population in FY21 was 6,315, which was a decrease in population of 758 from the FY20 high count of 7,073. The New Mexico Sentencing Commission estimates New Mexico's inmate population will decrease in FY22 to 5,938 which is 377 (6.0%) below the FY21 level. The prison population is anticipated to slowly grow between FY23 to FY31 ending up with an estimated inmate population of 6,266 by the end of FY31, which would be very close the FY21 year-end inmate count.

For FY21, the Department had an actual general fund base increase of \$5.6 million, or 1.7%; which covered a portion of agency, medical and inmate cost 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 \$356.6 million from all funding sources for FY22, which is a 1.9 percent decrease from the FY21 operating budget. The general fund request was \$316.0 million. The Department received an operating budget of \$363.2 million.

The New Mexico Corrections Department (NMCD) FY22 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 FY22 Program Support budget is \$534.9 thousand below the FY21 operating level. Included is an allocation of \$119.2 thousand in General Fund to cover the associated costs of the 1.5% salary increases appropriated in the 2021 legislative session.

**Inmate Management and Control Program (P531):**

The Inmate Management and Control Program budget includes an allocation of \$1.2 million to cover the costs of the 1.5% salary increases and 1.0% educational retirement plan increase appropriated in the 2021 legislative session, of which \$944.7 thousand is General Fund. This operating budget includes using \$231.6 thousand from Penitentiary Income Fund Balance to help cover the salary increases at the Penitentiary of New Mexico.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2021**

This is the third compensation increase that the Program has used Fund Balance to cover raises. NMCD may need to request General Fund replacement in future years as Fund Balance is not a reliable source for recurring costs such as salary increases. Current Fund Balance being used for previous and current compensation increases now total \$1.3 million. \$64.3 in GF is included in salaries and benefits for 2.6% increases for frontline workers as allocated by DFA.

**Corrections Industries (P533):**

The Corrections Industries (CI) budget does not include the use of Fund Balance or additional revenue to cover the associated costs of the 1.5% salary increases appropriated in the 2021 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 FY22 budget includes an increase of \$1.6 million in General Fund to cover the increase costs of the contractual services for transitional providers. The FY22 operating budget also includes the use of \$1.1 million 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 283.9 thousand in General Fund to cover the 1.5% salary increase appropriated in the 2021 legislative session.

**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

## **FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET POSITION  
JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Investment, state treasurer	\$ 67,839,703	1,962,524	\$ 69,802,227
Petty cash	2,150	1,570	3,720
Accounts receivable, net	223,758	876,738	1,100,496
Federal grants receivable	4,943	-	4,943
Other receivables	17,112	-	17,112
Due from other state agencies	44,297	-	44,297
Inventories	5,239,184	709,743	5,948,927
Prepaid expenses	779	-	779
<b>Total current assets</b>	<u>73,371,926</u>	<u>3,550,575</u>	<u>76,922,501</u>
Capital Assets			
Buildings	39,109,363	1,220,261	40,329,624
Improvements other than buildings	4,947,883	-	4,947,883
Machinery and equipment	37,666,382	1,884,378	39,550,760
Automotive	5,109,719	1,046,134	6,155,853
Less accumulated depreciation	(54,854,130)	(3,651,285)	(58,505,415)
	<u>31,979,217</u>	<u>499,488</u>	<u>32,478,705</u>
<b>Total assets</b>	<u>\$ 105,351,143</u>	<u>4,050,063</u>	<u>\$ 109,401,206</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,399,342	627,617	\$ 6,026,959
Vouchers payable	24,739,613	-	24,739,613
Payroll benefits payable	694,576	8,336	702,912
Payroll taxes payable	238,839	2,316	241,155
Accrued wages payable	3,654,685	31,475	3,686,160
Compensated absences payable:			
Expected to be paid within one year	6,090,186	64,041	6,154,227
Stale dated Warrants- Due to SGF	7,567	-	7,567
Receipts held in suspense	634	-	634
Unearned revenue	15,929	10,000	25,929
Other liabilities	15,549	-	15,549
<b>Total Liabilities</b>	<u>40,856,920</u>	<u>743,785</u>	<u>41,600,705</u>
<b>NET POSITION</b>			
Investment in capital assets	31,979,217	499,488	32,478,705
Restricted for			
Subsequent years expenditures	33,363,079	2,806,790	36,169,869
Unrestricted (Deficit)	(848,073)	-	(848,073)
<b>Total net position</b>	<u>64,494,223</u>	<u>3,306,278</u>	<u>67,800,501</u>
<b>Total liabilities and net position</b>	<u>\$ 105,351,143</u>	<u>4,050,063</u>	<u>\$ 109,401,206</u>

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



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Governmental Activities	Business-type Activities	Total
<b>EXPENSES</b>			
Public safety-corrections	\$ 344,548,156	-	\$ 344,548,156
Corrections industries	-	6,808,856	6,808,856
	<u>344,548,156</u>	<u>6,808,856</u>	<u>351,357,012</u>
<b>PROGRAM REVENUES</b>			
Charges for services	3,108,146	6,622,483	9,730,629
Operating grants & contributions	126,683,302	-	126,683,302
	<u>129,791,448</u>	<u>6,622,483</u>	<u>136,413,931</u>
<b>CHANGES IN NET POSITION</b>			
Net program (expenses)	(214,756,708)	(186,373)	(214,943,081)
<b>GENERAL REVENUES (EXPENSES)</b>			
General fund appropriation	329,298,400	-	329,298,400
Inter-agency transfer-in	(5,000,000)	-	(5,000,000)
STB proceeds	131,000	-	131,000
Reversions to state general fund -FY21	(131,131,097)	-	(131,131,097)
Investment earnings	11,859	-	11,859
Interest on deposits with state treasurer	-	2,944	2,944
Other revenue	16,920,896	224,811	17,145,707
Capital asset transfer	(32,147)	-	(32,147)
Loss on disposal of capital assets	(36,170)	-	(36,170)
In-kind revenue	-	-	-
Total general revenue and transfers	<u>210,162,741</u>	<u>227,755</u>	<u>210,390,496</u>
<b>Change in net position</b>	<u>(4,593,967)</u>	<u>41,382</u>	<u>(4,552,585)</u>
Net position, beginning of year as previously stated	68,339,547	3,264,896	71,604,443
Restatement (See Note 14)	<u>748,643</u>	<u>-</u>	<u>748,643</u>
Net position, beginning of year, as restated	<u>69,088,190</u>	<u>3,264,896</u>	<u>72,353,086</u>
Net position ending	<u>\$ 64,494,223</u>	<u>3,306,278</u>	<u>\$ 67,800,501</u>

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

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
BALANCE SHEET-GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General Fund	Other Governmental Funds	Total
<b>ASSETS</b>			
Investment, state treasurer	\$ 64,129,078	3,710,625	\$ 67,839,703
Petty cash	2,150	-	2,150
Receivables, net of allowance for doubtful accounts	223,758	-	223,758
Federal grants receivable	4,943	-	4,943
Other receivables	17,112	-	17,112
Due from other state agencies	44,297	-	44,297
Inventories	5,239,184	-	5,239,184
Prepaid expenses	779	-	779
<b>Total assets</b>	<b>\$ 69,661,301</b>	<b>3,710,625</b>	<b>\$ 73,371,926</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,399,342	-	\$ 5,399,342
Vouchers payable	23,776,647	962,966	24,739,613
Payroll benefits payable	690,315	4,261	694,576
Payroll taxes payable	237,240	1,599	238,839
Accrued wages payable	3,634,519	20,166	3,654,685
Stale dated warrants- due to SGF	7,567	-	7,567
Unearned revenues	15,929	-	15,929
Receipts held in suspense	634	-	634
Other liabilities	15,549	-	15,549
<b>Total liabilities</b>	<b>33,777,742</b>	<b>988,992</b>	<b>34,766,734</b>
<b>FUND BALANCES</b>			
Reserved for:			
Nonspendable	5,242,113	-	5,242,113
Restricted	30,641,446	2,721,633	33,363,079
<b>Total fund balance</b>	<b>35,883,559</b>	<b>2,721,633</b>	<b>38,605,192</b>
<b>Total liabilities and fund balance</b>	<b>\$ 69,661,301</b>	<b>3,710,625</b>	<b>\$ 73,371,926</b>

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total Fund Balance - Governmental Fund  
(Governmental Fund Balance Sheet) \$ 38,605,192

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

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

Buildings	\$ 39,109,363	
Improvements other than buildings	4,947,883	
Machinery and equipment	37,666,382	
Automotive	5,109,719	
Accumulated depreciation	<u>(54,854,130)</u>	
<b>Total capital assets</b>		<b>31,979,217</b>

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

Compensated absences payable	<u>(6,090,186)</u>
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Net position of governmental activities (total net position of governmental activities)	<u><u>\$ 64,494,223</u></u>
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*The Notes to Financial Statements are an integral part of this statement.*

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2021**

	General Fund	Other Governmental Funds	Total
<b>REVENUE</b>			
Charges for services	\$ 2,024,475	19,960	\$ 2,044,435
Intergovernmental	4,652	-	4,652
Institutional sales	1,063,711	-	1,063,711
Investment earnings	11,859	-	11,859
Miscellaneous	16,864,933	-	16,864,933
Federal grants and contributions	126,678,650	-	126,678,650
<b>Total revenue</b>	<u>146,648,280</u>	<u>19,960</u>	<u>146,668,240</u>
<b>EXPENDITURES</b>			
Current:			
Personal services & employee benefits	150,395,985	1,013,790	151,409,775
Contractual services	74,068,164	9,011,046	83,079,210
Other	105,139,013	158,404	105,297,417
Capital Outlay	4,966,322	-	4,966,322
<b>Total expenditures</b>	<u>334,569,484</u>	<u>10,183,240</u>	<u>344,752,724</u>
Excess (deficiency) revenues over expenditures	<u>(187,921,204)</u>	<u>(10,163,280)</u>	<u>(198,084,484)</u>
<b>OTHER FINANCINE SOURCES (USES)</b>			
State general fund appropriations	318,084,300	11,214,100	329,298,400
Inter-agency transfer-out	(5,000,000)	-	(5,000,000)
STB proceeds	-	131,000	131,000
Other revenue	-	55,963	55,963
Reversions to state general fund- FY21	<u>(131,131,097)</u>	<u>-</u>	<u>(131,131,097)</u>
Net other financing sources (uses)	<u>181,953,203</u>	<u>11,401,063</u>	<u>193,354,266</u>
<b>Net changes in fund balance</b>	<u>(5,968,001)</u>	<u>1,237,783</u>	<u>(4,730,218)</u>
Fund balance, beginning of year as previously stated	41,102,917	1,483,850	42,586,767
Restatement (See Note 14)	<u>748,643</u>	<u>-</u>	<u>748,643</u>
Fund balance, beginning of year, as restated	<u>41,851,560</u>	<u>1,483,850</u>	<u>43,335,410</u>
Fund balance, end of year	<u>\$ 35,883,559</u>	<u>2,721,633</u>	<u>\$ 38,605,192</u>

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

Net change in fund balances - Total Government Funds  
(Statement of Revenue, Expenditures and Changes in Fund Balance) \$ (4,730,218)

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

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

Compensated Absences (187,977)

Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated lives and reported as depreciation expense. In the current period, these amounts are:

Capital Outlay, net of transfers	4,966,322	
Transfers out of capital asset	(32,147)	
Depreciation expense, net of transfers	<u>(4,573,777)</u>	
Excess of depreciation expense over capital outlay		<u>360,398</u>

The Statement of Activities reports the loss on the sale of Capital Assets, while the Statement of Revenue, Expenditures and Changes and changes in fund balance. The Statement of Activities reports the loss on the sale of Capital Assets, while the reports the proceeds. The difference represents assets purchased and then transferred to other agencies. (36,170)

**Change in net position of governmental activities (statement of activities) \$ (4,593,967)**

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL OPERATING FUND- 90700  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 331,305,100	318,084,300	318,084,300	\$ -
Other state funds	4,371,800	4,371,800	3,102,385	(1,269,415)
Inter-agency transfers	20,051,700	17,632,079	17,318,774	(313,305)
Miscellaneous	-	-	40,125	40,125
Federal funds	-	114,309	126,186,996	126,072,687
Total revenue	<u>355,728,600</u>	<u>340,202,488</u>	<u>464,732,580</u>	<u>124,530,092</u>
Budgeted fund balance	<u>31,397,599</u>	<u>30,176,199</u>	<u>-</u>	<u>(30,176,199)</u>
<b>Total budgeted revenues</b>	<b><u>\$ 387,126,199</u></b>	<b><u>370,378,687</u></b>	<b><u>464,732,580</u></b>	<b><u>\$ 94,353,893</u></b>
Expenditures				
Personal services & employee benefits	175,321,200	157,306,664	150,395,987	6,910,677
Contractual services	83,500,040	91,270,978	74,068,164	17,202,813
Other	128,304,960	121,801,046	110,105,333	11,695,712
Other Financing uses	-	-	5,000,000	(5,000,000)
Reversions	-	-	131,131,097	(131,131,097)
<b>Total budgeted expenditures</b>	<b><u>\$ 387,126,199</u></b>	<b><u>370,378,687</u></b>	<b><u>470,700,581</u></b>	<b><u>\$ (100,321,894)</u></b>

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



**PROPRIETARY FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2021**

**ASSETS**

Investment, state treasurer	\$ 1,962,524
Petty cash	1,570
Receivables, net of allowance for doubtful accounts	876,738
Inventories	<u>709,743</u>
<b>Total current assets</b>	<b>3,550,575</b>
Capital Assets	
Buildings and improvements	1,220,261
Machinery and equipment	1,884,378
Automotive	1,046,134
Less accumulated depreciation	<u>(3,651,285)</u>
<b>Total noncurrent assets</b>	<b><u>499,488</u></b>
<b>Total assets</b>	<b><u>\$ 4,050,063</u></b>

**LIABILITIES**

Vouchers and accounts payable	\$ 627,617
Payroll benefits payable	8,336
Payroll taxes payable	2,316
Accrued wages payable	31,475
Compensated absences payable	64,041
Unearned revenue	<u>10,000</u>
<b>Total liabilities</b>	<b><u>743,785</u></b>

**NET POSITION**

Net investment in Capital Assets	499,488
Restricted net position	<u>2,806,790</u>
<b>Total Net Position</b>	<b><u>3,306,278</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 4,050,063</u></b>

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021**

**OPERATING REVENUES**

Sales \$ 6,622,483

**OPERATING EXPENSES**

Costs of goods sold:

Cost of materials used 5,008,104

Direct labor (inmate payroll) 160,151

Manufacturing and administrative overhead 1,596,825

Change in work in process and finished goods inventory, net (12,096)

Depreciation expense 55,872

**Total operating expenses** 6,808,856

**OPERATING INCOME (LOSS)** (186,373)

**NONOPERATING REVENUE (EXPENSE)**

Interest on deposits with state treasurer 2,944

Other revenue 224,811

**Total nonoperating revenue (expense)** 227,755

**CHANGE IN NET POSITION** 41,382

**Total net position, beginning of year** 3,264,896

**Total net position, end of year** \$ 3,306,278

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2021**

Cash Flows from Operating Activities:	
Cash received from customers	\$ 7,200,724
Cash payments to suppliers for goods and services	(5,485,611)
Cash payments to employees and inmates	(1,305,180)
Cash payments to inmates for services	(160,151)
<b>Net cash used by operating activities</b>	<u>249,782</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(131,678)
<b>Net cash used by capital and related financing activities</b>	<u>(131,678)</u>
Cash Flows from Investing Activities	
Interest income	2,944
Other revenue	224,811
<b>Net cash provided by investing activities</b>	<u>227,755</u>
Net increase in agency interest in SGFIP	345,859
Investments, state treasurer at beginning of year	<u>1,616,665</u>
<b>Investments, state treasurer at end of year</b>	<u>\$ 1,962,524</u>
<b>Reconciliation of Operating loss to Net Cash Used by Operating Activities:</b>	
<b>Operating Loss</b>	\$ (186,373)
Adjustments to Reconciliation Operating loss to Net Cash Used by Operating Activities:	
Depreciation	55,872
Changes in Assets and Liabilities:	
Accounts receivable	578,241
Inventories	7,629
Vouchers and accounts payable	(167,513)
Payroll benefits payable	(17,412)
Payroll taxes payable	(5,515)
Accrued wages payable	3,521
Compensated absences payable	(18,668)
Due to local government	-
<b>Net cash used by operating activities</b>	<u>\$ 249,782</u>

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

**CUSTODIAL FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF FIDUCIARY NET POSITION–  
CUSTODIAL FUND  
JUNE 30, 2021**

	<u>Inmate Trust Account</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,151,757
Due from intrafund	985,094
<b>Total assets</b>	<b>\$ <u><u>6,136,851</u></u></b>
<b>LIABILITIES</b>	
Accounts payable and other liabilities	\$ 271,977
Due to intrafund	985,094
Due to others	389,877
<b>Total liabilities</b>	<b>\$ <u><u>1,646,948</u></u></b>
<b>NET POSITION</b>	
Restricted for:	
Individuals	4,489,903
<b>Total Net Position</b>	<b>\$ <u><u>4,489,903</u></u></b>

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –  
CUSTODIAL FUND  
JUNE 30, 2021**

	Inmate Trust Account
<b>ADDITIONS</b>	
Collections for Inmate	\$ <u>15,278,217</u>
Total Additions	<u>15,278,217</u>
<b>DEDUCTIONS</b>	
Distributions to Inmate	<u>12,687,731</u>
Total Deductions	<u>12,687,731</u>
Net increase (decrease) in fiduciary net position	2,590,486
Net Position- beginning as originally stated	-
Restatement (Note 14)	<u>1,899,417</u>
Net Position- beginning as restated	1,899,417
Net Position- ending	\$ <u><u>4,489,903</u></u>

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



## **NOTES TO FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

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

***Office of the Secretary***

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

***Adult Prisons Division***

The Director of the Adult Prisons Division reports to the Deputy Secretary of Operations. The Adult Prisons Division is the largest division within the New Mexico Corrections Department, incarcerating approximately 7,266 inmates in six state-owned and operated prisons and five privately operated facilities. Ten of the eleven facilities house male inmates. Female offenders are housed in two facilities. The Adult Prisons Division oversees the Health Services Bureau, which includes medical and mental health. The Classification Bureau, Records Bureau, Security Threat Intelligence Unit and Emergency Preparedness are also part of the division.

***Administrative Services Division***

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

***Information Technology Division***

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

***Information Technology Division (Continued)***

ITD is divided into five sections - Infrastructure, Applications, Project Management, Business Analysis and Database. This structure supports the alignment of Information Technology with the goals of the business.

***Office of the General Counsel***

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

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

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

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

***Office of Recidivism Reduction***

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

***Probation and Parole Division***

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

***Training Academy Division***

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

***Corrections Industries Division***

The Director of the Corrections Industries Division is responsible to the Deputy Secretary of Administration to enhance the rehabilitation, education and vocational skills of inmates through productive involvement in enterprises and public works of benefit to state agencies and local public bodies and to minimize inmate idleness. CID is administered without appropriated funds and is self-supporting. The Division is financed through a revolving fund, from which all operating expenses are paid. As the manufacturing and services arm of the Corrections Department, the Division employs approximately 20 staff and supervisory personnel to manage an average of 150 inmates in 15 programs at five different facilities around the state.

***Corrections Industries Commission***

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

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

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

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

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

***Financial Reporting Entity***

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

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

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

***Basic Financial Statements***

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

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

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

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

***Basic Financial Statements (Continued)***

The governmental fund statements are presented on the current financial resource's measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the governmental-wide presentation.

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

***Basis of Presentation***

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

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

The Department uses the following fund types:

**Governmental Fund Types**

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

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

*Basis of Presentation (Continued)*

General Fund:

The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund sources are comprised of SHARE System Fund 90700 — General Operating Fund, and SHARE System Fund 91500 — Probation & Parole Fund.

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

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

Special Revenue Fund:

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

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

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

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

Capital Projects Fund

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

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

*Basis of Presentation (Continued)*

Statutory Creation and Use of Funds:

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

Chapter 5, Laws 2017, Section 3, Paragraph

Project Description (Appropriation language): SECTION 7. CORRECTIONS DEPARTMENT PROJECT—SEVERANCE TAX BONDS – Pursuant to the provisions of Section 1 of this act, upon certification by the corrections department that the need exists for the issuance of the bonds, thirty – five thousand dollars (\$35,000) is appropriated to the corrections department to plan, design and implement phase 1 of an offender management system for the corrections department in Santa Fe in Santa Fe county.

Chapter 3, Laws 2015, Section 7, Paragraph

Proprietary Fund Types

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

Enterprise Fund

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

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

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



STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

***Basis of Presentation (Continued)***

Enterprise Fund (Continued)

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

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

Fiduciary Fund Types

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

Custodial Fund

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

***Basis of Accounting***

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

The Government-wide Financial Statements and the Proprietary and Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual

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

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Department considers funds available if received within "60 days" after year-end. Expenditures are generally

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

***Basis of Accounting (Continued)***

Modified Accrual (Continued)

recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, Accounting and Financial Reporting for Nonexchange Transactions the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Operating Revenues

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

***Budgets and Budgetary Accounting***

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

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

***Budgets and Budgetary Accounting (Continued)***

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

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

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

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

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

STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

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

***Encumbrances***

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

***Interest in State General Fund Investment Pool***

The Department has defined cash and cash equivalents to include the Interest in State General Fund Investment Pool with the State Treasurer.

***Account receivable***

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

The Department complies with Article IV, Section 32 of the New Mexico Constitution as it pertains to the remission or forgiveness of debts due to the state or to municipalities. The Department continues to track and communicate with vendors that are listed within its' outstanding accounts receivable listing to recover outstanding balances still owed to the Department. The receivable and allowance amount for the General and Enterprise funds at June 30, 2021 are as follows:

	<b>General Fund</b>	<b>Enterprise Fund</b>	<b>Total</b>
Accounts receivable	\$ 509,571	1,130,786	\$ 1,640,357
Less: Allowance for doubtful accounts	(285,813)	(254,048)	(539,861)
Total accounts receivable, net	<u>\$ 223,758</u>	<u>876,738</u>	<u>\$ 1,100,496</u>

**Federal Grants Receivable**

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

**STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021**

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

Due to/ Due from Other State Agencies

These amounts represent receivables and payables arising from transactions between the Department and other State agencies. Balances in these accounts relate to (1) joint powers agreements (JPA) between the Department and various other State agencies to provide inmate work crews, (2) goods and services provided to the Department by other State agencies, and (3) other items required to be accrued from other agencies per GAAP. There are no Interagency Receivables, or Payables as of June 30, 2021.

Inventories

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, in the amount of \$5,239,184 consist of generic supplies and materials in the various department operated correctional facilities. Inventories are valued using the average cost method. A portion of the amount reported in non-spendable fund balance represents inventories and indicates that supplies inventories are not available expendable resources for Department programs.

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

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

	<u>Fair Value</u>
Raw materials	\$ 221,927
Work in progress	308,521
Finished goods	<u>179,295</u>
<b>Total inventory</b>	<u><u>\$ 709,743</u></u>

Prepaid Expenses

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

Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Pursuant to §12-6-10 NMSA 1978, (effective June 17, 2005), the State's capitalization policy threshold was

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

Capital Assets (Continued)

changed from \$1,000 to \$5,000 requiring agencies to capitalize only acquisitions greater than \$5,000. Assets purchased prior to the new capitalization threshold were not removed from the agency's listing but will remain on the inventory list and will continue to be depreciated until the asset is fully depreciated.

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

Building and improvements	40 years
Improvements other than buildings	20 years
Machinery and equipment & other personal property	12 years
Software	3 to 7 years
Furniture and Fixtures	10 years
Automotive	5 years

The Department does not own any infrastructure assets. Construction period interest, if any, is capitalized in the proprietary fund. There was no construction period interest capitalized in 2021. The Department has one internally generated intangible asset (software), which is capitalized.

Compensated Absences

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

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

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

Compensated Absences (Continued)

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

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

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

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

Due to State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the total actual revenue amount to the total expended amount at fiscal year-end less any amounts that are determined to be non-spendable, restricted or assigned. Pursuant to the 'Addenda to Accounting Policy Statement Four - Custodial Funds' issued by the State Controller on July 14, 2017, the reversion to State General Fund was treated as a cash transaction as of June 30th, rather than recording the amount as a liability as of June 30th, which was the practice in prior years. Current year reversion amounted to \$131,131,097 transferred to SHARE Fund 85300. Hence, there were no amounts due at June 30, 2021.

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

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

Due to State General Fund (Reversions) (Continued)

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

Enterprise Funds/Other State Funds. Corrections Industries Revolving Fund (Fund 07700). All revenues generated from sales and services and from other types revenues, which are specifically earned by and applied to the Corrections Industries Division, are this specific organization. Budget is established in Corrections Industries, and funds are considered non-revertible funds, except for any appropriated General Fund or grant funds awarded.

Building Fund (Fund 89800). Revenues, which support the Building Fund, are non-revertible. The source of the revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. Additionally, any unexpended balance of this fund is classified as cash balance. These revenues support expenditures for the payment of maintenance and repairs at the Central Office and Training Academy Complex [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]. There was no legally established budget for this fund in FY 2018 and thus it is not presented in these financial statements.

Community Corrections Grant Fund (Fund 90200). General Appropriations made to this fund do not revert to the State General Fund. Additionally, any unexpended appropriations to this fund are classified as Cash Balance, which is made up from either designated or undesignated cash balance or from non-expended budgeted cash balance. Revenue and expenditure budget are established in Community Corrections Vendor run program code P534. [Section 33-9-3 NMSA 1978]

Permanent Fund Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]



STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2021

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

Due to State General Fund (Reversions) (Continued)

Land Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from Land Income, both Regular and Charitable. The State Land Office distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]

Probation and Parole Fees (Fund 90200 and 91500). All Probation and Parole fees collected by the Department are non-revertible funds. Accordingly, all budgeted Cash Balance revenues from these fees that are not used to support current year operations are also not revertible to the State General Fund. Revenue and expenditure budgets are established in both Community Corrections, program code P534 and in Community Offender Management, program code P534. [Section 31-20-6 and 31-21-13.1 NMSA 1978]

Grant Funds (All Funds). Grant funds from any governmental source, such as Federal or State, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. In some cases, any over drawn grant funds may be reverted to the State General Fund or be reverted to the granting agency. Currently, all grants in operation by the Department, except for the State Criminal Alien Assistance Program (SCAAP) award, are in the form of a reimbursement basis, whereby reimbursement for grant costs is requested from the granting agency after the grant related expenditure has occurred. [Section 6-5-10 NMSA 1978]. When the funds pertaining to the SCAAP award are received, the funds are deferred until budgeted by the Department.

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

Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflows of resources (expenses/expenditures) until then. The department did not have any items that qualified for reporting in this category as of June 30, 2021.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2021

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

Deferred Inflows/Outflows (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2021.

Fund Balances

The definition of each classification is summarized below:

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

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

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

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

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

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

***Revenues, Expenditures and Expenses***

Substantially all governmental fund revenues are accrued. Expenditures are recognized when the related fund liability is incurred except for the following permitted by generally accepted accounting principles: It is the practice of the Department to use available unrestricted resources first unless otherwise specifically directed to use restricted resources.

**Program Revenues**

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

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

***Net Position***

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

**Investment in Capital Assets** — is intended to reflect the portion of net positions which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

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

The Department follows GASB 46 "Net Assets Restricted by Enabling Legislation". The government-wide statement of net position reports \$42,121,374 of which \$22,461,994 is restricted by enabling legislation.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2021**

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

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

*Use of Estimates*

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

**NOTE 3. CASH**

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. The STO maintains their investments at fair value.

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

The comprehensive cash reconciliation model which compares aggregated agency claims on the SGFIP to the associated resources held by the STO has been completed for fiscal year 2021. This process has been previously reviewed and is analyzed annually, by the IPAs performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico's Annual Financial Report. These reviews have deemed the process sound and the Department fully compliant with reconciliation requirements.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3. CASH (CONTINUED)**

At June 30, 2021, the department had \$69,802,227 invested in the State General Fund Investment Pool.

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type</u>	<u>Fund No. of Account</u>		<u>Interest Bearing</u>	<u>Book Balance at 6/30/21</u>	<u>Bank Balance at 6/30/21</u>
General Fund:							
NM State Treasurer	General Operating	General	90700	State Treasury	No	\$ 60,838,734	\$ 65,259,326
NM State Treasurer	Probation and Parole	General	91500	State Treasury	No	3,290,344	3,856,983
NM State Treasurer	Probation and Parole	General	93100	State Treasury	No	-	-
N/A Various	General		N/A	Petty Cash	No	2,150	-
<b>Total general fund</b>						<u>\$ 64,131,228</u>	<u>69,116,309</u>
Special Revenue Funds:							
NM State Treasurer	General Operating	General	90200	State Treasury	No	\$ 3,710,625	\$ 3,710,625
Capital Project Funds:							
NM State Treasurer	General Operating	General	89200	State Treasury	No	\$ -	\$ -
Enterprise Funds:							
NM State Treasurer	Correction Industries	Enterprise	7700	State Treasury	Yes	\$ 1,962,524	\$ 1,962,524
N/A	Various	Enterprise	N/A	Petty Cash	No	1,570	-
<b>Total enterprise fund</b>						<u>\$ 1,964,094</u>	<u>\$ 1,962,524</u>
<b>Total</b>						<u>\$ 69,805,947</u>	<u>\$ 74,789,458</u>

**Cash Reconciliation**

<b>Bank Balance</b>	<b>\$ 74,789,458</b>
Oustanding transfers / reversions/checks	(4,987,231)
Petty Cash	3,720
<b>Book Balance</b>	<u><b>\$ 69,805,947</b></u>

***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.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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**NOTE 3. CASH (CONTINUED)**

***Pledged Collateral (custodial Credit Risk)***

In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance.

At year end, the carrying amount of the Department's Custodial fund deposits was \$5,151,757 and the bank balance was \$5,332,086. The difference represents outstanding checks, deposits, and other reconciling items.

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type</u>	<u>Fund No. of Account</u>	<u>Interest Bearing</u>	<u>Book Balance at 6/30/21</u>	<u>Outstanding Checks</u>	<u>Bank Balance at 6/30/21</u>
	Analyzed Business						
Wells Fargo Bank	Checking - PF	Custodial	55700	No	\$ 5,151,757	(180,329)	\$ 5,332,086

As of June 30, 2021, the cash in authorized bank account had an account balance above \$250,000:

	Wells Fargo Bank
Total amount on deposit	\$ 5,332,086
Less: amount covered by FDIC	(250,000)
	<u>5,082,086</u>
Total uninsured funds	
	5,082,086
Amount requiring collateral (50%)	<u>\$ 2,541,043</u>

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

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, 2021.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2021**

**NOTE 4. FUNDS HELD IN TRUST BY OTHERS**

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

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

At June 30, 2021 the value of the State Permanent Fund investments held for the benefit of the Department was \$401,234,409 at market. Related investment income for the year then ended was \$14,274,542.

The value of the State Charitable, Penal and Reformatory Institutions Fund investments held for the benefit of the Department was 1/7th of the fair market value, which was \$158,588,172 at June 30, 2021. Related investment income from the trust for the year then ended was \$810,873.

Inmates at various institutions are required to work for the institutions or provide direct labor in the Corrections Industries work programs. These inmates are compensated at nominal rates, and their earnings are paid to the credit of the inmate trust accounts reported in the Custodial Fund. During fiscal year ended June 30, 2021, the Enterprise Fund incurred \$160,151 in inmate wages expense.

STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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**NOTE 5. CAPITAL ASSETS**

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

	Balance, June 30, 2020	Additions	Deletions	Transfers	Balance, June 30, 2021
<b>Governmental-Type Activities</b>					
Buildings and improvements	\$ 38,343,267	766,096	-	-	\$ 39,109,363
Improvements other than buildings	4,271,058	676,825	-	-	4,947,883
Machinery and equipment	35,501,527	2,791,726	(626,871)		37,666,382
Automotive	4,410,191	731,675	-	(32,147)	5,109,719
Total capital assets at historical cost	82,526,043	4,966,322	(626,871)	(32,147)	86,833,347
Less: Accumulated Depreciation					
Buildings and improvements	23,299,757	1,395,954	-	-	24,695,711
Improvements other than buildings	2,157,015	176,525	-	-	2,333,540
Machinery and equipment	22,098,080	2,590,939	(590,701)	-	24,098,318
Automotive	3,316,202	410,359	-	-	3,726,561
Total accumulated depreciation	50,871,054	4,573,777	(590,701)	-	54,854,130
<b>Governmental activities capital assets, net</b>	<u>\$ 31,654,989</u>	<u>392,545</u>	<u>(36,170)</u>	<u>(32,147)</u>	<u>\$ 31,979,217</u>
<b>Business-Type Activities</b>					
Buildings and improvements	\$ 1,141,450	78,811	-	-	\$ 1,220,261
Machinery and equipment	1,831,511	52,867	-	-	1,884,378
Automotive	1,046,134	-	-	-	1,046,134
Total capital assets at historical cost	4,019,095	131,678	-	-	4,150,773
Less: Accumulated Depreciation					
Buildings and improvements	927,508	7,226	-	-	934,734
Machinery and equipment	1,678,430	26,143	-	-	1,704,573
Automotive	989,475	22,503	-	-	1,011,978
Total accumulated depreciation	3,595,413	55,872	-	-	3,651,285
<b>Business-type activities capital assets, net</b>	<u>\$ 423,682</u>	<u>75,806</u>	<u>-</u>	<u>-</u>	<u>\$ 499,488</u>

Depreciation expense for the current year is \$4,573,777 and \$55,872 for the governmental and enterprise funds, respectively. On the Statement of Activities, these amounts are included in the Public Safety-Corrections and Corrections Industries categories, accordingly.



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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**NOTE 6. RETIREMENT PLANS (STATE PERA & ERB)**

The Department, as a part of the primary government of the State of New Mexico, is a contributing employer to the cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Additionally, as a state agency that provides educational programs, the Department is a contributing employer in an educational employee retirement system. The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan.

Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Annual Comprehensive Financial Report (ACFR) of the State of New Mexico.

***Plan Description (PERA)***

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees' Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. The report is available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

***Funding Policy (PERA)***

The Department's plan members are required to contribute between 7.42% and 9.42% of their gross salary, depending on their annual salary amount. The Department is required to contribute 17.74% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

***Plan Description (ERB)***

The Department's full-time employees involved in educational programs participate in an educational employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2021**

**NOTE 6. RETIREMENT PLANS (STATE PERA & ERB) (CONTINUED)**

***Funding Policy (ERB)***

The Department's plan members are required to contribute between 7.9% and 10.7% of their gross salary, depending on their annual salary amount. The Department is required to contribute 14.15% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

The Department's combined contributions to PERA and ERB for the fiscal years ended June 30, 2021, 2020 and 2019 were \$19,413,783, \$18,457,548, and \$17,527,103, respectively, which equal the amount of the required contributions for each fiscal year.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the ACFR and will be available, when issued, on the Department of Finance and Administration's website at <https://www.nmdfa.state.nm.us/new-mexico-annualreport/>.

**NOTE 7. POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE PLAN**

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 the State of New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the state.

All required disclosures and information concerning the net liability, benefit expense, and benefit related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021 and will be available, when issued, on the Department of Finance and Administration's website at <https://www.nmdfa.state.nm.us/new-mexico-annualreport/>.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2021**

**NOTE 7. POST-EMPLOYMENT BENEFITS –STATE RETIREE HEALTH CARE PLAN**

***Plan Description***

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies. The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained from the Retiree Health Care website at <https://www.nmrhca.org/financial-audits/>.

The Corrections Department contributions to the RHCA for the years ended June 30, 2021, 2020, and 2019 were \$2,029,024, \$1,949,277, and \$1,856,259, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
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**NOTE 8. OPERATING LEASES**

*Lessee*

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

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

<u>Year</u>	<u>Amount</u>
2022	\$ 2,910,373
2023	2,708,126
2024	2,385,894
2025	2,118,713
2026	1,812,234
Thereafter	<u>2,525,499</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 14,460,839</u></b>

During the year ended June 30, 2021, general fund and enterprise fund operating lease expenditures for facilities, vehicles, and equipment totaled \$9,544,141 and \$29,645 respectively.

*Lessor*

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

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

<u>Year</u>	<u>Amount</u>
2022	\$ 204,415
2023	240,000
2024	240,000
2025	240,000
2026	<u>20,000</u>
<b>Total Minimum Lease Revenue</b>	<b><u>\$ 944,415</u></b>

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

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

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual leave	\$ 4,543,788	4,432,411	(4,141,623)	\$ 4,834,576
Compensatory leave	1,252,206	299,418	(410,411)	1,141,213
Sick leave	106,215	3,718,048	(3,709,866)	114,397
Total short-term liabilities	<u>\$ 5,902,209</u>	<u>8,449,877</u>	<u>(8,261,900)</u>	<u>\$ 6,090,186</u>

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

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual leave	\$ 66,868	47,741	(57,917)	\$ 56,692
Compensatory leave	15,548	-	(8,199)	7,349
Sick leave	293	52,050	(52,343)	-
Total short-term liabilities	<u>\$ 82,709</u>	<u>99,791</u>	<u>(118,459)</u>	<u>\$ 64,041</u>

The estimated amount expected to be paid for Compensated Absences related to government-type activities within one year is \$6,090,186 which is listed on the Statement of Net Position. The General Operating Funds typically have been used to liquidate short-term liabilities like capital leases and compensated absences. The General Operating Funds used are SHARE funds 90200, 90700, and 91500. The estimated balance of \$64,041 for the business-type activities is expected to be paid for within one year.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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JUNE 30, 2021**

**NOTE 10. RISK MANAGEMENT AND LITIGATION**

The Agency obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes public liability, property, workers compensation, surety bond unemployment compensation, and group health insurance. These coverages are designed to satisfy the requirements of the State Tort Claims Act.

The Agency had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2021, 2020 and 2019, there were no settlements that exceeded insurance coverage.

**NOTE 11. INTERAGENCY TRANSFERS**

The Department receives and makes operating transfers and allotments for various reasons as described below:

	<b>SHARE</b>		
<i>State General Fund Appropriations</i>	<b>Agency Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
SHARE System Fund 90200	34101-85300	\$ 11,214,100	\$ -
SHARE System Fund 90700	34101-85300	292,570,900	-
SHARE System Fund 91500	34101-85300	25,513,400	-
<b>Total State General Fund Appropriations</b>		<b>\$ 329,298,400</b>	<b>\$ -</b>
<i>Other Financing Source</i>			
SHARE System Fund 90200	34100-62000	\$ 55,400	\$ -
SHARE System Fund 90700	33700-60100	15,085,416	-
SHARE System Fund 90700	34100-62000	453,200	-
SHARE System Fund 90700	34100-76100	43,547	-
SHARE System Fund 90700	53900-09800	1,209,405	-
SHARE System Fund 89200	34103-43120	131,000	-
SHARE System Fund 91500	34100-62000	30,900	-
<b>Total Other Financing Source</b>		<b>\$ 17,008,868</b>	<b>\$ -</b>
<i>Inter-Agency Transfer</i>			
SHARE System Fund 90700	35000-36503	\$ -	\$ (32,147)
SHARE System Fund 90700	35000-24900	-	(5,000,000)
<b>Total Inter-Agency Transfer</b>		<b>\$ -</b>	<b>\$ (5,032,147)</b>
<i>State General Fund Reversions</i>			
SHARE System Fund 90700	34101-85300	\$ -	\$ (131,131,097)
SHARE System Fund 91500	34101-85300	-	-
<b>Total Inter-Agency Transfer</b>		<b>\$ -</b>	<b>\$ (131,131,097)</b>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 12. FUND BALANCE**

The following is a summary of the Restricted Fund Balance amounts by fund type at June 30, 2021:

General Funds	
General Operating Fund (90700)	\$ 28,381,542
Probation and Parole Fund (91500)	2,259,904
Capital Outlay Fund (90200)	-
Community Corrections Special Revenue Fund (90200)	2,721,633
<b>Total</b>	<u>\$ 33,363,079</u>

The Department has a portion of fund balance in the amount of \$5,242,113 that is Non-spendable. The Non-spendable amount includes petty cash, prepaid expenses, and inventories.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
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**NOTE 13. JPA DISCLOSURE**

The Department was a party to the following Joint Power Agreements during fiscal year 2021:

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

- Responsible Party for Operations: City of Grants
- Time Period: December 5, 2008 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: City of Grants
- Revenue: \$-0-

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

- Responsible Party for Operations: EMNRD
- Time Period: June 19, 2014 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: EMNRD
- Revenue: \$4,652

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

- Responsible Party for Operations: EMNRD
- Time Period: July 20, 2001 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: EMNRD
- Revenue: \$-0-



STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13. JPA DISCLOSURE (CONTINUED)**

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

- Responsible Party for Operations: SFSWMA
- Time Period: September 1, 2001 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: SFSWMA
- Revenue: \$-0-

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

- Responsible Party for Operations: City of Las Cruces
- Time Period: July 28, 1998 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: City of Las Cruces
- Revenue: \$-0-

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

- Responsible Party for Operations: City of Santa Fe
- Time Period: July 21, 2009- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: City of Santa Fe
- Revenue: \$-0-

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

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

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

- Responsible Party for Operations: NMCD
- Time Period: September 21, 2000- Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: NMCD
- Revenue:\$-0-

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

- Responsible Party for Operations: NMCD
- Time Period: December 20, 2010- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: NMCD
- Revenue: \$-0-

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

- Responsible Party for Operations: NMCD
- Time Period: July 22, 2013- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2021: -0-
- Audit Responsibility: NMCD
- Revenue: \$-0-

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 14. PRIOR PERIOD ADJUSTMENT**

The Department has restated net position and the General fund-fund balance due to an error of omission of inventory balance of one of their facilities. During FY 2020, the Clayton Correctional Center facility was taken over operationally by the NMCD, this facility now identified as the Northeast New Mexico Correctional facility was excluded from FY 2020 reporting. In current year the Department recorded inventory of the facility, and as a result the June 30, 2019, government activities and General fund balance has been restated to reflect an increase to the ending net position from \$68,339,547 to \$69,088,190 and \$41,102,917 to \$41,851,560, respectively.

During the year ended June 30, 2021, NMCD adopted GASB Statement No. 84 Fiduciary Activities, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Changes adopted to conform to the provisions of this Statement have been applied retroactively by restating the beginning net position in the statement of changes in fiduciary net position – custodial funds by \$1,899,417.

**NOTE 15. SUBSEQUENT EVENTS**

The New Mexico Corrections Department (NMCD) has evaluated subsequent events through November 1, 2021, which is the date the financial statements have been issued.

In May of 2021 two private prison operators in New Mexico notified the Department that they would be exiting their contracts early: CoreCivic which operates the Northwest New Mexico Correctional Center (NWNMCC) in Grants, NM and GEO Group which operates the facility in Santa Rosa, NM known as the Guadalupe County Correctional Facility (GCCF).

NMCD has spent the last six months planning the conversion of these two facilities to publicly run prisons. Effective November 1, both conversions became official with NWNMCC absorbed into the Western New Mexico Correctional Facility (WNMCF) and GCCF will remain a stand-alone facility as NMCD has entered into lease agreements for both medium-level prison facilities, with the Department taking over operations and the private operators continuing ownership and maintenance responsibility.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 16. RECENT GASB PRONOUNCEMENTS**

The Department evaluated the following Governmental Accounting Standards Board Statements (GASBS) which became effective in the year ended June 30, 2020:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY 2020). As allowed by GASB Statement No. 95, the Department implemented this standard in current year.

In August 2018, the GASB issued Statement No. 90, *Majority Interests an amendment of GASB Statements No. 14 and No. 6*. The requirements of this statement are effective for periods beginning after December 15, 2018 (FY 2020). As allowed by GASB Statement No. 95, the Department has elected to delay implementation of this standard for one year.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the specified pronouncements are postponed by one year. The effective date for GASB Statement No. 87, *Leases*, has been postponed by 18 months. The requirements of this statement are effective immediately. The Department has adopted this standard in the year ended June 30, 2020.

The following standards have been issued but have future implementation dates:

In June 2017, the GASB issued Statement No. 87, *Leases*. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for eighteen months. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect future financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect future financial statements.

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 16. RECENT GASB PRONOUNCEMENTS (CONTINUED)**

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Department will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This Statement addresses a variety of topics. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The requirements of this Statement for all other topics are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Department will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address agreements in which variable payments made or received depend on an interbank offered rate (IBOR) and other accounting and financial reporting implications that result from the replacement of an IBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (FY 2023). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (FY 2021), however as allowed by GASB Statement No. 95, implementation requirements have been postponed for one year. Earlier application is encouraged. The Department will continue to evaluate in subsequent years but does not anticipate that this pronouncement will affect future financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (FY 2022). Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect future financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (FY 2023). Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect future financial statements.

**STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021**

**NOTE 16. RECENT GASB PRONOUNCEMENTS (CONTINUED)**

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (FY 2022). The Department is still evaluating how this pronouncement will affect future financial statements.

**NOTE 17. DUE FROM OTHER STATE AGENCY**

The amount reported as due from other state agency consist of the following:

<b>FUND</b>	<b>Description</b>	<b>Due from Share Fund</b>	<b>Amount</b>
90700	Department of Health	90700-66500	\$ 11,373
90700	Department of Public Safety	90700-79000	30,344
90700	Crime Victims Reparations	90700-78000	2,580
<b>Total</b>			<u>\$ 44,297</u>

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING BALANCE SHEET – GENERAL FUND TYPES  
YEAR ENDED JUNE 30, 2021**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Total
<b>ASSETS</b>			
Investment, state treasurer	\$ 60,838,734	3,290,344	\$ 64,129,078
Petty cash	2,150	-	2,150
Receivables, net of allowance for doubtful accounts	223,555	203	223,758
Federal grants receivable	4,943	-	4,943
Other receivables	14,467	2,645	17,112
Due from Other Agencies	44,297	-	44,297
Inventories	5,030,641	208,543	5,239,184
Prepaid items	779	-	779
<b>Total assets</b>	<b>\$ 66,159,566</b>	<b>3,501,735</b>	<b>\$ 69,661,301</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,391,946	7,396	\$ 5,399,342
Vouchers payable	23,381,215	395,432	23,776,647
Payroll benefits payable	594,749	95,566	690,315
Payroll taxes payable	194,252	42,988	237,240
Accrued wages payable	3,149,422	485,097	3,634,519
Stale Dated Warrants- Due to SGF	7,490	77	7,567
Unearned revenues	15,929	-	15,929
Receipts held in suspense	634	-	634
Other liabilities	8,817	6,732	15,549
<b>Total liabilities</b>	<b>32,744,454</b>	<b>1,033,288</b>	<b>33,777,742</b>
<b>FUND BALANCES</b>			
Reserved for:			
Nonspendable	5,033,570	208,543	5,242,113
Restricted	28,381,542	2,259,904	30,641,446
<b>Total fund balance</b>	<b>33,415,112</b>	<b>2,468,447</b>	<b>35,883,559</b>
<b>Total liabilities and fund balance</b>	<b>\$ 66,159,566</b>	<b>3,501,735</b>	<b>\$ 69,661,301</b>



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – GENERAL FUND TYPES  
YEAR ENDED JUNE 30, 2021**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Total
<b>Revenue</b>			
Charges for services	\$ 77,608	1,946,867	\$ 2,024,475
Intergovernmental	4,652	-	4,652
Institutional sales	1,063,711	-	1,063,711
Investment earning	11,859	-	11,859
Miscellaneous	16,832,797	32,136	16,864,933
Federal grants and contributions	126,674,935	3,715	126,678,650
<b>Total revenue</b>	<b>144,665,562</b>	<b>1,982,718</b>	<b>146,648,280</b>
<b>Expenditures</b>			
Current:			
Personal services & employee benefits	128,867,289	21,528,696	150,395,985
Contractual services	74,068,164	-	74,068,164
Other	100,385,563	4,753,450	105,139,013
Capital outlay	4,837,723	128,599	4,966,322
<b>Total expenditures</b>	<b>308,158,739</b>	<b>26,410,745</b>	<b>334,569,484</b>
Excess (deficiency) revenues over expenditures	(163,493,177)	(24,428,027)	(187,921,204)
<b>Other Financing Sources (Uses)</b>			
General fund appropriation	292,570,900	25,513,400	318,084,300
Operating transfer-out	(5,000,000)	-	(5,000,000)
Reversions to state general fund	(130,564,458)	(566,639)	(131,131,097)
Net other financing sources (uses)	157,006,442	24,946,761	181,953,203
<b>Net changes in fund balance</b>	<b>(6,486,735)</b>	<b>518,734</b>	<b>(5,968,001)</b>
Fund balance, beginning of year as previously stated	39,153,204	1,949,713	41,102,917
Restatement (See Note 14)	748,643	-	748,643
Fund balance, beginning of year, as restated	39,901,847	1,949,713	41,851,560
Fund balance, end of year	<b>\$ 33,415,112</b>	<b>2,468,447</b>	<b>\$ 35,883,559</b>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL-GENERAL OPERATING FUND  
SHARE SYSTEM FUND 90700  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 304,761,400	292,570,900	292,570,900	\$ -
Other state funds	1,871,800	1,871,800	1,155,518	(716,282)
Inter-agency transfers	19,435,800	17,601,179	17,287,874	(313,305)
Miscellaneous	-	-	38,889	38,889
Federal funds	-	109,445	126,183,281	126,073,836
Total revenue	<u>326,069,000</u>	<u>312,153,324</u>	<u>437,236,462</u>	<u>125,083,138</u>
 Budgeted fund balance	 <u>31,341,199</u>	 <u>30,119,799</u>	 <u>-</u>	 <u>(30,119,799)</u>
 <b>Total budgeted revenues</b>	 <u><u>\$ 357,410,199</u></u>	 <u><u>342,273,123</u></u>	 <u><u>437,236,462</u></u>	 <u><u>\$ 94,963,339</u></u>
Expenditures				
Personal services & employee benefits	152,584,800	135,700,400	128,867,291	6,833,109
Contractual services	83,500,040	91,270,978	74,068,164	17,202,813
Other	121,325,360	115,301,746	105,223,284	10,078,461
Other Financing uses			5,000,000	(5,000,000)
Reversions	-	-	130,564,458	(130,564,458)
<b>Total budgeted expenditures</b>	<u><u>\$ 357,410,199</u></u>	<u><u>342,273,123</u></u>	<u><u>443,723,197</u></u>	<u><u>\$ (101,450,074)</u></u>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL – PROBATION AND PAROLE GENERAL  
OPERATING FUND SHARE SYSTEM FUND 91500  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 26,543,700	\$ 25,513,400	\$ 25,513,400	\$ -
Other state funds	2,500,000	2,500,000	1,946,867	(553,133)
Inter-agency transfers	615,900	30,900	30,900	-
Miscellaneous	-	-	1,236	1,236
Federal funds	-	4,864	3,715	(1,149)
Total revenue	<u>29,659,600</u>	<u>28,049,164</u>	<u>27,496,118</u>	<u>(553,046)</u>
Budgeted fund balance	<u>56,400</u>	<u>56,400</u>	<u>-</u>	<u>(56,400)</u>
<b>Total budgeted revenues</b>	<b><u>\$ 29,716,000</u></b>	<b><u>28,105,564</u></b>	<b><u>27,496,118</u></b>	<b><u>\$ (609,446)</u></b>
Expenditures				
Personal services & employee benefits	22,736,400	21,606,264	21,528,696	77,568
Contractual services	-	-	-	-
Other	6,979,600	6,499,300	4,882,049	1,617,251
Reversions	-	-	566,639	(566,639)
<b>Total budgeted expenditures</b>	<b><u>\$ 29,716,000</u></b>	<b><u>28,105,564</u></b>	<b><u>26,977,384</u></b>	<b><u>\$ 1,128,180</u></b>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL - PROGRAM SUPPORT-P530  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance  Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 13,523,700	12,982,700	12,982,700	\$ -
Other state funds	154,800	154,800	122,891	(31,909)
Inter-agency transfers	497,700	247,700	47,700	(200,000)
Miscellaneous	-	-	17,612	17,612
Federal funds	-	51,022	22,433	(28,589)
Total revenue	<u>14,176,200</u>	<u>13,436,222</u>	<u>13,193,336</u>	<u>(242,886)</u>
Budgeted fund balance	-	-	-	-
<b>Total budgeted revenues</b>	<u><u>\$ 14,176,200</u></u>	<u><u>13,436,222</u></u>	<u><u>13,193,336</u></u>	<u><u>\$ (242,886)</u></u>
Expenditures				
Personal Services & employee benefits	\$ 11,438,000	10,194,500	9,582,374	\$ 612,126
Contractual services	559,600	245,483	228,704	16,779
Other	2,178,600	2,996,239	2,880,660	115,579
Reversions	-	-	443,773	(443,773)
<b>Total budgeted expenditures</b>	<u><u>\$ 14,176,200</u></u>	<u><u>13,436,222</u></u>	<u><u>13,135,511</u></u>	<u><u>\$ 300,711</u></u>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL – INMATE MANAGEMENT AND CONTROL - P531  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 291,237,700	279,588,200	279,588,200	\$ -
Other state funds	1,717,000	1,717,000	1,032,627	(684,373)
Inter-agency transfers	18,938,100	17,353,479	17,240,174	(113,305)
Miscellaneous	-	-	21,277	21,277
Federal funds	-	58,423	126,160,848	126,102,425
<b>Total revenue</b>	<b>311,892,800</b>	<b>298,717,102</b>	<b>424,043,126</b>	<b>125,326,024</b>
 Budgeted fund balance	 1,599,600	 1,128,200	 -	 -
 <b>Total budgeted revenues</b>	 <b>\$ 313,492,400</b>	 <b>299,845,302</b>	 <b>424,043,126</b>	 <b>\$ 125,326,024</b>
Expenditures				
Personal services & employee benefits	140,971,800	125,330,900	119,284,917	6,045,983
Contractual services	63,572,500	71,907,555	70,519,547	1,388,008
Other	108,948,100	102,606,847	99,132,932	3,473,915
Reversions	-	-	130,120,685	(130,120,685)
<b>Total budgeted expenditures</b>	<b>\$ 313,492,400</b>	<b>299,845,302</b>	<b>419,058,081</b>	<b>\$ (119,212,779)</b>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL - SPECIAL APPROPRIATIONS  
FUND 90700  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ -	-	-	\$ -
Other state funds	-	-	-	-
Total revenue	-	-	-	-
Budgeted fund balance	29,741,599	28,991,599	-	(28,991,599)
<b>Total budgeted revenues</b>	<b>\$ 29,741,599</b>	<b>28,991,599</b>	<b>-</b>	<b>\$ (28,991,599)</b>
Expenditures				
Personal services & employee benefits	\$ 175,000	175,000	-	\$ 175,000
Contractual services	19,367,940	19,117,940	3,319,913	15,798,026
Other	10,198,660	9,698,660	3,209,692	6,488,967
Reversions	-	-	-	-
<b>Total budgeted expenditures</b>	<b>\$ 29,741,599</b>	<b>28,991,599</b>	<b>6,529,605</b>	<b>\$ 22,461,994</b>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
BUDGET AND ACTUAL - COMMUNITY OFFENDER MANAGEMENT - P534  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 38,257,800	36,727,500	36,727,500	\$ -
Other state funds	2,540,000	2,540,000	1,966,827	(573,173)
Inter-agency transfers	671,300	86,300	86,300	-
Miscellaneous	-	-	1,799	1,799
Federal funds	-	4,864	3,715	(1,149)
Total revenue	41,469,100	39,358,664	38,786,141	(572,523)
Budgeted fund balance	656,400	656,400	-	(656,400)
<b>Total budgeted revenues</b>	<b>\$ 42,125,500</b>	<b>40,015,064</b>	<b>38,786,141</b>	<b>\$ (1,228,923)</b>
Expenditures				
Personal services & employee benefits	22,140,500	21,740,500	22,542,486	\$ (801,986)
Contractual services	10,012,500	11,078,000	8,880,046	2,197,954
Other	7,051,600	6,386,100	5,040,453	1,345,647
Reversions	-	-	566,639	(566,639)
<b>Total budgeted expenditures</b>	<b>\$ 39,204,600</b>	<b>39,204,600</b>	<b>37,029,624</b>	<b>\$ 2,174,976</b>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION – BUDGETARY SCHEDULES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

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

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Change in Fund Balance</u>
Net changes in fund balance per statement of revenues, expenditures and changes in fund balance			
General Fund (90700 & 91500)	\$ 464,732,580	470,700,581	\$ (5,968,001)
Special Revenue Fund (90200)	11,290,023	10,052,240	1,237,783
	<u>\$ 476,022,603</u>	<u>480,752,821</u>	<u>\$ (4,730,218)</u>
Net changes in fund balance per budget schedules			
General Appropriations:			
Program Support (P530)	\$ 13,193,336	13,135,511	\$ 57,825
Inmate Management and Control (P531)	424,043,126	419,058,081	4,985,045
Special Appropriations (Z Codes - 90700)	-	6,529,605	(6,529,605)
Community Corrections (P534)	38,786,141	37,029,624	1,756,517
Other Financing Uses (A20E3531)	-	5,000,000	(5,000,000)
	<u>\$ 476,022,603</u>	<u>480,752,821</u>	<u>\$ (4,730,218)</u>



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING BALANCE SHEET – NON MAJOR FUNDS  
JUNE 30, 2021**

	Community Corrections Special Revenue Fund SHARE System Fund 90200	Capital Projects Fund 89200	Total
<b>ASSETS</b>			
Investment, state treasurer	\$ 3,710,625	-	\$ 3,710,625
Due from other state agencies	-	-	-
<b>Total assets</b>	<b>\$ 3,710,625</b>	<b>-</b>	<b>\$ 3,710,625</b>
<b>LIABILITIES</b>			
Deficit, state treasurer	\$ -	-	\$ -
Accounts payable	962,966	-	962,966
Payroll benefits payable	4,261	-	4,261
Payroll taxes payable	1,599	-	1,599
Accrued wages payable	20,166	-	20,166
<b>Total liabilities</b>	<b>988,992</b>	<b>-</b>	<b>988,992</b>
<b>FUND BALANCES</b>			
Reserved for:			
Nonspendable	-	-	-
Restricted	2,721,633	-	2,721,633
Unassigned	-	-	-
<b>Total fund balance</b>	<b>2,721,633</b>	<b>-</b>	<b>2,721,633</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,710,625</b>	<b>-</b>	<b>\$ 3,710,625</b>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE- NON MAJOR FUNDS  
YEAR ENDED JUNE 30, 2021**

	Community Corrections Special Revenue Fund 90200	Capital Projects Fund 89200	Total
Revenue			
Charges for services	\$ 19,960	-	\$ 19,960
<b>Total revenue</b>	<u>19,960</u>	<u>-</u>	<u>19,960</u>
Expenditures			
Current:			
Personal services & employee benefits	1,013,790	-	1,013,790
Contractual services	8,880,046	131,000	9,011,046
Other	158,404	-	158,404
Capital outlay	-	-	-
<b>Total Expenditures</b>	<u>10,052,240</u>	<u>131,000</u>	<u>10,183,240</u>
Excess (deficiency) revenues over expenditures	<u>(10,032,280)</u>	<u>(131,000)</u>	<u>(10,163,280)</u>
Other Financing Sources (Uses)			
State general fund appropriations	11,214,100	-	11,214,100
STB proceeds	-	131,000	131,000
Other revenue	55,963	-	55,963
Net other financing sources(uses)	<u>11,270,063</u>	<u>131,000</u>	<u>11,401,063</u>
<b>Net changes in fund balance</b>	1,237,783	-	1,237,783
Fund balance, beginning of year	<u>1,483,850</u>	<u>-</u>	<u>1,483,850</u>
Fund balance, end of year	<u>\$ 2,721,633</u>	<u>-</u>	<u>\$ 2,721,633</u>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF SPECIAL APPROPRIATIONS  
YEAR ENDED JUNE 30, 2021**

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations	Prior Year Expenditures	Current Year Expenditures	Prior Year Reversion Amount	Current Year Reversion Amount	Reserved Fund Balance	Outstanding Encumbrances	Unencumbered Balance
For a recidivism-reduction programming plan and supplies for programs to reduce recidivism.	Laws of 2020, Ch 83, Sect 5, Item 3	2020-2021	90700	\$ 200,000	-	\$ -	-	-	200,000	-	\$ 200,000
For hepatitis c treatment and planning.	Laws of 2020, Ch 83, Sect 5, Item 104 Reduction: Laws of 2020 Special Session Ch 5, Item 19	2020-2022	90700	25,000,000	250,000	3,675,255	3,000,000	-	18,074,745	-	18,074,745
To pilot re-entry programming, including employment counseling, housing assistance and case management, with a randomized control trial in at least two counties.	Laws of 2020, Ch 83, Sect 5, Item 6	2020-2021	90700	300,000	-	-	-	-	300,000	-	300,000
For independent validation of the correctional offender management profiling for alternative sanctions risk-needs assessment tool and to pilot risk-needs assessments for all inmates within one year of release.	Laws of 2020, Ch 83, Sect 5, Item 107	2020-2022	90700	350,000	-	-	-	-	350,000	-	350,000
To pilot satellite training academies statewide.	Laws of 2020, Ch 83, Sect 5, Item 108	2020-2021	90700	240,000	-	-	-	-	240,000	-	240,000
Improvements at correctional facilities statewide	Laws of 2019, Ch 271, Sect 5, Item 93	2019-2021	90700	1,750,200	1,738,385	-	-	-	11,815	-	11,815
To implement a commercial off-the-shelf offender management information system. The other state funds appropriation comes from the penitentiary income fund.	Laws of 2019, Ch 271, Sect 7, Item 29	2019-2021	90700	4,105,200	85,416	834,350	-	-	3,185,434	-	3,185,434
To continue the implementation of the commercial off-the-shelf offender management system.	Laws of 2018, Ch 73, Sect 7, Item 29	2018-2021	90700	2,290,000	170,000	2,020,000	-	-	100,000	-	100,000
				<u>\$ 34,235,400</u>	<u>2,243,801</u>	<u>\$ 6,529,605</u>	<u>3,000,000</u>	<u>-</u>	<u>22,461,994</u>	<u>-</u>	<u>\$ 22,461,994</u>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES, BY ENTERPRISE  
YEAR ENDED JUNE 30, 2021**

	CNMCF Furniture	CCA Telemarketing	Cleaning Products	SCF Horse Rescue	Textiles	Distribution Center	Public Sales	MDC
Revenue from Sales	\$ 344,775	9,348	663,492	1,082	646,663	66,331	-	\$ -
Manufacturing Costs:								
Cost of Materials Used:								
Beg inventory, raw materials	98,025	116	42,327	-	63,288	-	-	-
Materials purchases	162,375	-	484,959	-	456,886	32,552	-	7,164
Net materials transfers	-	-	-	-	-	-	-	-
<b>Materials available</b>	<b>260,400</b>	<b>116</b>	<b>527,286</b>	<b>-</b>	<b>520,174</b>	<b>32,552</b>	<b>-</b>	<b>7,164</b>
Less ending inventory	(81,130)	(112)	(31,889)	-	(73,655)	-	-	-
Cost of raw materials used	179,271	4	495,397	-	446,518	32,552	-	7,164
Direct labor-Inmate Pay	50,014	-	4,268	-	19,927	5,393	-	-
Manufacturing Overhead:								
Salaries	94,098	-	30,276	-	49,151	-	-	-
Benefits	45,895	-	13,850	-	32,800	-	-	-
In-state travel	2,572	-	147	40	-	25,068	-	-
Maintenance & repairs	8,601	-	15,945	-	161	1,245	-	-
Supplies	7,045	-	72,781	-	17,623	1,706	-	-
Contractual services	-	-	287	571	-	1,482	-	-
Other operating costs	861	1,734	1,600	-	3,210	722	-	-
Out-of-state travel	-	-	-	-	-	-	-	-
Irrigation fees	-	-	-	-	-	-	-	-
Depreciation	12,428	-	5,980	-	3,471	-	-	-
Miscellaneous	-	-	114,177	-	-	17,500	497	-
<b>Total manufacturing overhead</b>	<b>171,500</b>	<b>1,734</b>	<b>255,043</b>	<b>611</b>	<b>106,416</b>	<b>47,723</b>	<b>497</b>	<b>-</b>
Total manufacturing costs	400,784	1,738	754,708	611	572,861	85,667	497	7,164
Add beginning work in process	7,767	-	170,275	-	7,500	-	-	-
Less ending work in process	(3,441)	-	(290,158)	-	(14,923)	-	-	-
Total cost of goods manufactured	405,111	1,738	634,824	611	565,439	85,667	497	7,164
Add beginning finished goods	4,468	-	27,178	-	238,160	-	-	-
Less ending finished goods	(5,119)	-	(5,623)	-	(151,299)	-	-	-
<b>Total Cost of Goods Sold</b>	<b>404,459</b>	<b>1,738</b>	<b>656,378</b>	<b>611</b>	<b>652,299</b>	<b>85,667</b>	<b>497</b>	<b>7,164</b>
Gross Profit (Loss)	(59,684)	7,610	7,114	471	(5,636)	(19,336)	(497)	(7,164)
Allocated overhead:								
Facility overhead	(33,702)	(914)	(12,407)	(106)	(63,212)	(6,484)	-	-
Sales & marketing	-	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-	-
Other income (expense)	-	-	-	-	-	100	901	-
Other Financing Uses	-	-	(52,450)	-	-	-	-	-
Net Income (Loss)	\$ (93,386)	6,696	(57,743)	365	(68,848)	(25,720)	404	\$ (7,164)

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES BY ENTERPRISE (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

	PNM Old Main	Santa Rosa Print	CMU Farm	Sales & Marketing	PNM Canteen	Central Office	Contract Food Svcs
Revenue from Sales	\$ 25,483	67,642	-	-	4,794,683	-	\$ -
Manufacturing Costs:							
Cost of Materials Used:							
Beg inventory, raw materials	-	37,896	-	-	-	-	-
Materials purchases	-	42,967	-	-	3,807,859	-	(7,164)
Net materials transfers	-	-	-	-	-	-	-
<b>Materials available</b>	-	80,863	-	-	3,807,859	-	(7,164)
Less ending inventory	-	(35,141)	-	-	-	-	-
Cost of raw materials used	-	45,723	-	-	3,807,859	-	(7,164)
Direct labor-Inmate Pay	-	3,116	-	-	75,033	-	-
Manufacturing Overhead:							
Salaries	-	46,980	-	60,911	74,698	177,714	-
Benefits	-	23,593	-	25,560	29,708	171,366	-
In-state travel	-	-	-	-	694	2,665	-
Maintenance & repairs	-	4,028	652	-	5,659	3,191	-
Supplies	-	6,070	-	208	15,489	6,194	-
Contractual services	-	125	3,600	-	1,957	219	-
Other operating costs	179	28,612	-	1,272	-	26,937	-
Out-of-state travel	-	-	-	-	-	-	-
Irrigation fees	-	-	51,640	-	-	-	-
Depreciation	2,106	1,109	-	-	1,263	4,850	6,036
Miscellaneous	-	-	-	-	-	206	-
<b>Total manufacturing overhead</b>	2,285	110,516	55,892	87,951	129,469	393,340	6,036
Total manufacturing costs	2,285	159,355	55,892	87,951	4,012,362	393,340	(1,128)
Add beginning work in process	-	-	-	-	-	-	-
Less ending work in process	-	-	-	-	-	-	-
Total cost of goods manufactured	2,285	159,355	55,892	87,951	4,012,362	393,340	(1,128)
Add beginning finished goods	18,032	2,342	-	-	-	-	-
Less ending finished goods	(17,253)	-	-	-	-	-	-
<b>Total Cost of Goods Sold</b>	3,064	161,697	55,892	87,951	4,012,362	393,340	(1,128)
Gross Profit (Loss)	22,419	(94,055)	(55,892)	(87,951)	782,322	(393,340)	1,128
Allocated overhead:							
Facility overhead	(2,491)	(6,612)	-	87,951	(468,683)	559,401	-
Sales & marketing	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-
Other income (expense)	-	2,787	-	-	221,015	2,953	-
Other Financing Uses	-	-	-	-	-	-	-
Net Income (Loss)	\$ 19,928	(97,880)	(55,892)	-	534,654	169,013	\$ 1,128

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES BY ENTERPRISE (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

	Drug Screening	PNM Livestock	PNM Bakery	Rosewell Dairy Goat	Rosewell Dairy Cow	PNM Landscaping	PNM Hoop House	Total Industries
Revenue from Sales	\$ 600	-	-	2,383	-	-	-	\$ 6,622,483
Manufacturing Costs:								
Cost of Materials Used:								
Beg inventory, raw materials	-	-	-	-	-	-	-	241,651
Materials purchases	131	-	-	887	-	(238)	-	4,988,379
Net materials transfers	-	-	-	-	-	-	-	-
<b>Materials available</b>	131	-	-	887	-	(238)	-	5,230,031
Less ending inventory	-	-	-	-	-	-	-	(221,927)
Cost of raw materials used	131	-	-	887	-	(238)	-	5,008,104
Direct labor-Inmate Pay	-	-	-	2,400	-	-	-	160,151
Manufacturing Overhead:								
Salaries	-	-	-	-	-	161,896	-	695,724
Benefits	-	-	-	-	-	96,931	-	439,704
In-state travel	-	-	-	-	-	-	-	31,185
Maintenance & repairs	-	-	-	626	-	-	-	40,107
Supplies	-	-	-	3,531	-	-	-	130,647
Contractual services	-	-	-	-	-	-	-	8,241
Other operating costs	-	-	-	-	-	-	-	65,127
Out-of-state travel	-	-	-	-	-	-	-	-
Irrigation fees	-	2,071	-	-	-	-	-	53,711
Depreciation	-	-	10,902	-	-	7,727	-	55,872
Miscellaneous	-	-	-	-	-	-	-	132,380
<b>Total manufacturing overhead</b>	-	2,071	10,902	4,157	-	266,554	-	1,652,697
Total manufacturing costs	131	2,071	10,902	7,444	-	266,316	-	6,820,952
Add beginning work in process	-	-	-	-	-	-	-	185,542
Less ending work in process	-	-	-	-	-	-	-	(308,521)
Total cost of goods manufactured	131	2,071	10,902	7,444	-	266,316	-	6,697,972
Add beginning finished goods	-	-	-	-	-	-	-	290,179
Less ending finished goods	-	-	-	-	-	-	-	(179,295)
<b>Total Cost of Goods Sold</b>	131	2,071	10,902	7,444	-	266,316	-	6,808,856
Gross Profit (Loss)	469	(2,071)	(10,902)	(5,061)	-	(266,316)	-	(186,373)
Allocated overhead:								
Facility overhead	(59)	-	-	(233)	-	-	-	52,450
Sales & marketing	-	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-	-
Other income (expense)	-	-	-	-	-	-	-	227,755
Other Financing Uses	-	-	-	-	-	-	-	(52,450)
Net Income (Loss)	\$ 410	(2,071)	(10,902)	(5,294)	-	(266,316)	-	\$ 41,382

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
FOR CLEANING PRODUCTS BY FACILITY  
YEAR ENDED JUNE 30, 2021**

	WNMCF Cleaning Prod	WNMCF Plastic	Total Cleaning Products
Revenue from Sales	\$ 536,567	126,925	\$ 663,492
Manufacturing Costs:			
Cost of Materials Used:			
Beg inventory, raw materials	-	42,327	42,327
Materials purchases	448,950	36,009	484,959
Net materials transfers	-	-	-
Materials available	448,950	78,336	527,286
Less ending inventory	-	(31,889)	(31,889)
Cost of raw materials used	448,950	46,447	495,397
Direct labor-Inmate Pay	-	4,268	4,268
Manufacturing Overhead:			
Salaries	30,276	-	30,276
Benefits	13,850	-	13,850
In-state travel	147	-	147
Maintenance & repairs	15,747	198	15,945
Supplies	72,781	-	72,781
Contractual services	287	-	287
Other operating costs	600	1,000	1,600
Out-of-state travel	-	-	-
Irrigation fees	-	-	-
Depreciation	-	5,980	5,980
Miscellaneous	114,177	-	114,177
Total manufacturing overhead	247,865	7,178	255,043
Total manufacturing costs	696,814	57,894	754,708
Add beginning work in process	170,275	-	170,275
Less ending work in process	(290,158)	-	(290,158)
Total Cost of Goods Manufactured	576,931	57,894	634,824
Add beginning finished goods	-	27,178	27,178
Less ending finished goods	-	(5,623)	(5,623)
Net finished goods transfers	-	-	-
Total cost of goods sold	576,931	79,448	656,378
Gross Profit (Loss)	(40,363)	47,477	7,114
Allocated overhead:			
Facility overhead	-	(12,407)	(12,407)
Sales & marketing	-	-	-
Distribution center	-	-	-
Central office	-	-	-
General fund subsidy	-	-	-
Other income (expense)	-	-	-
Other Financing Uses	(52,450)	-	(52,450)
Net Income (Loss)	\$ (92,813)	35,070	\$ (57,743)

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES  
FOR TEXTILES BY FACILITY  
YEAR ENDED JUNE 30, 2021**

	CCA Textiles	Santa Rosa Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 488,391	-	158,272	\$ 646,663
Manufacturing Costs:				
Cost of Materials Used:				
Beg inventory, raw materials	39,678	23,610	-	63,288
Materials purchases	207,226	-	249,660	456,886
Net materials transfers	-	-	-	-
Materials available	246,904	23,610	249,660	520,174
Less ending inventory	(37,354)	(36,301)	-	(73,655)
Cost of raw materials used	209,549	(12,691)	249,660	446,518
Direct labor-Inmate Pay	10,448	1,683	7,796	19,927
Manufacturing Overhead:				
Salaries	49,151	-	-	49,151
Benefits	32,800	-	-	32,800
In-state travel	-	-	-	-
Maintenance & repairs	-	-	161	161
Supplies	704	211	16,708	17,623
Contractual services	-	-	-	-
Other operating costs	3,210	-	-	3,210
Out-of-state travel	-	-	-	-
Irrigation fees	-	-	-	-
Depreciation	3,471	-	-	3,471
Miscellaneous	-	-	-	-
Total manufacturing overhead	89,337	211	16,869	106,417
Total manufacturing costs	309,334	(10,798)	274,325	572,862
Add beginning work in process	7,500	-	-	7,500
Less ending work in process	-	(14,923)	-	(14,923)
Total Cost of Goods Manufactured	316,834	(25,720)	274,325	565,439
Add beginning finished goods	77,066	89,560	71,534	238,160
Less ending finished goods	(85,583)	(885)	(64,832)	(151,299)
Net finished goods transfers	-	-	-	-
Total Cost of Goods Sold	308,317	62,955	281,028	652,300
Gross Profit (Loss)	180,074	(62,955)	(122,756)	(5,636)
Allocated overhead:				
Facility overhead	(47,741)	-	(15,471)	(63,212)
Sales & marketing	-	-	-	-
Distribution center	-	-	-	-
Central office	-	-	-	-
General fund subsidy	-	-	-	-
Other income (expense)	-	-	-	-
Other Financing Uses	-	-	-	-
<b>Net Income (Loss)</b>	<b>\$ 132,334</b>	<b>(62,955)</b>	<b>(138,227)</b>	<b>\$ (68,848)</b>



**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES BUDGET AND ACTUAL  
(GAAP BUDGETARY BASIS) CORRECTIONS INDUSTRIES DIVISION  
YEAR ENDED JUNE 30, 2021**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenue</b>				
Printing and reproduction:				
Sales	\$ 10,906,500	10,906,500	6,622,483	\$ (4,284,017)
Interest on deposits	-	-	2,944	2,944
Other revenue	-	-	224,811	224,811
Total revenues	<u>10,906,500</u>	<u>10,906,500</u>	<u>6,850,238</u>	<u>(4,056,262)</u>
 Budgeted fund balance	<u>118,000</u>	<u>75,700</u>	<u>-</u>	<u>-</u>
 <b>Total budgeted revenues</b>	<u>\$ 11,024,500</u>	<u>10,982,200</u>	<u>6,850,238</u>	<u>\$ (4,056,262)</u>
 <b>Expenditures</b>				
Personal services & employee benefits	\$ 2,238,500	2,196,200	1,267,106	\$ 929,094
Contractual Services	51,400	51,400	8,241	43,159
Other	8,734,600	8,734,600	5,477,637	3,256,963
Other Transfers	-	-	-	-
Total budgeted expenditures	<u>11,024,500</u>	<u>10,982,200</u>	<u>6,752,984</u>	<u>4,229,216</u>
Non budgeted expenditures				
Depreciation	<u>-</u>	<u>-</u>	<u>55,872.00</u>	<u>(55,872)</u>
 <b>Total budgeted and non budgeted expenditures</b>	<u>\$ 11,024,500</u>	<u>10,982,200</u>	<u>6,808,856</u>	<u>\$ 4,173,344</u>

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor or Pass-Trough Grantor/Program Title</u>	<u>Pass Through Number</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>			
Passed through from New Mexico Higher Education Department Adult Basic Education		84.002	\$ 283,640
Total U.S. Department of Education			<u>283,640</u>
<b>U. S. Department of Justice</b>			
Passed through from State Department of public safety			
Residential Substance Abuse Treatment Grant (RSAT)		16.593	90,945
Edward Byrne Memorial Justice Assistance Grant (JAG)		16.738	44,653
2019 Support for Adam Walsh Act Implementation (AWA) Award		16.750	3,715
Prison Rape Elimination Act (PREA) Reallocation		16.751	22,433
Joint Law Enforcement Operations Task Force (JLEO)		16.922	<u>16,982</u>
Subtotal - Passed through State Department of public safety			<u>178,728</u>
Passed through from New Mexico Crime Victims Reparation Commission Victims of Crime Act (VOCA)		16.575	<u>60,042</u>
Total U. S. Department of Justice			<u>238,770</u>
<b>U. S. Department of Health and Human Services</b>			
Passed through from Centers for Disease Control and Prevention			
Public Health Emergency Response (OUD)		93.354	11,373
STD Prevention & Control for Health Departments (PCHD)		93.977	<u>1,000</u>
Total U. S. Department of Health and Human Services			<u>12,373</u>
<b>U. S. Department of the Treasury</b>			
* Passed through from the New Mexico Department of Finance and Administration			
Corona Virus Relief Fund (CFR)		21.019	<u>126,143,867</u>
Total U. S. Department of the Treasury			<u>126,143,867</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 126,678,650</u></u>

\* Denotes major program

*The Notes to Schedule of Expenditures of Federal Awards are an integral part of this statement.*

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “Schedule”) presents the federal grant activity of the Department under programs of the federal government for the year ended June 30, 2021. The information in the schedule is presented in accordance with the requirements in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position, changes in fund balance or cash flows of the Department.

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

Expenditures reported on the Schedule are reported on an accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. If negative amounts are shown on the Schedule, they represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE 3. INDIRECT COST RATE**

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

**NOTE 4. OTHER DISCLOSURES**

The Department does not receive any non-cash assistance, any loans nor provides federal awards for subrecipients.

**RECONCILIATION TO FINANCIAL STATEMENTS**

Amounts reported on the Schedule of Expenditures of Federal Awards (SEFA) are presented on the fund financial statement of revenues, expenditures, and changes in fund balance as federal grants and contributions. On the government-wide statement of activities they are included in operating grants & contributions which totals \$126,683,302. This amount consists of federal revenues of \$126,678,650 as reported on the SEFA and intergovernmental revenues of \$4,652.

## **COMPLIANCE SECTION**



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**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  
and  
Alisha Tafoya Lucero, Secretary,  
New Mexico Corrections Department

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2021, 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 1, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

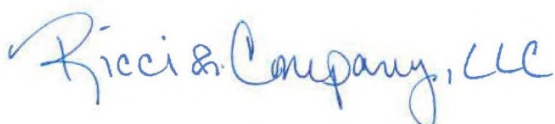
We noted certain matters that are required to be reported per Section 12-6-5 NMSA 1978, that we have described in the accompanying schedule of findings and questioned costs under findings in accordance with Section 12-6-5 NMSA 1978 as item 2021-004.

### **Management's Response to Findings**

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Ricci & Company, LLC". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico  
November 1, 2021



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

**Independent Auditors' Report on Compliance For Each Major  
Federal Program and Report on Internal Control Over Compliance  
Required by The Uniform Guidance**

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

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

We have audited the New Mexico Corrections Department's (the "Department") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2021. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

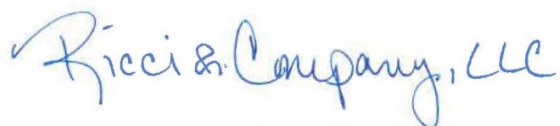
In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Albuquerque, New Mexico  
November 1, 2021



**STATE OF NEW MEXICO  
 NEW MEXICO CORRECTIONS DEPARTMENT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 JUNE 30, 2021**

**SECTION 1 – SUMMARY OF AUDIT RESULTS**

**Financial Statements**

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

**Federal Awards**

a. Material weakness in internal control over major programs reported?	No
b. Significant deficiencies in internal control over major programs reported?	No
c. Material noncompliance with federal statutes, regulations, or terms and conditions of federal awards related to a major program?	No
d. Known questioned costs greater than \$25,000 for a type of compliance requirement for a major program?	No
e. Known questioned costs greater than \$25,000 for a federal program which is not audited as a major program?	No
f. Known or likely fraud affecting a federal award?	No
g. Significant instances of abuse related to major programs?	No
h. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee, materially misrepresents the status of any prior audit finding?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.561(a)?	No

Identification of major programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	Corona Virus Relief Fund (CFR)

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

**Finding 2021–001 INVENTORY CONTROLS (SIGNIFICANT DEFICIENCY)**

**Condition:** During the physical inventory count at the Central New Mexico Correctional Facility, we noted that the warehouse was disorganized, and inventory items were all over the facility which made items difficult to locate. In addition, we noted that the inventory reports printed for the warehouse and maintenance departments did not tie to actual counts by significant amounts. It was determined that the inventory was entered into a new inventory system that was not fully implemented yet by New Mexico Corrections Department (NMCD) causing errors between the inventory reports and actual inventory on hand.

**Criteria:** Pursuant to NMSA §6-5-2, each agency shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. In addition, pursuant NMSA §12-6-10, each agency shall, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority.

**Cause:** Contributing factors can be attributed to lack of unilateral procedures, process, and controls, as NMCD does not utilize a uniform inventory system for all facilities.

**Effect:** Failure to have proper processes, procedures and controls in place results in the susceptibility of NMCD assets to misappropriation, abuse or non-compliance. In addition, due to inaccurate controls over inventory and using an untested system of inventory, caused the facility to do a complete recount of the warehouse and maintenance departments in August 2021 and roll-back (reviewing requests for supplies and purchase orders for additions) for each inventory item to obtain an accurate inventory count for financial statement reporting as of June 30, 2021.

**Recommendation:** Management has made plans to implement a universal inventory in the next fiscal year, however, unilateral procedures and controls should be implemented in conjunction with the system to reduce the potential for misstatement and inconsistencies between location's reporting. Management should train employees under the same policies and procedures.

**Views of responsible official and planned corrective actions:** The NMCD agrees with the finding. NMCD ASD & IT have issued the hardware and supplies for the universal inventory system purchased at the end of FY21 and will ensure implementation is completed. NMCD will ensure that all relevant staff are trained on the new system and will review and revise inventory control policies and procedures to reflect the new system. The NMCD Administrative Services Division (ASD) staff will visit all public facilities to confirm that the new system has been installed properly and is being used. Timeline to correct is March 31, 2022

**Responsible party:** Deputy ASD Director, ASD Accounting Section and Facility Management

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**FINDING 2021-002 ACCOUNT RECONCILIATIONS (SIGNIFICANT DEFICIENCY)**

**Condition:** It was noted during the audit that some key accounts such as fixed assets, accounts receivable, and accounts payable were not reconciled timely causing delays in the audit. In addition, auditors received multiple client adjustments totaling \$19,386,531 during the audit to correct balances that should have been reconciled and adjusted prior to audit fieldwork.

**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.

**Cause:** NMCD has multiple facilities that must be consolidated and there is not an effective policy in place by which accounts are reconciled on a timely basis. In addition, NMCD was short staffed during the audit causing delays in the audit.

**Effect:** The trial balance originally provided to Auditors was not accurate and complete which resulted in a delay to the audit process, as adjustments were required after the start of audit fieldwork.

**Recommendation:** NMCD should have a better system in place to reconcile accounts for validity coming from other facilities more often than once a year, so the year end close process isn't so cumbersome.

**Views of responsible official and planned corrective actions:** The NMCD agrees with the finding. NMCD experienced very high turnover in the accounting section during FY21, as well as other areas of the ASD and in the financial staff in the prison facilities. This has impacted the timeliness of information flowing from ASD and the facilities. In the current labor market, it has been very difficult filling vacant positions, which has taken longer than expected both in Central Office ASD as well as the facilities. The accounting section is now fully staffed, and the prison facilities are filling vacancies and improving business office staffing. The accounting staff in ASD will work with the business managers to ensure regular and consistent information is gathered in a timely manner to facilitate a smoother and more timely flow of information during the annual audit process with the auditors. Timeline to correct is March 31, 2022

**Responsible party:** Chief Financial Officer, Accounting Manager and Facility Management

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**SECTION 2 – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**FINDING 2021-003 MISSING INVENTORY SITE (SIGNIFICANT DEFICIENCY)**

**Condition:** During our audit over inventory, it was noted inventory beginning balance from FY20 did not tie to prior year audited balances. The Northeast New Mexico Correctional facility was not included in the FY 2020 inventory balance in error in the amount of \$748,643. Even though the amount is not material to the financial statements, an adjustment was made by New Mexico Department of Finance & Administration (DFA) to restate FY20 and book an adjustment to fund balance by the same amount.

**Criteria:** Pursuant to NMSA 1978, §6-5-2 and best practices as established in the Model Accounting Practices (MAPS) FIN 10.2, states: “State agencies must report significant inventories of materials, goods, and supplies on the balance sheet of their year-end financial statements.”

**Cause:** During FY 2020, the Clayton Correctional Center facility was taken over operationally by the NMCD, this facility is now identified as the Northeast New Mexico Correctional facility. Whilst, the misstatement amount is not material to the FY 2021 or FY 2020 financial statements, the fund balance for FY 2020 must be restated based on the procedures and policy established by DFA.

**Effect:** The exclusion of the Northeast facility from financial reporting in FY 2020, resulted in non-compliance with established processes and policies, resulting in a restatement of fund balance.

**Recommendation:** We recommend that management ensure that an established control system is operating effectively for reporting inventory to ensure completeness and accuracy.

**Views of responsible official and planned corrective actions:** The NMCD agrees with the finding. NMCD will ensure accurate and timely reporting of inventory as outlined in audit finding 2021-001. Timeline to correct is March 31, 2022

**Responsible party:**

Deputy ASD Director, ASD Accounting Section and Facility Management

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None identified

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

**SECTION 4 – SECTION 12-6-5 NMSA 1978 FINDINGS**

**FINDING 2021-004 LACK OF POLICIES, PROCEDURES OR INTERNAL CONTROLS  
(OTHER MATTER)**

**Condition:** During our audit procedure over use of State issued cell phone, we selected and tested two (2) out of seventeen (17) cost centers (departments) and noted the following exception in one (1) of the two (2) cost centers tested:

In cost center- Central New Mexico Correctional Facility, we noted that one (1) out of Forty-three (43) cell phone numbers had considerably higher phone usage than other cell phone numbers in similar position within the facility.

In addition, we noted NMCD does not have an official policy over the use of State issued cell phones.

**Criteria:** Pursuant to subsection A of 2.2.2.15 NMAC waste is defined as “the act of using or expending resources carelessly, extravagantly, or to no purpose” and abuse is defined as “behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary operational practice given the facts and circumstances.”

**Cause:** Due to lack of oversight with respect to use of state issued cell phones, there was probable waste and abuse of State’s resources.

**Effect:** The lack of formal internal policy to regulate use of state issued cell phones has created a potential for waste and abuse of the State’s resources. Waste and abuse do not necessarily involve fraud or illegal acts, however, they may be an indication of potential fraud or illegal acts.

**Recommendation:** NMCD should establish and implement a policy and ensure that an established control system is operating effectively to ensure proper use of state issued cell phones in order to curtail possible waste and abuse of state resources.

**Views of responsible official and planned corrective actions:** The NMCD agrees with the finding. NMCD will review other state agencies policies and work with the Department of Information Technology to gather information to include in a policy. A cell phone policy for the Department will be drafted by the Fleet and Telecom Coordinator for review by the ASD Director and a final draft will be submitted by the ASD Director to the Cabinet Secretary for review and approval. Timeline to correct, Fleet and Telecom Coordinator submit draft policy to ASD Director, December 31, 2021. ASD Director submit final version of policy to Cabinet Secretary, January 31, 2022.

**Responsible party:** Acting Director of ASD, and NMCD Fleet and Telcom Coordinator

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2021**

**PRIOR AUDIT FINANCIAL STATEMENT FINDINGS**

None identified

**PRIOR AUDIT FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None identified

**PRIOR AUDIT SECTION 12-6-5 NMSA 1978 FINDINGS**

None identified

**STATE OF NEW MEXICO  
NEW MEXICO CORRECTIONS DEPARTMENT  
EXIT CONFERENCE  
JUNE 30, 2021**

An exit conference was held on November 1, 2021 via Zoom and attended by the following:

**Representing the Department:**

Alisha Tafoya Lucero	Secretary of Corrections
Karen Cann	Deputy Secretary of Administration
Melanie Martinez	Director of Probation & Parole
Edward Smith	Acting Director of Administrative Services Division
Carl Ortega	Deputy Director of Administrative Services Division
Andrew Gallegos	Financial Management Bureau Chief/CFO
Jacob Weathers	Budget Bureau Chief
Kimberly Gonzales	Financial Manager/CPO
Vicki Trujillo	Accounting Manager
Brandon Martinez	Accountant/Auditor

**Representing Ricci & Company, LLC:**

Corrine Zajac-Clarkson, CPA	Audit Partner
Esther Alejo	Senior Auditor

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements were prepared with the assistance of Ricci & Company, LLC from the books and records of the State of New Mexico Corrections Department. The financial statements and related footnotes remain the responsibility of management.