



# State of New Mexico

## Corrections Department



### **Financial Statements and Schedules**

**With**

### **Independent Auditors' Report**

**For the Fiscal Year Ended June 30, 2010**

**Prepared by the New Mexico Corrections Department  
Financial Management Bureau**

**ANNUAL FINANCIAL REPORT  
OF THE NEW MEXICO CORRECTIONS DEPARTMENT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

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STATE OF NEW MEXICO  
**CORRECTIONS DEPARTMENT**

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**Diane Denish, Lt. Governor**

**Joe R. Williams**

Secretary of Corrections (505) 827-8884

**Jolene M. Gonzales**

Deputy Secretary of Administration (505) 827-8667



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Information Technology	(505) 827-8713
Probation and Parole	(505) 827-8830
Reentry & Prison Reform	(505) 827-8509
Training Academy	(505) 827-8900

December 14, 2010

The Honorable Bill Richardson, Governor  
and  
Hector H. Balderas, New Mexico State Auditor  
New Mexico State Legislators  
Citizens of New Mexico

The Annual Financial and Compliance Audit Report for the State of New Mexico Corrections Department (the Department) for the fiscal year ending June 30, 2010 is hereby submitted.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Department. The enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the Department on a Government-wide (Department-wide) and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the Department's financial activities have been included.

### **FINANCIAL CONDITION**

The Management Discussion and Analysis (MD&A) summarizes the Statement of Net Assets (page 13) and the Statement of Activities (page 14) and reviews the changes from the beginning to the end of the current period. These Government-wide (focusing on the Department as a whole) statements are intended to present the Department in a more corporate style basis.

The Fund Financial Statements, starting on page 15, are designed to address the major individual funds by category (governmental, proprietary, and fiduciary). Explanation of the fund financial statements is included in the MD&A (page 4) and in Note 2 (page 27).

The following review of the types of commitments against net assets for the governmental and business-type activities is intended to supplement the information provided in the MD&A and the Notes to the Financial Statements.

## **Commitments Against Unrestricted Net Assets**

The Unrestricted Net Assets is intended to be a corporate-style measure of well being for the Department's governmental and business-type activities. This amount includes non-reverting cash balances as well as cash restricted for budgetary requirements within the Department. For further explanation of these funds please see Note 2 (page 37) and Note 16 (page 54).

## **Business-Type Activities**

The Department's business-type activity is the Corrections Industries Division. The Corrections Industries Division (CID) was created under the Corrections Industries Act in 1978 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.*

Results of operations for the various enterprise functions within Corrections Industries are presented in the Schedule of Revenues and Expenses, By Enterprise (pages 79-83).

## **GENERAL INFORMATION**

### **Accounting & Budgeting Systems**

The Department used the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) as its' accounting system in fiscal year 2010, which provides management with financial and budget information. The Department is in its' fourth full year of SHARE since the implementation at the beginning of fiscal year 2007. The Department has designed internal processes and controls to provide reasonable assurance regarding (1) the proper recording of financial transactions and (2) reliability of the financial records for preparing financial statements.

Budgetary controls are maintained within the system to ensure compliance with the appropriations. Requisitions are entered on-line for the required account codes and encumbrances established are verified against the available budget authorized. Open purchase orders and contract encumbrances at year-end are disencumbered and recreated in the subsequent fiscal year, when necessary, resulting in the reduction of the available budget in the imminent fiscal year.

Budget to actual comparisons demonstrate how the actual expenses/expenditures compare to both the original and final approved budget. The following identifies where these comparisons can be found:

- Governmental Major Funds
  - General Fund – Page 19.
  - Community Corrections Special Revenue Fund – Page 20.
- Proprietary - Corrections Industries Revolving Fund – Page 84.

Also included in this report are individual statements by appropriation unit beginning on page 64.

## **REPORTING ENTITY**

The New Mexico Corrections Department is a cabinet level agency within the State of New Mexico. The financial statements issued in this report are separate and stand-alone. The focus is on the Department rather than the State as a whole. All reference to government-wide financial statements contained within these statements refers only to the New Mexico Corrections Department.

## REPORT FORMAT

The Annual Financial and Compliance Audit Report is presented in two sections: Introductory and Financial. The Introductory section includes the table of contents, this transmittal letter, the Department's organizational chart, and a list of abbreviations. The Financial section includes the independent auditors' opinion, Management's Discussion and Analysis, Basic Financial Statements, Supplementary Information and Single Audit section.

## INDEPENDENT AUDIT

Pursuant to the Audit Act (§12-6-1 through §12-6-14, NMSA 1978), an audit of accounts and financial statements has been completed by an independent Certified Public Accountant. The Department contracted, through a joint venture, with the Office of the State Auditor and Meyners + Company, LLC to conduct this year's audit. Their report is included in this report.

## ACKNOWLEDGEMENTS

The Annual Financial and Compliance Audit Report was prepared by the staff of the Financial Management Bureau of the Administrative Services Division under the direction of Bureau Chief Raphael Torres and Accounting Manager Bryan M. Maestas, CGFM. We express our sincere appreciation to Mr. Torres and Mr. Maestas, and their staff for their work in the preparation of this report, as well as all additional individuals throughout the Department who assisted in this effort. Appreciation is also expressed to the Deputy Secretaries, Wardens, Division Directors, Bureau Chiefs and Business Managers for their diligence and professionalism regarding matters pertaining to the financial affairs of the Department.


Sincerely,



Joe R. Williams – Secretary of Corrections  
New Mexico Corrections Department



Jolene M. Gonzales - Deputy Secretary of Administration/Chief Financial Officer  
New Mexico Corrections Department



Raphael Torres – Bureau Chief  
Financial Management Bureau



Bryan M. Maestas, CGFM – Accounting Manager  
Financial Management Bureau

**NEW MEXICO CORRECTIONS DEPARTMENT  
OFFICIAL ROSTER  
JUNE 30, 2010**

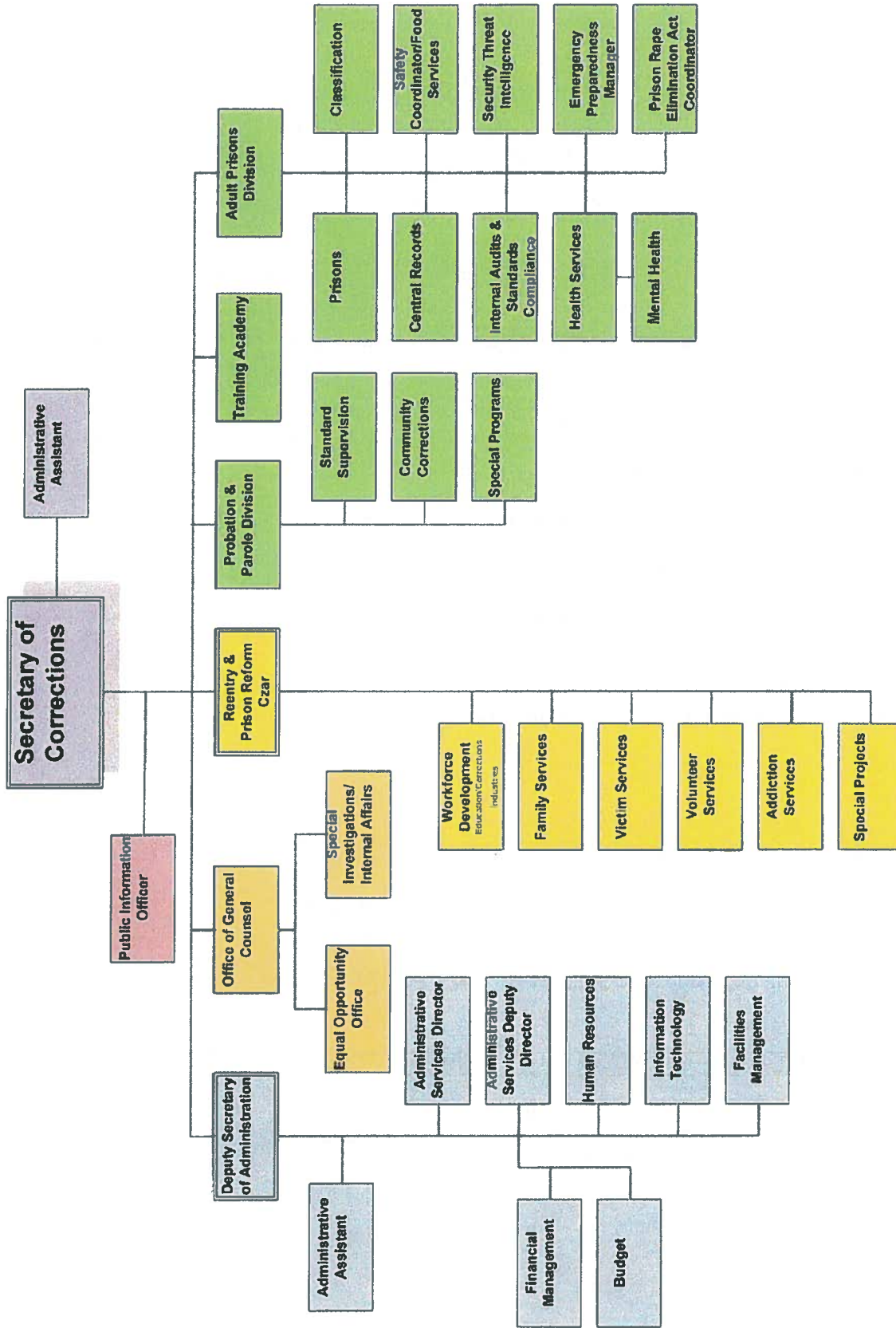
**Administrative Officials**

Joe R. Williams	Secretary of Corrections
Jolene M. Gonzales	Deputy Secretary of Administration
Tony E. Marquez, Jr.	Director of Administrative Services Division
George Tapia	Deputy Director of Adult Prisons Division
Anna Martinez	Deputy Director of Corrections Industries Division
James Brewster	General Counsel
Larry Pacheco	Director of Information Technology Division
Charlene Knipfing	Director of Probation and Parole Division
Patrick Apodaca	Deputy Director Training Academy Division

**Corrections Industries Commission**

George Marquez	Chair
John Serrano	Member
Michele Marshall	Member
Nick H. Brown	Member
Mark T. Sanchez	Member
Jay Armijo	Member

**NEW MEXICO CORRECTIONS DEPARTMENT  
ORGANIZATIONAL CHART  
JUNE 30, 2010**





**NEW MEXICO CORRECTIONS DEPARTMENT**  
**List of Abbreviations**  
**JUNE 30, 2010**

ASB	-	Addiction Services Bureau
APD	-	Adult Prisons Division
ASD	-	Administrative Services Division
ARRA		American Recovery and Reinvestment Act of 2009
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]
IP	-	Inmate Programming [Program]
ISP	-	Probation and Parole Intensive Supervision [Program]
ITD	-	Information Technology Division
NMCD	-	New Mexico Corrections Department
PNM	-	Penitentiary of New Mexico
PPD	-	Probation and Parole Division
PS	-	Program Support [Program]
RCC	-	Roswell Correctional Center
SCC	-	Springer Correctional Center
SHARE	-	Statewide Human Resources, Accounting, and Management Reporting System
SNMCF	-	Southern New Mexico Correctional Facility
WNMCF	-	Western New Mexico Correctional Facility



**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Mr. Joe R. Williams, Secretary, Corrections Department,  
New Mexico Corrections Commission and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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 the general fund and major special revenue fund of the State of New Mexico Corrections Department (Department), as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's individual SHARE funds, fiduciary fund and the budgetary comparisons for the major capital projects funds and enterprise fund presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Department's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the financial statements of the Department are intended to present the financial position, and the changes in financial position and cash flows, where applicable, 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, 2010, and the respective changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Department as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the

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Mr. Joe R. Williams, Secretary, Corrections Department,  
New Mexico Corrections Commission and  
Mr. Hector H. Balderas  
New Mexico State Auditor

year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the individual SHARE funds, major enterprise and fiduciary funds of the Department as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund and all individual SHARE funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Emphasis of a Matter

As discussed in Note 11 to the financial statements, the Department implemented GASB 51, Accounting and Financial Reporting for Intangible Assets, effective for periods beginning after June 15, 2009. This implementation resulted in a restatement of the beginning net assets for the Department. Our opinion is not qualified with respect to that matter.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2010, 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements and the combining and individual fund financial statements and budgetary comparisons that collectively comprise the Department's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The additional schedules listed as "individual fund statements and schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Department, including the Schedule of Changes in Assets and Liabilities for Agency Fund. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Meyers + Company, LLC*

December 6, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The New Mexico Corrections Department (NMCD) discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Department's financial activity, (c) identify changes in the Department's financial position (ability to address future year challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify fund issues or concerns.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Department's financial statements and notes which follow this section.

### HIGHLIGHTS

#### ***Financial Highlights***

The Department's net assets decreased by \$7,365,641. The governmental net assets decreased by \$6,736,429 and the business-type net assets decreased by \$629,212.

The business-type activities (Corrections Industries Division) operating revenue decreased by \$779,642 and net results from activities (net loss) decreased by \$1,423,397 for a net loss of \$629,212 for fiscal year 2010.

The total cost of all Department programs was \$287,830,992.

#### ***Department Highlights***

The mission of the New Mexico Corrections Department (NMCD) is to provide a balanced-system approach to corrections, from incarceration to community-based supervision with training, education, programs and services that provide opportunities for offenders to transition to communities.

In fiscal year 2010, the New Mexico Corrections Department's total budget decreased by 4.2 percent to \$306.9 million, which was attributable to decreased state revenues and the recession. Oil and natural gas prices remained low, and gross receipts, corporate and personal income taxes dropped due to the sluggish economy. The NMCD remained under a hiring freeze, which excluded correctional and probation and parole officers. After the first quarter revenue projections of the fiscal year showed projected revenue shortfalls, New Mexico Governor Bill Richardson ordered executive agencies to reduce their budgets by 4 percent; NMCD's operating budget was reduced by \$11.4 million. Governor Richardson also ordered five furlough days (time off without pay) for all executive employees; correctional officers were exempted from the furloughs. The department's savings from the furloughs was nearly \$1.2 million.

In June 2010, the NMCD received a \$20 million American Recovery and Reinvestment Act grant to replace general fund with federal funds. The NMCD reverted the \$20 million in general fund thereby allowing the funds to be re-appropriated by the Legislature for use in fiscal year 2011.

In fiscal year 2010, the probation and parole offender population decreased by 1.78 percent, however, the year-end inmate population increased to 6,759 or 2.4 percent more than the previous fiscal year. The department experienced a decline in inmate population in fiscal years 2007 and 2008 after a census high of 6,803 in fiscal year 2006, however the trend in population growth returned in fiscal year 2009.

## **Other Highlights**

NMCD continues to monitor its budget closely to reduce costs. NMCD has successfully completed each fiscal year without overspending any program or category appropriation, and has avoided a supplemental appropriation six of the last seven fiscal years.

Central Office, Training Academy, Corrections Industries, Probation and Parole, Roswell Correctional Center, Guadalupe County Correctional Facility, Springer Correctional Center and Northeast New Mexico Detention Facility all passed the American Correctional Association (ACA) compliance audits. All facilities scored 100 percent compliance from all mandatory standards. Central Office, Training Academy, Probation and Parole, Guadalupe County Correctional Facility, Springer Correctional Center and Northeast New Mexico Detention Facility scored 100 percent on non-mandatory standards, while Corrections Industries scored 98.6 percent and Roswell Correctional Center attained 99 percent.

NMCD negotiated a contract amendment with the health services vendor in fiscal year 2010 to provide reduced medical contract costs in excess of \$2.0 million.

To maintain adequate supervision, the Probation and Parole Division was appropriated 12 new positions, which were assigned to high-risk specialized caseloads and to the Response Center to combat the increasing number of violent offenders. The creation of additional positions has allowed the division to construct high-risk caseloads for officers to specialize in the supervision of high-profile offenders, and those with a history of violence or a sex offense. This allows standard supervision officers to work with offenders who may need less supervision but more treatment services and support programs.

The Information Technology Division's (ITD) use of technology has grown from tracking and storing information to opening and securing prison doors, video surveillance, prison canteen, purchasing and Global Positioning System (GPS) monitoring. ITD has also used advanced technology to facilitate video conferencing for offender reentry, inmate family visitation, statewide training, and parole and court hearings. The Offender Management Program (OMP) software module is complete and was implemented at all public and private prisons. The module allows the department to manage all aspects of programming available to offenders.

The Sanctioned Parole Violator Unit continues to help address population control. The sanctions for technical parole violators range from 30, 60 or 90 days of incarceration. The Probation and Parole Division recommends sanctions but approval by the Parole Board is required.

Probation and Parole has begun implementation of the New Mexico Risk and Need Assessment tool, in conjunction with the Institute for Social Research, for placement in the OMP module as a tool to provide more accurate assessments for offenders under probation and parole supervision in New Mexico. The results of the needs assessment will be utilized to assist staff in placing offenders into the appropriate programs that will provide opportunities for offenders to successfully transition to communities. The progress of offenders in the programs will be tracked using the OMP module. While the full effectiveness of the new tool and tracking procedures will not be seen until the complete web-based F-Track system goes online in 2011, the Division is confident that the resources and procedures already in place for Probation and Parole Officers will have highly positive effects on the outcomes of treatment and rehabilitation efforts for Probationers and Parolees.

The department continuously audits all private contracted facilities for contract compliance. Private facilities include Lea County Correctional Facility (Hobbs), Guadalupe County Correctional Facility (Santa Rosa), New Mexico Women's Correctional Facility (Grants) and Northeast New Mexico Detention Facility (Clayton). Each facility is required to develop a corrective action plan for deficiencies.

The Health Services Bureau and Correctional Medical Services (department's medical vendor) continue to improve the successful telepsychiatry program already implemented, augmenting it by on-site psychiatric visits and technology improvement designed to maintain the improvement of quality in this already successful program.

The Training Academy Division renewed its agreement with the United States State Department to be a host agency and training model for international corrections training techniques. The Training Academy hosted and successfully graduated 129 international cadets in four classes in fiscal year 2010.

In the spring of 2008, Governor Bill Richardson convened a prison reform task force that examined and reported the accumulation of issues associated with incarceration in New Mexico. The report focused on facilitating successful reentry and reintegration of inmates. It examined the impact incarceration has on individuals, families, and communities. The report and the subsequent creation of an Office of Reentry and Prison Reform by Governor Richardson and NMCD have set the stage for successful implementation of a reentry offender program. In fiscal year 2010, in support of the reentry initiative, the NMCD received a \$500 thousand federal grant award for reentry of maximum level inmates that are within 18 months of release.

In fiscal year 2010, the department completed critical-maintenance projects and purchased needed capital outlay items at the public prisons. Some of the items include:

- Repair sidewalks throughout the Central Administration/Training Academy Complex
- Install new internet protocol based security camera system at the Central Administration/Training Academy Complex
- Install new internet protocol based security camera system at Roswell Correctional Center (RCC)
- Completion of medical modular unit at RCC
- Purchased data storage server to initiate migration of data storage to the Department of Information Technology pursuant to the Governor's mandate
- Repairs and upgrades to fire alarms and sprinkler systems at Western New Mexico Correctional Facility, Central New Mexico Correctional Facility and RCC
- Began retrofitting two housing units to expand bed capacity at Springer Correctional Center
- Purchased kitchen, laundry and security capital outlay

## USING THIS ANNUAL REPORT

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

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

### **Management's Discussion and Analysis**

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

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns that add to a total for the Primary Government and consist of a statement of net assets 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), the Community Corrections Special Revenue Fund, State Capital Projects Fund, and ARRA Fund.
- Business-type Activities – The Department's Corrections Industries Division charges customers a fee for goods and services. These activities are accounted for as a business-type activity.

### **Fund Financial Statements**

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



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

The Department has three types of funds:

- Governmental funds – Most of the Department’s services are included in governmental funds which focus on (a) how cash and other financial assets, that can be readily converted to cash, flow in and out and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department’s programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.
- Proprietary funds – Goods and Services for which the Department’s Corrections Industries Division charges customers a fee are reported as proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term information.
- Fiduciary funds – Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. With the implementation of GASB #34, fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department’s programs. The Department’s fiduciary fund is the Inmate Trust Account.

#### **Notes to the Financial Statements**

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

#### **Infrastructure Assets**

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

#### **Budgetary Comparisons**

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

As 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 Assets**

	Governmental Activities		Business-Type Activities		Total *		Total Percentage Change 2009-2010
	FY2009	FY2010	FY2009	FY2010	FY2009	FY2010	
Current and Other Assets	\$ 44,443,328	\$ 73,694,209	\$ 4,884,940	\$ 4,166,785	\$ 49,328,268	\$ 77,860,994	57.84%
Capital and							
Non-Current Assets	40,152,565	34,310,103	376,565	345,418	40,529,130	34,655,521	-14.49%
<b>Total Assets</b>	<b>84,595,893</b>	<b>108,004,312</b>	<b>5,261,505</b>	<b>4,512,203</b>	<b>89,857,398</b>	<b>112,516,515</b>	<b>25.22%</b>
Current Liabilities	35,723,342	65,868,190	467,155	347,065	36,190,497	66,215,255	82.96%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
<b>Total Liabilities</b>	<b>35,723,342</b>	<b>65,868,190</b>	<b>467,155</b>	<b>347,065</b>	<b>36,190,497</b>	<b>66,215,255</b>	<b>82.96%</b>
Net Assets							
Invested in Capital Assets	40,152,565	34,310,103	376,565	345,418	40,529,130	34,655,521	-14.49%
Restricted	726,554	6,309,117	-	-	726,554	6,309,117	768.36%
Unrestricted	7,993,432	1,516,902	4,417,785	3,819,720	12,411,217	5,336,622	-57.00%
<b>Total Net Assets</b>	<b>\$ 48,872,551</b>	<b>\$ 42,136,122</b>	<b>\$ 4,794,350</b>	<b>\$ 4,165,138</b>	<b>\$ 53,666,901</b>	<b>\$ 46,301,260</b>	<b>-13.72%</b>

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

**Net Assets:** Table A-1 summarizes the Department's net assets for the fiscal year ending June 30, 2010. Net assets for Governmental Activities and Business-type Activities were \$42,136,122 and \$4,165,138, respectively. Total Department net assets for fiscal year 2010 is \$46,301,260. However, most of those assets are either restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, etc.) The unrestricted net assets in Governmental Activities is \$1,516,902 at the end of the fiscal year. The unrestricted net assets amount includes long-term commitments. This results from the New Mexico State Legislature appropriating funds to pay for future liabilities in the year in which they come due.

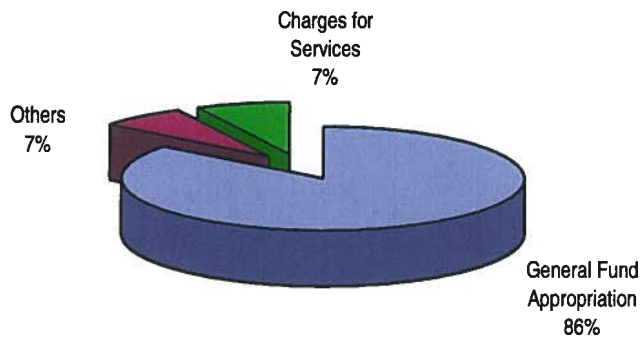
In the Business-type activities, the unrestricted amount of \$3,819,720 cannot be used in governmental activities. The Department generally can only use these net assets to finance the continuing operations of its business activities, such as working capital requirements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2009-2010
	FY2009	FY2010	FY2009	FY2010	FY2009	FY2010	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for Services	\$ 17,697,944	\$ 17,766,043	\$ 4,399,615	\$ 3,619,973	\$ 22,097,559	\$ 21,386,016	-3.22%
Operating Grants & Contributions	834,538	21,915,451	-	-	834,538	21,915,451	2526.06%
Capital Grants & Contributions	-	-	-	-	-	-	0.00%
<u>General Revenues</u>							
State General Fund Appropriations, net of reversions	284,996,713	245,427,923	-	-	284,996,713	245,427,923	-13.88%
Others	(315,392)	(9,510,046)	1,163,547	24,276	848,155	(9,485,770)	-1218.40%
<b>Total Revenues</b>	<b>303,213,803</b>	<b>275,599,371</b>	<b>5,563,162</b>	<b>3,644,249</b>	<b>308,776,965</b>	<b>279,243,620</b>	<b>-9.56%</b>
<b>Expenses</b>							
Public Safety - Corrections	299,911,296	283,557,531	4,768,977	4,273,461	304,680,273	287,830,992	-5.53%
Increase (Decrease) in Net Assets	3,302,507	(7,958,160)	794,185	(629,212)	4,096,692	(8,587,372)	-309.62%
Beginning Net Assets	45,570,044	48,872,551	4,000,165	4,794,350	49,570,209	53,666,901	8.26%
Net Asset Restatement	-	1,221,731	-	-	-	1,221,731	
Ending Net Assets	<b>\$ 48,872,551</b>	<b>\$ 42,136,122</b>	<b>\$ 4,794,350</b>	<b>\$ 4,165,138</b>	<b>\$ 53,666,901</b>	<b>\$ 46,301,260</b>	<b>-13.72%</b>

**Changes in Net Assets:** The Department's change in net assets for fiscal year 2010 decreased by \$7,365,641. (See Table A-2). A significant portion, 86%, of the Department's revenue comes from State General Fund Appropriations, 7% comes from charges for services, and 7% from other revenue sources. (See figure A-1).

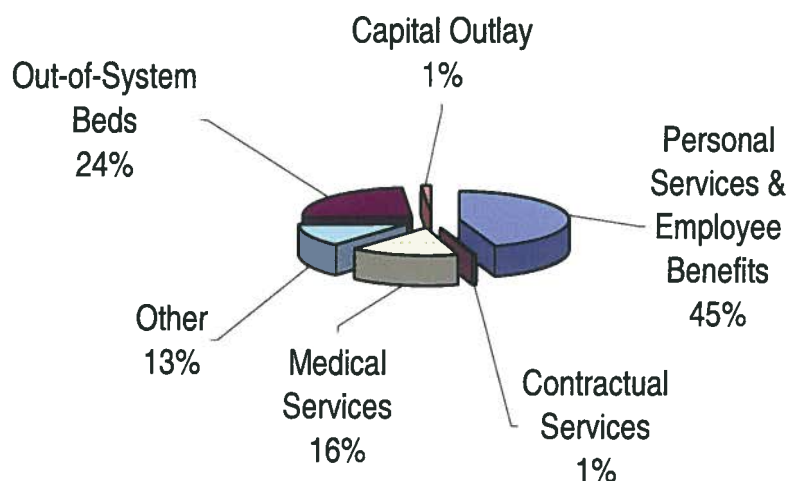
**Figure A-1  
Sources of Revenues for Fiscal Year 2010**



## Functional Expenses for Fiscal Year 2010

### Governmental –Type Activities

Figure A-2



The Department's total expenditures for government-type activities during the fiscal year were \$283.8 million. Approximately half (45%) of the expenditures of the Department are in the area of personal services and employee benefits. Approximately 55% of the total budgeted positions are for Correctional Officers. The Department has continued to be aggressive in recruiting correctional officers to fill vacant posts, in order to reduce overtime.

The second largest area of expenditure within the Department is in the category of "Other" costs (38%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 10 approximately 24% was for the housing male and female inmates in contract prisons, and the remaining 13% was for the other operating costs.

Expenses in the contractual services category accounted for 17% of the Department's expenses, with approximately 16% of these expenditures directly related to medical services for inmates. One percent of the total expenditures were for capital outlay with the majority of those costs being for security surveillance, renovation projects, and the financial reporting of a new GASB pronouncement for intangible capital assets.

### Business-Type Activities

Program revenues of the Department's business-type activity (Corrections Industries) decreased approximately 18% percent from \$4.4 million to \$3.6 million and expenses decreased by approximately 10% percent from \$4.8 million to \$4.3 million. Factors contributing to these results are primarily (1) The unanticipated budget cuts due to the shortfall in expected state revenue resulted in a 52% decline in furniture sales forcing CI to consolidate furniture programs and shut down the program at the Southern New Mexico Correctional Facility in January 2010. (2) The large increase in quantities of finished goods inventory over the past 4 years to meet the anticipated end of the year rush that never materialized.

### **Fund Balance**

The Department, in its governmental funds, reported a combined fund balance of approximately \$12.2 million, approximately \$1.0 million lower than last year. The primary reason for the decrease relates to the Department had less multi-year appropriations appropriated than last fiscal year and the re-budgeting of fund balance to transfer funds per House Bill 3.

### **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.

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

- Supplemental and special appropriations that are reflected in the actual beginning account balances (correcting the estimated amounts in the budget adopted for the fiscal year).
- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.
- Budget adjustment requests that adhere to required operating budget cuts in compliance with Legislative actions.

There were no changes between the original and final operating budget that were deemed to be significant.

### **Capital Assets and Debt Administration**

At the end of fiscal year 2010, the Department invested a total of \$34.3 million in governmental-type activities and \$0.3 million in business-type activities for a total amount of \$34.6 million in a variety of capital assets. This amount represents a net decrease (including additions and deletions) of \$6.0 million (-15%) over the last fiscal year. The major decreases in capital assets during the fiscal year were in the area of Buildings and Improvements (\$11.1 million for a 25% decrease) and Improvements other than Buildings (\$.3 million for a 10% decrease). The decreases were mainly due to the removal of Buildings and its Improvements from the Department's capital assets listing. Depreciation also decreased by \$3.4 million (10%) over the prior period.

GASB pronouncement #51 was implemented during the fiscal year, which accounted for a \$1,221,731 adjustment to the Department's Capital Assets. In addition, the Department transferred, at a net book value of \$7,293,847, title of its Central Office Administration Building and the Training Academy Complex to the General Services Department (GSD).

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

	Governmental Activities		Business-type Activities		Total		Total % Change 2009 - 2010
	2009	2010	2009	2010	2009	2010	
Buildings and Improvements	43.2	32.1	0.6	0.6	43.8	32.7	-25%
Improvements other than Buildings	3.1	2.8	-	-	3.1	2.8	-10%
Machinery and Equipment	20.7	23.0	2.0	2.1	22.7	25.1	11%
Automotive	2.9	2.6	0.7	0.6	3.6	3.2	-11%
Depreciation	(29.7)	(26.2)	(2.9)	(3.0)	(32.6)	(29.2)	-10%
	<u>40.2</u>	<u>34.3</u>	<u>0.4</u>	<u>0.3</u>	<u>40.6</u>	<u>34.6</u>	-15%

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.

### **Long-Term Debt**

The Department did not have any long-term debt other than compensated absences associated fiscal year 2010. More detailed information regarding the Department's long-term debt is presented in Note 10 to the financial statements.

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

In fiscal year 2010, the New Mexico Corrections Department's (NMCD) total budget decreased by 4.2 percent to \$306.9 million, which was attributable to decreased state revenues and the recession. Oil and natural gas prices remained low, and gross receipts, corporate and personal income taxes dropped due to the sluggish economy. The NMCD remained under a hiring freeze, which excluded correctional and probation and parole officers. After the first quarter revenue projections of the fiscal year showed projected revenue shortfalls, New Mexico Governor Bill Richardson ordered executive agencies to reduce their budgets by 4 percent; NMCD's operating budget was reduced by \$11.4 million. Governor Richardson also ordered five furlough days (time off without pay) for all executive employees; correctional officers were exempted from the furloughs. The department's savings from the furloughs was nearly \$1.2 million.

In fiscal year 2010, the probation and parole offender population decreased by 1.78 percent, however, the year-end inmate population increased to 6,759 or 2.4 percent more than the previous fiscal year. The department experienced a decline in inmate population in fiscal years 2007 and 2008 after a census high of 6,803 in fiscal year 2006, however the population growth returned in fiscal year 2009. The New Mexico Sentencing Commission estimates New Mexico's total inmate population will remain flat in fiscal year 2011 and is projected to grow at an average rate of 0.6 percent from fiscal year 2011 to 2020. With the current rate of growth, the estimates show that New Mexico will have an offender population of 7,153 by the end of fiscal year 2019.

During fiscal year 2010, more than 24.8 percent males and 9.3 percent females of new commitments were persons convicted of a serious, violent offense. The average maximum sentence for all admissions (excluding lifers) was 54 months for males and 47 months for females.

The Corrections Industries Division (CID) continues to be severely impacted by the cutback in government spending, since CID relies heavily on furniture sales from state agencies. CID's furniture manufacturing operation at the Southern New Mexico Correctional Facility in Las Cruces was closed in January 2010; the operation was moved to the Central New Mexico Correctional Facility in Los Lunas. One staff was laid off and the others were absorbed by other areas within the NMCD. If the program cannot sustain itself, it could be forced to completely shut down.

For fiscal year 2011, the department submitted a general fund-base increase of \$4.4 million to cover inmate population growth, reduce high-vacancy rates from the previous fiscal year, cover inflation increases for contractors, and pay for building maintenance and utility expenses. The increase was not funded and the NMCD's budget was reduced by an additional \$10.6 million from the previous fiscal year. Because of the reduction in budget, the NMCD maintained strict budget austerity measures and has been successful in maintaining flat contracts (no inflation increases) and in many cases reduced contracts to ensure the budget will be balanced.

In August 2010, as a result of a continued declining revenues for state government, Governor Richardson ordered that all agencies reduce their fiscal year 2011 operating budget by 3.2 percent. NMCD's operating budget was reduced by \$8.8 million (on top of an already reduced budget). Based on December 2010 state revenue projections, all indications point to not having to reduce the budget any further. At this writing, NMCD has not received any final direction from the Governor's Office or the Department of Finance and Administration on the impact of the latest revenue projections.

NMCD is requesting a total budget of \$295.7 million from all funding sources for fiscal year 2012, which is 0.18 percent less than the fiscal year 2011 beginning operating budget. However, NMCD's request for funding is unlikely and the budget will probably be reduced due to the projected shortfall in the most recent state revenue projections.

Limited growth in New Mexico state government, on a budgetary basis, has continue to affect the Corrections Industries (CID) ability to generate new orders for its standard product (i.e. furniture and textiles) from potential state customers. In addition, Corrections Industries did experience approximately 57.7% decrease in interest income in fiscal year 2010 over the prior period. This income is generated from the revolving fund cash balance that is held with the State Treasurer's Office.

The Department is a beneficiary of the State Permanent Fund, and realized a slight increase in the distribution income in fiscal year. This level of distributions from this source is anticipated to continue through the current fiscal year. Allocations from State Land Income to which the Department is a beneficiary, increased slightly in fiscal year 2010 and is expected to maintain at the current level in future periods due to stable prices for the natural resources (higher prices for oil offsetting lower prices for natural gas) harvested from state lands.

## **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  
Financial Management Bureau  
Attn: Bryan M. Maestas, CGFM, Accounting Manager  
4337 NM 14  
Post Office Box 27116  
Santa Fe, New Mexico 87502-0116



**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Total *
<b>ASSETS</b>			
Investments	\$ 47,059,723	\$ 1,771,831	\$ 48,831,554
Petty Cash	2,075	3,250	5,325
Receivables, net of allowance for doubtful accounts	71,068	6,688	77,756
Federal Grants Receivable	139,702	-	139,702
Other Receivables	9,111	-	9,111
Interest Receivable	-	295	295
Internal Balances	(322,575)	322,575	-
Due from Other State Agencies	21,037,537	819,967	21,857,504
Inventories	5,411,743	1,242,179	6,653,922
Prepaid Items	285,825	-	285,825
Total Current Assets	<u>73,694,209</u>	<u>4,166,785</u>	<u>77,860,994</u>
Capital Assets:			
Buildings	32,133,066	630,488	32,763,554
Improvements Other than Buildings	2,815,763	-	2,815,763
Machinery and Equipment	22,980,860	2,063,197	25,044,057
Automotive	2,575,595	618,497	3,194,092
Less Accumulated Depreciation	(26,195,181)	(2,966,764)	(29,161,945)
Total Capital Assets, net of depreciation	<u>34,310,103</u>	<u>345,418</u>	<u>34,655,521</u>
Total Assets	<u>108,004,312</u>	<u>4,512,203</u>	<u>112,516,515</u>
<b>LIABILITIES</b>			
Vouchers Payable	\$ 14,423,853	\$ 198,811	\$ 14,622,664
Payroll Benefits Payable	2,364,043	-	2,364,043
Payroll Taxes Payable	671,770	-	671,770
Accrued Wages Payable	3,054,445	66,307	3,120,752
Compensated Absences Payable:			
Expected to be paid within one year	4,365,195	81,947	4,447,142
Due to State General Fund	39,160,877	-	39,160,877
Due to Other State Agencies	1,243	-	1,243
Deferred Revenue	1,560,533	-	1,560,533
Other Liabilities	266,231	-	266,231
Total Liabilities	<u>65,868,190</u>	<u>347,065</u>	<u>66,215,255</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	34,310,103	345,418	34,655,521
Restricted for:			
Subsequent Years Expenditures	6,309,117	-	6,309,117
Unrestricted	1,516,902	3,819,720	5,336,622
Total Net Assets	<u>\$ 42,136,122</u>	<u>\$ 4,165,138</u>	<u>\$ 46,301,260</u>

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

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>Expenses</b>			
Public Safety - Corrections	\$ (283,557,531)	\$ -	\$ (283,557,531)
Corrections Industries	-	(4,273,461)	(4,273,461)
<b>Program Revenues</b>			
Charges for Services	17,766,043	3,619,973	21,386,016
Operating Grants & Contributions	21,915,451	-	21,915,451
Capital Grants & Contributions	-	-	-
<b>Changes in net Assets:</b>			
Net Program (Expense) / Revenue	(243,876,037)	(653,488)	(244,529,525)
<b>General Revenues:</b>			
General Fund Appropriation	284,588,800	-	284,588,800
Transfers, Capital Assets, net	(7,186,760)	-	(7,186,760)
Transfers, net	(2,756,276)	-	(2,756,276)
Transfers, Severance Tax Bond Appropriation	432,990	-	432,990
Reversions to the State General Fund	(39,160,877)	-	(39,160,877)
Reimbursements	-	-	-
Other Revenue	-	21,218	21,218
Unrestricted investment earnings	-	3,058	3,058
<b>Total General Revenues</b>	<b>235,917,877</b>	<b>24,276</b>	<b>235,942,153</b>
Transfers - Internal Activities	-	-	-
<b>Total General Revenues and Transfers</b>	<b>235,917,877</b>	<b>24,276</b>	<b>235,942,153</b>
<b>Change in Net Assets</b>	<b>(7,958,160)</b>	<b>(629,212)</b>	<b>(8,587,372)</b>
Net Assets - Beginning	48,872,551	4,794,350	53,666,901
Net Asset Restatement	1,221,731	-	1,221,731
Net Assets beginning, restated	50,094,282	4,794,350	54,888,632
Net Assets - Ending	<u>\$ 42,136,122</u>	<u>\$ 4,165,138</u>	<u>\$ 46,301,260</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF GOVERNMENTAL FUNDS - BALANCE SHEET  
JUNE 30, 2010**

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	State Capital Projects Fund SHARE System Fund 99700	ARRA Fund SHARE System Fund 89000	Total
<b>ASSETS</b>					
Investments	\$ 45,806,244	\$ 922,700	\$ 330,779	\$ -	\$ 47,059,723
Petty Cash	2,075	-	-	-	2,075
Receivables, net					
of allowance for doubtful accounts	71,068	-	-	-	71,068
Federal Grants Receivable	115,395	-	-	24,307	139,702
Other Receivables	9,111	-	-	-	9,111
Due from Other State Agencies	1,037,537	-	-	20,000,000	21,037,537
Due from Other Funds	20,002,398	110	-	-	20,002,508
Inventories	5,411,743	-	-	-	5,411,743
Prepaid Items	285,825	-	-	-	285,825
<b>Total Assets</b>	<b>\$ 72,741,396</b>	<b>\$ 922,810</b>	<b>\$ 330,779</b>	<b>\$ 20,024,307</b>	<b>\$ 94,019,292</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Vouchers Payable	\$ 14,065,075	\$ 7,098	\$ 329,771	\$ 21,909	\$ 14,423,853
Payroll Benefits Payable	2,348,696	15,347	-	-	2,364,043
Payroll Taxes Payable	665,494	6,276	-	-	671,770
Accrued Wages Payable	3,035,680	18,765	-	-	3,054,445
Due to Other Funds	322,685	-	-	20,002,398	20,325,083
Due to State General Fund	39,009,869	150,000	1,008	-	39,160,877
State Dated Warrants - Due to SGF	-	-	-	-	-
Due to Other State Agencies	1,243	-	-	-	1,243
Deferred Revenue	1,560,533	-	-	-	1,560,533
Other Liabilities	266,231	-	-	-	266,231
<b>Total Liabilities</b>	<b>61,275,506</b>	<b>197,486</b>	<b>330,779</b>	<b>20,024,307</b>	<b>81,828,078</b>
<b>Fund Balances:</b>					
Reserved for:					
Inventories	5,411,743	-	-	-	5,411,743
Prepaid Expenses	285,825	-	-	-	285,825
Subsequent Years Expenditures	5,609,117	700,000	-	-	6,309,117
Petty Cash	2,075	-	-	-	2,075
Unreserved (Deficit)					
Designated for Future Expenditures	157,130	25,324	-	-	182,454
<b>Total Fund Balance</b>	<b>11,465,890</b>	<b>725,324</b>	<b>-</b>	<b>-</b>	<b>12,191,214</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 72,741,396</b>	<b>\$ 922,810</b>	<b>\$ 330,779</b>	<b>\$ 20,024,307</b>	<b>\$ 94,019,292</b>

\* Includes SHARE funds 89800, 90700, and 91500.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
FOR THE YEAR ENDING JUNE 30, 2010**

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

<b>Total Fund Balances - Governmental Funds (Governmental Funds Balance Sheet)</b>	<b>\$ 12,191,214</b>
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Amounts reported for governmental activities in the Statement of Net Assets 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	\$ 32,133,066	
Improvements other than buildings	2,815,763	
Machinery and Equipment	22,980,860	
Automotive	2,575,595	
Accumulated depreciation	<u>(26,195,181)</u>	
Total Capital Assets		34,310,103

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

Compensated Absences Payable	<u>(4,365,195)</u>
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Net Assets of Governmental Activities (Statement of Net Assets)	<u><u>\$ 42,136,122</u></u>
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**NEW MEXICO CORRECTIONS DEPARTMENT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2010**

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	State Capital Projects Fund SHARE System Fund 99700	ARRA Fund SHARE System Fund 89000	Total
<b>Revenues</b>					
Other State Funds	\$ 17,507,967	\$ 258,076	\$ -	\$ -	\$ 17,766,043
Federal Grants	1,851,051	-	-	20,064,400	21,915,451
<b>Total Revenues</b>	<b>19,359,018</b>	<b>258,076</b>	<b>-</b>	<b>20,064,400</b>	<b>39,681,494</b>
<b>Expenditures, Current</b>					
Personal Services & Employee Benefits	106,038,084	736,657	-	20,002,398	126,777,139
Contractual Services	47,728,588	1,672	9,366	20,091	47,759,717
Other	102,441,064	2,995,007	3,139	41,911	105,481,121
<b>Expenditures, Capital Outlay</b>	<b>3,090,796</b>	<b>-</b>	<b>727,631</b>	<b>-</b>	<b>3,818,427</b>
<b>Total Expenditures</b>	<b>259,298,532</b>	<b>3,733,336</b>	<b>740,136</b>	<b>20,064,400</b>	<b>283,836,404</b>
Excess (deficiency) Revenues over Expenditures	(239,939,514)	(3,475,260)	(740,136)	-	(244,154,910)
<b>Other Financing Sources (uses)</b>					
State General Fund Appropriations	280,798,200	3,790,600	-	-	284,588,800
Inter-Agency Transfers-In	243,724	-	-	-	243,724
Transfers-In Severance tax bond Proceeds	-	-	432,990	-	432,990
Inter-Agency Operating Transfers-Out	(1,500,000)	(1,500,000)	-	-	(3,000,000)
Reversions to State General Fund	(39,009,869)	(150,000)	(1,008)	-	(39,160,877)
<b>Net Other Financing Sources (uses)</b>	<b>240,532,055</b>	<b>2,140,600</b>	<b>431,982</b>	<b>-</b>	<b>243,104,637</b>
<b>Net Change in Fund Balance</b>	<b>592,541</b>	<b>(1,334,660)</b>	<b>(308,154)</b>	<b>-</b>	<b>(1,050,273)</b>
<b>Fund Balance, Beginning of Year</b>	<b>10,873,349</b>	<b>2,059,984</b>	<b>308,154</b>	<b>-</b>	<b>13,241,487</b>
<b>Fund Balance, End of Year</b>	<b>\$ 11,465,890</b>	<b>\$ 725,324</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,191,214</b>

\* Includes SHARE funds 89800, 90700, and 91500.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**Net Change in fund balances - Total Governmental Funds** \$ (1,050,273)  
**(Statement of Revenue, Expenditures and Changes in Fund Balance)**

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) and judgement and claims 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 and Claims and Judgements	156,306
--	---------

In the Statement of Activities, transfers in/out of capital assets to other state agencies are recorded, however, because general capital assets are not capitalized in the governmental funds, there is no effect to those funds. In the current year period, these amounts were:

Transfer Out	\$ (7,293,847)	
Transfer In	<u>107,087</u>	
Net Transfers		(7,186,760)

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

Capital Outlay	\$ 3,818,427	
Depreciation Expense	<u>(3,592,829)</u>	
Excess of Depreciation Expense over Capital Outlay		225,598

The Statement of Activities reports the loss on the sale of Capital Assets, while the Statement of Revenues, Expenditures and Changes and Changes in Fund Balance reports the proceeds. The reconciling amount is the difference: (103,031)

**Change in net assets of governmental activities** \$ (7,958,160)  
**(Statement of Activities)**

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Other State Funds	\$ 16,563,400	\$ 16,336,955	\$ 17,507,967	\$ 1,171,012
Federal Funds	264,400	1,952,250	1,851,051	(101,199)
<b>Total Revenues</b>	<u>16,827,800</u>	<u>18,289,205</u>	<u>19,359,018</u>	<u>1,069,813</u>
<b>Expenditures, Current</b>				
Personal Services &				
Employee Benefits	131,495,800	131,194,113	106,038,084	25,156,029
Contractual Services	53,267,606	54,201,587	47,728,588	6,472,999
Other	115,260,853	116,089,964	102,441,064	13,648,900
Expenditures, Capital Outlay	-	-	3,090,796	(3,090,796) *
<b>Total Expenditures</b>	<u>300,024,259</u>	<u>301,485,664</u>	<u>259,298,532</u>	<u>42,187,132</u>
<b>Excess (deficiency) Revenues over Expenditures</b>	<u>(283,196,459)</u>	<u>(283,196,459)</u>	<u>(239,939,514)</u>	<u>43,256,945</u>
<b>Other Financing Sources (uses)</b>				
State General Fund Appropriation	280,873,200	280,873,200	280,798,200	(75,000)
Transfers-In	243,700	243,700	243,724	24
Cash Balance Re-Budgeted	2,079,559	3,579,559	-	(3,579,559)
Operating Transfers-Out	-	(1,500,000)	(1,500,000)	-
Reversions to State General Fund	-	-	(39,009,869)	(39,009,869)
<b>Net Other Financing Sources (uses)</b>	<u>283,196,459</u>	<u>283,196,459</u>	<u>240,532,055</u>	<u>(42,664,404)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,541</u>	<u>\$ 592,541</u>
<b>Fund Balance, Beginning of Year,</b>			<u>10,873,349</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 11,465,890</u>	

\* Amounts have been reclassified for financial statement purposes. Expenditures were budgeted in the appropriate category.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
COMMUNITY CORRECTIONS SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Other State Funds	\$ 42,100	\$ 31,414	\$ 258,076	\$ 226,662
Federal Funds	-	-	-	-
Total Revenues	42,100	31,414	258,076	226,662
Expenditures, Current				
Personal Services & Employee Benefits	769,000	769,000	736,657	32,343
Contractual Services	9,400	9,400	1,672	7,728
Other	3,600,000	3,589,314	2,995,007	594,307
Expenditures, Capital Outlay	-	-	-	-
Total Expenditures	4,378,400	4,367,714	3,733,336	634,378
Excess (deficiency) Revenues over Expenditures	(4,336,300)	(4,336,300)	(3,475,260)	861,040
Other Financing Sources (uses)				
State General Fund Appropriation	3,790,600	3,790,600	3,790,600	-
Transfers-In	-	-	-	-
Cash Balance Re-budgeted	545,700	2,045,700	-	(2,045,700)
Operating Transfers-Out	-	(1,500,000)	(1,500,000)	-
Reversions to State General Fund	-	-	(150,000)	(150,000)
Net Other Financing Sources (uses)	4,336,300	4,336,300	2,140,600	(2,195,700)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,334,660)	\$ (1,334,660)
Fund Balance, Beginning of Year			2,059,984	
Fund Balance, End of Year			\$ 725,324	

The accompanying notes are an integral part of the financial statements



**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010**

**ASSETS**

Current Assets:	
Investments	\$ 1,771,831
Petty Cash	3,250
Receivables (net of allowance for doubtful accounts)	6,688
Interest Receivable	295
Due from Other Funds	322,575
Due from Other State Agencies	819,967
Inventories	1,242,179
Total Current Assets	<u>4,166,785</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	2,063,197
Buildings and Improvements	630,488
Automotive	618,497
Less Accumulated Depreciation	<u>(2,966,764)</u>
Total Noncurrent Assets	<u>345,418</u>
Total Assets	<u>4,512,203</u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable	198,811
Accrued Wages Payable	66,307
Compensated Absences Payable	81,947
Total Liabilities	<u>347,065</u>

**NET ASSETS**

Invested in Capital Assets	345,418
Unrestricted	<u>3,819,720</u>
Total Net Assets	<u>\$ 4,165,138</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

<b>OPERATING REVENUES</b>	
Sales	\$3,619,973
<b>OPERATING EXPENSES</b>	
Cost of Goods Sold:	
Cost of Materials Used	1,820,276
Direct Labor (inmate payroll)	251,951
Manufacturing and Administrative Overhead	1,860,049
Change in Work in Process and Finished Goods Inventory, Net	255,263
Depreciation Expense	85,922
Total Operating Expenses	<u>4,273,461</u>
<b>OPERATING INCOME (LOSS)</b>	(653,488)
<b>Nonoperating revenue (expense):</b>	
Interest on Deposits with State Treasurer	3,058
Miscellaneous Income	21,218
Total nonoperating revenue / (expense)	<u>24,276</u>
<b>CHANGE IN NET ASSETS</b>	<u>(629,212)</u>
<b>Total Net Assets, July 1, 2009</b>	<u>4,794,350</u>
<b>Total Net Assets, June 30, 2010</b>	<u><u>\$4,165,138</u></u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,619,973
Cash Payments to Suppliers for Goods and Services	(2,002,232)
Cash Payments to Employees for Services	(1,593,730)
Cash Payments to Inmates for Services	<u>(251,951)</u>
Net Cash Used by Operating Activities	(227,940)
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(54,775)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(54,775)</u>
Cash Flows from Investing Activities:	
Interest Income	3,058
Miscellaneous Income	<u>21,218</u>
Net Cash Received from Investing Activities	<u>24,276</u>
Net Increase (Decrease) in Cash	(258,439)
Cash at Beginning of Year (including petty cash)	<u>2,033,520</u>
Cash at End of Year	<u><u>\$ 1,775,081</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	<u>(653,488)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	85,922
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(3,531)
(Increase) Decrease in Interest Receivable	(173)
(Increase) Decrease in Due from Other Funds	153,276
(Increase) Decrease in Due from Other State Agencies	(247,474)
(Increase) Decrease in Inventory	557,618
Increase (Decrease) in Accounts Payable	(54,208)
Increase (Decrease) in Compensated Absences Payable	(33,160)
Increase (Decrease) in Accrued Wages Payable	<u>(32,722)</u>
Total Adjustments and Changes	425,548
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (227,940)</u></u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
AS OF JUNE 30, 2010**

	Inmate Trust Account
<b>ASSETS</b>	
Cash	\$ 795,119
Due from Others	991,618
	<b>\$ 1,786,737</b>
<b>LIABILITIES</b>	
Due to Other State Agencies	\$ 38,985
Due to Others	164,465
Deposits Held for Others	1,583,287
	<b>\$ 1,786,737</b>

\* Please refer to Schedule of Changes in Assets and Liabilities on page 85 for detail information.



**NOTES TO THE FINANCIAL STATEMENTS**

**NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2010**

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**NOTE 1: HISTORY, MISSION 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 mission of the Department is to provide a balanced system approach to corrections from incarceration to community-based supervision with training, education, programs, and services that provide opportunities for offenders to transition to communities. To perform this mission, 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 is responsible to the Secretary of the Department to provide humane, safe, secure and cost effective correctional facilities for adult male and female inmates, thereby providing for the safety of the general public.

**Administrative Services Division**

The Director of the Administrative Services Division is responsible to the Deputy Secretary of Administration to provide administrative support to all divisions and top-level managers. The division is responsible for the data processing, financial management, budgeting, accounting, purchasing, personnel, financial reporting, and federal grant functions of the Department.

**Information Technology Division**

The Director of the Information Technology Division is responsible to the Deputy Secretary of Administration to provide implementation and support of technology applications and infrastructure of the Department.

**Office of the General Counsel**

The General Counsel of the Office of the General Counsel is responsible to the Secretary of the Department to provide legal advice and legal representation to the Department and its employee in several types of cases.

**Reentry and Prison Reform**

The Czar is responsible to the Secretary of the Department to reduce the potential for reincarceration by providing prisoners in state custody, and former prisoners on probation or parole with a 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 Secretary of the Department 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.

### **Training Academy Division**

The Director of the Training Academy Division is responsible to the Secretary of the Department for the improvement of employee recruitment, development and retention.

### **Corrections Industries Division**

The Director of the Corrections Industries Division is responsible to the Deputy Secretary of Reentry & Prison Czar to prepare inmates for return to a working society by providing vocational skills, provide constructive employment as an alternative to the deteriorating effects of enforced idleness, and to operate the Division at a self-sustaining economic level.

### **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.

### **Community Corrections Advisory Panel**

The Community Corrections Advisory Panel is responsible for reviewing all applications for funding under the Adult Community Corrections Act and making recommendations to the Secretary of Corrections regarding each application. The Panel is appointed by the Secretary of Corrections and includes representatives from Corrections, the Judiciary, law enforcement, local and tribal governments, interested organizations, and the general public.

## **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. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement #20. 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. More significant of these accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." The Department has been reporting its financial statements to comply with GASB #34 since July 1999. As a part of this Statement, there is a reporting requirement regarding the local government's infrastructure (road, bridges, etc.) The Department does not own any infrastructure assets and therefore is unaffected by this requirement.

The Department has since implemented the provisions of GASB #37 and GASB #38 effective July 1, 2000 and the provisions of GASB #51 effective July 1, 2009. These statements did not have a significant impact on the financial statements of the Department. Other subsequent GASB pronouncements have not had a direct impact on the financial reporting or accounting methodologies and practices of the Department.

### **A. FINANCIAL REPORTING ENTITY**

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

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 # 14 and # 39 for determining component units, the Department does not have component units.

## **B. BASIC FINANCIAL STATEMENTS – GASB STATEMENT #34**

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 Assets, 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.

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). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

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

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here 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.

Totals on the business-type activities fund statements match the business type activities column presented in the government wide statements, since there are no reconciling items.

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

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

## **C. BASIS OF PRESENTATION**

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

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

The Department uses the following fund types:

### **Governmental Fund Types**

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

#### **General Fund:**

The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund sources are comprised of SHARE System Fund 89800 - Building Fund, 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 (§33-1-18/19 NMSA 1978 and §33-2-2 NMSA 1978) 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.

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.”

#### **State Capital Projects Fund**

The State Capital Projects Fund (SHARE System fund 99700) is established to account for financial resources to be used for the acquisition for capital expenditures financed by the issuance of severance tax bonds. The New Mexico Department of Finance and Administration’s policies require that capital projects be accounted for in a separate fund. Appropriations are multi-year and new organizational codes are established within the fund for each fiscal year in which a new capital project is approved and budgeted. As a result of the multi-year appropriations, a budget to actual presentation is presented on an inception to date basis in the accompanying financial statements.

### **ARRA Fund**

The American Recovery and Reinvestment Act of 2009 (ARRA) Fund (SHARE System fund 89000) is established to account for financial resources being used regarding ARRA funding. The separate fund created by the New Mexico Department of Finance and Administration will assist in the federal reporting requirements. Each appropriation is given new organizational codes within the fund when the funds are budgeted and approved. The Department was the recipient of two ARRA awards: (1) the Byrne/Justice Assistance Grant and (2) the State Fiscal Stabilization Funds (SFSF) – Government Services.

### **Proprietary Fund Types**

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

### **Enterprise Fund**

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

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

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

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

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

### **Fiduciary Fund Types**

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

### **Agency Fund**

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

### **Non-Current Governmental Assets/Liabilities**

GASB Statement #34 eliminated the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets.

## **D. BASIS OF ACCOUNTING**

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

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

### **Accrual**

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

### **Modified Accrual**

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

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

### **Operating Revenues**

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

## **E. BUDGETS AND BUDGETARY ACCOUNTING**

The New Mexico State Legislature makes annual appropriations to the Department, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. 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 2007, Chapter 28, Section 3, Item N, "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 (MAPS) issued by the Department of Finance and Administration, except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4, NMSA 1978. Those accounts payable that do not get paid timely must be paid out of next year's budget. The State Budget Division is specifically authorized to approve budgets in accordance with GAAP and the authority to extend the availability period of an appropriation through the use of an encumbrance shall follow the modified accrual basis of accounting for governmental funds in accordance with the MAPS issued by the Department of Finance and Administration."

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 does not consider reversions to the State General Fund.
2. The budget includes encumbrances (obligations for unperformed contracts for goods or services). GAAP does not include encumbrances, for multi-year appropriations only.
3. 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.

## **F. ENCUMBRANCES**

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

## **G. ASSETS, LIABILITIES AND FUND EQUITY**

### **1. Deposits and Investments**

The Department has defined Investments as Interest in the State General Fund Investment Pool (ISGFIP) with the New Mexico State Treasurer's Office. State law requires the Department's cash investments to be managed by the New Mexico State Treasurer's Office. The investments will include cash on deposit with the State Treasurer, cash on hand, investment pools, and demand deposits. For purposes of cash flows, Corrections Industries considers all highly liquid investments, which are on deposit with the State Treasurer in interest bearing accounts to be cash or cash equivalents. GASB 40 disclosure related to the above items held within the New Mexico State Treasurer's Office, the reader should refer to separate audited financial statements prepared by the New Mexico State Treasurer's Office which will disclose the categories of risk involved.

The fair value of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2010.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value *</u>
New Mexico State Treasurer's Office:		
General Fund Investment Pool	1 day to 3 years	\$ 48,831,554
Petty Cash held by the Department		<u>5,325</u>
Total Investments or Cash Equivalents		<u>\$ 48,836,879</u>

\* Refer to Note 4 to see individual fund detail regarding holdings held at the New Mexico State Treasurer's Office.

**Interest Rate Risk:** The Department does not have an investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

**Accounts Receivable:**

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

Accounts Receivable consists of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts Receivable	\$ 249,193	\$ 296,958	\$ 546,151
Less: Allowance for doubtful accounts	<u>(178,125)</u>	<u>(290,270)</u>	<u>(468,395)</u>
Net Accounts Receivable	<u>\$ 71,068</u>	<u>\$ 6,688</u>	<u>\$ 77,756</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.

**2. Due from / Due to Other Funds**

These amounts represent inter-fund receivables and payables arising from inter-fund transactions within the Department. Balances in these accounts relate to (1) amounts due to the enterprise fund for Department purchases of goods and services from Corrections Industries Division, and (2) amounts due to the general operating fund for inmate canteen purchases. Balances in these accounts are netted as part of the reconciliation to the Government-wide columnar presentation.

Inter-fund receivables and payables as of June 30, 2010 consist of the following:

**Inter-fund Receivables**

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due From Other Funds</u>	<u>Due From SHARE Fund Number</u>	<u>Amount</u>
Enterprise Fund	07700	322,575	90700	276,170
			91500	46,405
Special Revenue Fund	90200	110	91500	110
General Fund	90700	<u>20,002,398</u>	89000	<u>20,002,398</u>
Totals		<u>\$ 20,325,083</u>		<u>\$ 20,325,083</u>

**Inter-fund Payables**

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due to Other Funds</u>	<u>Due to SHARE Fund Number</u>	<u>Amount</u>
General Fund	90700	276,170	07700	276,170
General Fund	91500	46,405	07700	46,405
General Fund	91500	110	90200	110
ARRA Fund	89000	<u>20,002,398</u>	90700	<u>20,002,398</u>
Totals		<u>\$ 20,325,083</u>		<u>\$ 20,325,083</u>

## 2. 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.

Inter-agency receivables and payables as of June 30, 2010 consist of the following:

### Interagency Receivables

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due From Other Agencies</u>	<u>Due From SHARE Agency Number</u>	<u>Due From SHARE Fund Number</u>	<u>Amount</u>
General Fund	90700	\$ 1,037,537	33700	60100	\$ 942,548
			80500	20100	46,561
			52100	19900	48,428
ARRA Fund	89000	20,000,000	34100	89000	20,000,000
Enterprise Fund	07700	819,967	64400	50000	417,003
			79000	12800	86,606
			92400	05700	115,656
			Various	Various	200,702
Totals		<u>\$ 21,857,504</u>			<u>\$ 21,857,504</u>

### Interagency Payables

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due to Other Agencies</u>	<u>Due to SHARE Agency Number</u>	<u>Due From SHARE Fund Number</u>	<u>Amount</u>
Agency Fund	55700	\$ 38,985	78000	06300	\$ 14,703
			Various	Various	\$ 24,282
General Fund	90700	1,243	30500	17000	1,243
Totals		<u>\$ 40,228</u>			<u>\$ 40,228</u>



### 3. Inventories

Supplies inventory are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Inventories held by the General fund, in the amount of \$5,411,743, consist of generic supplies and materials in the various department operated correctional facilities. Inventories are valued at cost using the first-in, first-out method. The reported fund balance reservation indicates that supplies inventory does not represent available expendable resources for Department programs.

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

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

Raw Materials	\$	447,668
Work in Progress		142,036
Finished Goods		<u>652,475</u>
Total Inventory	\$	<u>1,242,179</u>

### 4. Prepaid Items

These amounts represent prepayment of postage and fuel, which has benefit to the Department beyond the fiscal year, ending June 30, 2010. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used.

### 5. 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. House Bill 1074 was enacted that amended the Audit Act for the capitalization threshold. House Bill 1074 effective date was June 17, 2005 and as a result, the State's capitalization policy threshold was changed from \$1,000 to \$5,000 requiring agencies to capitalize only acquisitions greater than \$5,000. Assets purchased prior to the new capitalization threshold were not removed from the agency's listing but will remain on the inventory list and will continue to be depreciated until the asset is fully depreciated. However, all capital outlay purchases may not necessarily be capitalized.

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

GASB Statement #34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. 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 2010. The Department had one internally generated intangible asset (software) to be capitalized as part of implementing GASB #51.

## **6. 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 such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

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

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

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.

## **7. Deferred Revenues**

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for (1) amounts received from federal awards prior to expenditures occurring or (2) amounts identified as accounts receivable that have not been received within 60 days of the end of the fiscal year and are accounted for on the modified accrual basis in the fund financial statements.

## **8. 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 percentage of reverting fund (total budget for the category) to the unexpended amount for the budget category at fiscal year-end.

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

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

- i) Enterprise Funds/Other State Funds – Corrections Industries Revolving Fund (Fund 07700). All revenues generated from sales and services and from other types revenues, which are specifically earned by and applied to the Corrections Industries Division, are non-revertible funds, except for any appropriated General Fund or grant funds awarded to this specific organization. Budget is established in Corrections Industries, program code P533. [Section 33-8-7 NMSA 1978]
- ii) Building Fund (Fund 89800). Revenues, which support the Building Fund, are non-revertible. The source of the revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. These revenues support expenditures for the payment of the Central Office and Training Academy Complex, which are budgeted in Program Support, program code P530. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]
- iii) Community Corrections Grant Fund (Fund 90200). General Appropriations made to this fund do not revert to the State General Fund. Additionally, any unexpended appropriations to this fund are classified as Cash Balance, which is made up from either designated or undesignated cash balance or from non-expended budgeted cash balance. Revenue and expenditure budget is established in Community Corrections/Vendor Run, program code P535. [Section 33-9-3 NMSA 1978]
- iv) Permanent Fund Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]
- v) Land Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from Land Income, both Regular and Charitable. The State Land Office distributes this income to the Department on a monthly basis. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]
- vi) Probation and Parole Fees (Fund 90200 and 91500). All Probation and Parole fees collected by the Department are non-revertible funds. Accordingly, all budgeted Cash Balance revenues from these fees that are not used to support current year operations are also not revertible to the State General Fund. Revenue and expenditure budgets are established in both Community Corrections, program code P535 and in Community Offender Management, program code P534. [Section 31-20-6 and 31-21-13.1 NMSA 1978]
- vii) Grant Funds (All Funds). Grant funds from any governmental source, such as Federal or state, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. In some cases, any over drawn grant funds may be reverted to the State General Fund or be reverted to the granting agency. Currently, all grants in operation by the Department 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]

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. As part of the amounts being reverted is \$20,000,000. The Department was allocated a portion of the State Fiscal Stabilization Fund (SFSF). The Department used the SFSF funds in the personal services and employee benefits category in lieu of general fund during the fiscal year. Additionally two Executive Orders were imposed to the Department totaling \$12,571,400: (1) as part of encumbrance and expenditure reduction and (2) for employee furloughs in order to assist in the fiscal year 2010 budget shortfall. Amounts due to the State General Fund for the year ending June 30, 2010 were paid in August 2010 (Executive Orders) and September 2010 (Reversions).

Current year reversions *Due to the State General Fund* as of June 30, 2010 were as follows:

	SHARE System Fund 90200	SHARE System Fund 90700	SHARE System Fund 91500	SHARE System Fund 99700	Total
General Fund					
Current Year:					
FY 10 Reversions	\$ -	\$ 25,870,141	\$ 555,329	\$ 1,008	\$ 26,426,478
FY 10 Excess Revenues Over Budget	-	60,949	1,995	-	62,944
Prior Year:					
Prior Year Refunds	-	42,180	24,141	-	66,321
Prior Year Reimbursements	-	33,734	-	-	33,734
Total FY 10 Reversions	-	26,007,004	581,465	1,008	26,589,477
Amount due per Executive Orders	150,000	10,546,400	1,875,000	-	12,571,400
Total Reversions Due to General Fund	<u>\$ 150,000</u>	<u>\$ 36,553,404</u>	<u>\$ 2,456,465</u>	<u>\$ 1,008</u>	<u>\$ 39,160,877</u>

## 9. Reservations of Fund Balance

Reservations of fund balances on the Governmental Funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

### Reserved for Petty Cash Accounts

This reserve was created to represent the portion of fund balance that is used in petty cash accounts at the various facilities and business offices.

### Reserved for Inventories and Prepaid Expenses

This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

### Reserved for Subsequent Year's Expenditure

This reserve was created to represent the portion of fund balance that has been requested by the Department and appropriated by the New Mexico State Legislature for use in the subsequent fiscal year.

### Unreserved, Designated for Future Expenditure

This reserve was created to restrict the use of resources from special appropriations and to restrict cash balance amounts that have been requested to be re-budgeted in subsequent years by the Department. Cash balance amounts

re-budgeted in subsequent years is made up of non-reverting funds including Land and Permanent Fund Income and Probation and Parole Fees. Additionally, the Department maintains a cash balance designation for contingency purposes. This designation is less than one half of one percent (.5%) of the total operating budget.

#### **H. REVENUES, EXPENDITURES AND EXPENSES**

Substantially all governmental fund revenues are accrued.

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

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

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

#### **I. NET ASSETS**

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

**Investment in Capital Assets** – is intended to reflect the portion of net assets 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 Assets** – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

**Unrestricted Assets** – represent unrestricted liquid assets.

#### **J. USE OF ESTIMATES**

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

#### **K. PROGRAM REVENUES**

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

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

**NOTE 3: SPECIAL APPROPRIATIONS**

The following describes the status of special appropriations the Department received. The below appropriations were either budgeted in a prior fiscal year or budgeted within fund balance for fiscal year 2010.

	( 1 )	( 2 )	( 3 )	( 4 )	Total
Appropriations	<u>\$ 871,488</u>	<u>\$ 272,384</u>	<u>\$ 75,000</u>	<u>\$ 800,000</u>	<u>\$ 2,018,872</u>
Expended FY 10	869,994	121,784	72,733	-	1,064,511
Reverted FY 10	<u>1,494</u>	<u>-</u>	<u>2,267</u>	<u>-</u>	<u>3,761</u>
Remainder	<u>-</u>	<u>150,600</u>	<u>-</u>	<u>800,000</u>	<u>950,600</u>
Amount Received	<u>\$ 871,488</u>	<u>\$ 121,784</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 1,068,272</u>

- 1) Laws of 2006, Chapter 109, Section 7, – “Data Processing Appropriations” (27) appropriated \$300,000 for the purpose of converting and customizing the booking module into multiple tiers. In addition \$720,000 was appropriated for the purpose of transitioning and modifying the Criminal Management Information System into a web-based system. Laws of 2007, Chapter 28, Section 7, Item 27 extended the appropriation period through the end of fiscal year 2008, in addition, authorizing the release of \$24,604 originally appropriated in Laws of 2003, Chapter 76, Section 7. Laws of 2008, Chapter 3, Section 7, Item 31 extends the final appropriation period through the end of fiscal year 2010. The system will be designed to improve data collection, viewing, and use by department constituents and other public safety, judicial, and law enforcement entities. The appropriation was budgeted in a prior fiscal year for fiscal year 2010 within the Computer Systems Enhancement. Appropriation Period: Extends through the end of fiscal year 2010 (6/30/2010). Outstanding Encumbrances: -0-. Unencumbered Balance: -0-.
  
- 2) Laws of 2009, Chapter 124, Section 5, “Special Appropriations”. Item 52. The purpose of the appropriation is for building maintenance and improvement of the administrative services complex. The appropriation was budgeted in a prior fiscal year for fiscal year 2010 within the building fund 89800 (Z90152) in the amount of \$272,384. Funds budgeted within fund 89800 are statutory non-reverting. Outstanding Encumbrances: -0-. Unencumbered Balance: \$150,600.
  
- 3) Laws of 2009, Chapter 124, Section 5, “Special Appropriations”. Item 53. The purpose of the appropriation is to replace kitchen equipment. The appropriation was budgeted in a prior fiscal year for fiscal year 2010 within the general operating funds 90700 (Z90153) in the amount of \$75,000. Multi-year appropriation Period: 7/1/2008 – 6/30/2010. Outstanding Encumbrances: -0- Unencumbered Balance: -0-.
  
- 4) Laws of 2010, 2nd Special Session, Chapter 6, Section 5, “Special Appropriations”. Item 13. The purpose of the appropriation is for emergency repairs of state-owned correctional facilities. The appropriation was budgeted within the general operating funds 90700 (Z00113) in the amount of \$800,000 within fund balance. Multi-year appropriation Period: 7/1/2009 – 6/30/2011. Outstanding Encumbrances: -0-. Unencumbered Balance: \$800,000.

**NOTE 4: CASH**

**A. Pledged Collateral**

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

On June 30, 2010, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total Amount on Deposit	\$ 1,437,404
Less: Amount covered by FDIC	<u>(250,000)</u>
Total Uninsured Funds	1,187,404
Amount requiring collateral (50%)*	<u>\$ 593,702</u>

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

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

NOTE 4: Cash (continued)

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

<b>Name of Depository</b>	<b>Account Name</b>	<b>Fund Type</b>
<b>General Fund:</b>		
NM State Treasurer	General Operating	General
NM State Treasurer	Building Fund	General
NM State Treasurer	Probation and Parole	General
N/A	Various	General
Total General Fund Cash		
<b>Special Revenue Funds:</b>		
NM State Treasurer	General Operating	General
Total Special Revenue Fund		
<b>Enterprise Funds:</b>		
NM State Treasurer	Correction Industries	Enterprise
N/A	Various	Enterprise
Total Enterprise Funds		
<b>State Capital Projects Funds:</b>		
NM State Treasurer	State Capital Projects	Capital Projects
Total State Capital Project Funds:		
<b>Agency Fund:</b>		
Wells Fargo Bank New Mexico	Inmate Master Trust Account	Agency Inmate Trust
Total Agency Fund Cash		



<b>SHARE System Fund No.</b>	<b>Type of Account</b>	<b>Interest Bearing</b>	<b>Bank/DFA Statement Balance at 06/30/10</b>	<b>Reconciled Book Balance at 06/30/10</b>
90700	State Treasury	No	\$ 39,358,383	\$ 39,358,383
89800	State Treasury	No	232,409	232,409
91500	State Treasury	No	6,215,452	6,215,452
N/A	Petty Cash	No	2,075	2,075
			<u>45,808,319</u>	<u>45,808,319</u>
90200	State Treasury	No	922,700	922,700
			<u>922,700</u>	<u>922,700</u>
7700	State Treasury	Yes	1,771,831	1,771,831
N/A	Petty Cash	No	3,250	3,250
			<u>1,775,081</u>	<u>1,775,081</u>
99700	State Treasury	No	330,779	330,779
			<u>330,779</u>	<u>330,779</u>
55700	Checking	No	1,437,404	795,119
			<u>1,437,404</u>	<u>795,119</u>

**NOTE 5: CAPITAL ASSETS**

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

	Beginning Balance 07/01/09	Adjustments	Beginning Adjusted Balance 7/01/09
<b>Governmental-type Activities:</b>			
Buildings and Improvements	\$ 43,186,822	\$ -	\$ 43,186,822
Improvements other than Buildings	3,059,227	-	3,059,227
Machinery and Equipment	20,674,960	4,560,524	25,235,484
Automotive	2,956,918	-	2,956,918
Total Capital Assets at Historical Cost	<u>69,877,927</u>	<u>4,560,524</u>	<u>74,438,451</u>
Less: Accumulated Depreciation			
Buildings and Improvements	13,987,414	-	13,987,414
Improvements other than Buildings	429,578	-	429,578
Machinery and Equipment	12,794,835	3,338,793	16,133,628
Automotive	2,513,535	-	2,513,535
Total Accumulated Depreciation	<u>29,725,362</u>	<u>3,338,793</u>	<u>33,064,155</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,152,565</u>	<u>\$ 1,221,731</u>	<u>\$ 41,374,296</u>
<b>Business-type Activities:</b>			
Buildings and Improvements	\$ 630,488	\$ -	\$ 630,488
Machinery and Equipment	2,008,422	-	2,008,422
Automotive	639,612	-	639,612
Total Capital Assets at Historical Cost	<u>3,278,522</u>	<u>-</u>	<u>3,278,522</u>
Less: Accumulated Depreciation			
Machinery and Equipment	1,836,940	-	1,836,940
Buildings and Improvements	447,345	-	447,345
Automotive	617,672	-	617,672
Total Accumulated Depreciation	<u>2,901,957</u>	<u>-</u>	<u>2,901,957</u>
Enterprise Fund Capital Assets, Net	<u>\$ 376,565</u>	<u>\$ -</u>	<u>\$ 376,565</u>

Net Transfers	Additions	Deletions	Ending Balance 06/30/10
\$ (11,888,513)	\$ 874,807	\$ (40,050)	\$ 32,133,066
(292,747)	49,283	-	2,815,763
107,087	2,894,337	(5,256,048)	22,980,860
-	-	(381,323)	2,575,595
<u>(12,074,173)</u>	<u>3,818,427</u>	<u>(5,677,421)</u>	<u>60,505,284</u>
(4,861,391)	1,607,730	(37,764)	10,695,989
(26,022)	138,524	-	542,080
-	1,725,919	(5,010,158)	12,849,389
-	120,656	(526,468)	2,107,723
<u>(4,887,413)</u>	<u>3,592,829</u>	<u>(5,574,390)</u>	<u>26,195,181</u>
<u>\$ (7,186,760)</u>	<u>\$ 225,598</u>	<u>\$ (103,031)</u>	<u>\$ 34,310,103</u>
\$ -	\$ -	\$ -	\$ 630,488
-	54,775	-	2,063,197
-	-	(21,115)	618,497
<u>-</u>	<u>54,775</u>	<u>(21,115)</u>	<u>3,312,182</u>
-	38,519	(21,115)	1,854,344
-	23,540	-	470,885
-	23,863	-	641,535
<u>-</u>	<u>85,922</u>	<u>(21,115)</u>	<u>2,966,764</u>
<u>\$ -</u>	<u>\$ (31,147)</u>	<u>\$ -</u>	<u>\$ 345,418</u>

All Capital Assets listed above are being depreciated. The Corrections Department does not have any Capital Assets that are not being depreciated, such as land.

Depreciation expense for the current year is \$3,592,829 and \$85,922 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.

The Department transferred, at a net book value \$7,186,760. The amount consists of transferring title of its Central Office Administration Building and the Training Academy Complex to the General Services Department (GSD) in the amount of \$7,293,847 and transferred in from other state agencies \$107,087.

Detailed information regarding the capital asset adjustment is disclosed in Note 11.

**NOTE 6: RETIREMENT PLANS (STATE PERA & ERA)**

**PERA Plan Description**

Substantially all of the Corrections 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, 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. A copy of that report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

**Funding Policy**

PERA plan members are required to contribute 7.42% of their gross salary for non-custody employees and 4.78% of their gross salary for custody employees. The Corrections Department is required to contribute 16.59% of the gross salary for non-custody employees and 25.72% of the gross salary for custody employees. From the 2009 Legislative Session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. The contribution requirements of plan members and the Corrections Department is established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Corrections Department contributions to PERA for the years ending June 30, 2010, 2009, and 2008 were \$8,146,335, \$12,939,037, and \$8,353,900, respectively, which equal the amount of the required contributions for each year.

**ERA Plan Description**

Some of the Corrections Department full-time employees participate in a public 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, disability 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. A copy of that report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico, 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

**ERA Funding Policy**

Effective July 1, 2009, plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The Corrections Department was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011; the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the Corrections Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Corrections Department's contributions to ERB for the fiscal years ending June 30, 2010, 2009, and 2008, were \$792,189, \$339,197, and \$829,632, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 7: RETIREE HEALTH CARE**

**RHC Plan Description**

The Corrections Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

**Funding Policy**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (correctional officers) the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Corrections Department contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$1,467,901, \$1,772,339, and \$1,702,769, respectively, which equal the required contributions for each year.

**NOTE 8: 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, 2010 the value of the Department's interest in the State Permanent Fund was \$179,085,363 at market. Income from the trust for the year then ended was \$10,600,005.

The value of the Department's interest in the State Charitable, Penal and Reformatory Institutions Fund was 1/7<sup>th</sup> of the fair market value, which was \$80,113,211 at June 30, 2010. Income from the trust for the year then ended was \$683,046.

**NOTE 9: OPERATING LEASE COMMITMENTS**

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 being accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, the results of these lease agreements are not reflected in the Department's account groups.

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

<b>Year Ended June 30,</b>	
2011	\$ 3,969,527
2012	3,639,916
2013	3,224,183
2014	2,489,517
2015	2,287,356
Thereafter	<u>4,430,287</u>
<b>Total Minimum Lease Payments</b>	<u><u>\$ 20,040,786</u></u>

During the year ended June 30, 2010, general fund operating lease expenditures for facilities, vehicles, and equipment totaled \$4,686,705.

Beginning on October 1, 2001 most of the vehicles originally purchased, owned and maintained by NMCD were transferred to the General Services Department (GSD). The following schedule identifies the amount of expected payments for these vehicles. These amounts are also included in the above schedule.

2011	\$ 1,338,549
2012	1,265,045
2013	1,265,045
2014	1,265,045
2015	1,265,045
Thereafter	1,265,045
Total Minimum Lease Payments	<u>\$ 7,663,774</u>

The Corrections Industries Division is lessor of farmland at the minimum unit of the Central New Mexico Correctional Facility in Los Lunas, New Mexico. The following schedule identifies the amount of expected farm rent revenue for the enterprise fund:

<b>Year Ended June 30,</b>	
2011	\$ 135,640
Total Minimum Lease Payments	<u>\$ 135,640</u>

The Penitentiary of New Mexico is lessor of corral space outside the secured perimeter of the prison facility in Santa Fe, New Mexico. The following schedule identifies the amount of expected rent revenue for the general fund:

<b>Year Ended June 30,</b>	
2011	\$ 2,550
Total Minimum Lease Payments	<u>\$ 2,550</u>

**NOTE 10: CHANGES IN LONG-TERM LIABILITIES**

The changes in long-term liabilities for government type activities are as follows:

	Balance Beginning	Increase	(Decrease)	Balance Ending*
Compensated Absences:				
Annual Leave	\$ 4,051,863	\$ 4,049,522	\$ (4,176,423)	\$ 3,924,962
Compensatory Leave	380,987	1,286,147	(1,302,543)	364,591
Sick Leave	88,651	42,176	(55,185)	75,642
Total Long-Term Liabilities	<u>\$ 4,521,501</u>	<u>\$ 5,377,845</u>	<u>\$ (5,534,151)</u>	<u>\$ 4,365,195</u>

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

	Balance Beginning	Increase	(Decrease)	Balance Ending*
Compensated Absences:				
Annual Leave	\$ 105,188	\$ 57,762	\$ (93,714)	\$ 69,236
Compensatory Leave	9,919	20,447	(17,655)	12,711
Sick Leave	-	-	-	-
Total Long-Term Liabilities	<u>\$ 115,107</u>	<u>\$ 78,209</u>	<u>\$ (111,369)</u>	<u>\$ 81,947</u>

\*The estimated amount expected to be paid for Compensated Absences within one year is \$4,365,195, which is listed on the Statement of Net Assets on page 13. The General Operating Funds typically have been used to liquidate long-term liabilities like capital leases and compensated absences. The General Operating Funds used are SHARE funds 89800, 90200, 90700, and 91500. The entire balance of \$81,947 for the business-type activities is expected to be paid for within one year.

**NOTE 11: RESTATEMENT DISCLOSURE**

A restatement in capital assets is disclosed in order to comply with the implementation of a Governmental Accounting Standards Board (GASB) pronouncement No. 51. GASB # 51, *Accounting and Financial Reporting for Intangible Assets*, is effective for periods beginning after June 15, 2009 (FY10). "The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets". The Department has one intangible asset (software) being reported within the financial statements. The software is accounted for in the Machinery and Equipment category of its' capital assets. In addition, detail information is disclosed in Note 5.

	Government- Wide Level
Net Assets - Beginning	\$ 48,872,551
To record intangible capital asset	1,221,731
Net Assets, beginning, restated	<u>\$ 50,094,282</u>



**NOTE 12: OTHER FINANCING SOURCES AND OPERATING TRANSFERS**

**Transfer In/Out:**

During the fiscal year, the Department received and transferred funds that were recorded as " Other Financing Sources/Uses". These amounts include (1) \$284,588,800 of State General Fund Appropriations. (2) \$243,724 was received from GSD Risk Management Division for costs related to legal staff defending the Department in Pro Se cases. (3) \$3,000,000 was transferred to the Department of Finance & Administration as part of Laws of 2009, Special Session, Chapter 2, Section 1 (House Bill 3) for the purpose of meeting appropriations from the General Fund. (4) \$432,990 was received from the State Board of Finance for ongoing projects being conducted throughout the state. (5) The Department transferred to the State General Fund as part of its reversions \$39,160,877. This amount includes \$20,000,000 in which the Department was allocated a portion of the American Recovery and Reinvestment Act (ARRA) Funds - State Fiscal Stabilization Funds (SFSF), Government Services. The Department used the SFSF funds in lieu of general fund during the fiscal year. Additionally two Executive Orders were imposed to the Department totaling \$12,571,400: (1) as part of encumbrance and expenditure reduction and (2) for employee furloughs in order to assist in the fiscal year 2010 budget shortfall.(additional information regarding this amount can be found in Note 2-8 starting on page 37). The following is a breakdown of these transactions by fund:

	<b>SHARE Agency / Fund</b>	<b>Transfer In</b>	<b>Transfer Out</b>
<b>State General Fund Appropriations</b>			
(1) SHARE System Fund 90200	34101-85300	\$ 3,790,600	\$ -
(1) SHARE System Fund 90700	34101-85300	250,416,600	-
(1) SHARE System Fund 91500	34101-85300	30,381,600	-
<b>Total State General Fund Appropriations</b>		<b>\$ 284,588,800</b>	<b>\$ -</b>
<b>General Fund</b>			
(2) SHARE System Fund 90700	35000-35703	\$ 243,724	\$ -
(3) SHARE System Fund 90200	34101-85300	-	1,500,000
(3) SHARE System Fund 91500	34101-85300	-	1,500,000
<b>Total Operating Transfers - General Fund</b>		<b>\$ 243,724</b>	<b>\$ 3,000,000</b>
<b>State Capital Projects Fund</b>			
(4) SHARE System Fund 99700	34100-66400	\$ 432,990	\$ -
<b>Total Operating Transfers - State Capital Projects Fund</b>		<b>\$ 432,990</b>	<b>\$ -</b>
<b>State General Fund Reversions</b>			
(5) SHARE System Fund 90200	34100-85300	\$ -	\$ 150,000
(5) SHARE System Fund 90700	34100-85300	-	36,553,404
(5) SHARE System Fund 91500	34100-85300	-	2,456,465
(5) SHARE System Fund 99700	34100-85300	-	1,008
<b>Total State General Fund Reversions</b>		<b>\$ -</b>	<b>\$ 39,160,877</b>

During the fiscal year, the Department transferred capital assets with a net book value of \$7,293,847 to the State of New Mexico General Services Department and transferred in \$107,087 from other state agencies. This transfer in/out of capital assets is recorded at the government-wide level financial statements on the Statement of Activities.

**NOTE 13: CONCENTRATIONS AND INTERFUND TRANSACTIONS**

Substantially all Corrections Industries Division sales are to other government agencies.

In addition, the Enterprise Fund (Corrections Industries) conducts business with the Corrections Department General Fund in the form of sales of goods and services. These sales are at list price unless a sale price or other discount is also available to other customers. Sales to the general fund during fiscal year ended June 30, 2010 amounted to \$1,669,972.

Inmates at various institutions are required to work for the institutions or provide direct labor in the Corrections Industries work programs reflected in Schedules C-1 and C-2. These inmates are compensated at nominal rates, and their earnings are paid to the credit of the inmate trust accounts reported in the Agency Fund. During fiscal year ended June 30, 2010 the Enterprise Fund incurred \$251,951 in inmate wages expense.

The inmates make purchases from the facility canteen (commissaries), which result in Other State Funds revenues to the General Fund. During fiscal year ended June 30, 2010 the General Fund recorded \$1,258,272 in such revenues.

**NOTE 14: CONTINGENT LIABILITIES (CLAIMS & JUDGMENTS)**

The Department as a State Agency defined in the New Mexico Tort Claims Act, is insured through the State of New Mexico General Services Department, Risk Management Division. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverage to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverage for State of New Mexico employees.

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

The Department is involved in several pending legal matters involving back wages. The risk of loss in most of these cases is deemed to be "slight to moderate" by the Department's counsel and management and the potential loss would not materially adversely affect the financial statements.

**NOTE 15: BOND PROCEEDS**

To comply with Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the Department has been authorized by the Legislature for a portion bond proceeds. The Severance Tax Bonds were appropriated by Laws of 2007, Chapter, 42, Section 7 to plan, design, construct, equip, and furnish a kitchen and roof project, including repairs, at Correctional Centers. Under the modified accrual basis of accounting, GASBS 33 requires that the recognition of revenues and expenditures occur only when all applicable eligibility requirements have been met. The Department request draw downs from the State Board of Finance and recognizes revenue only when the eligibility requirements have been met. The Department requested \$432,990 during the year ended June 30, 2010.

**NOTE 16: FUND BALANCE**

**Reserved for Subsequent Year Expenditure**

This reserve was created to represent the portion of fund balance that has been from special appropriations or requested by the Department by the New Mexico State Legislature for use in the subsequent fiscal year.

The Department did request the use of \$1,500,000 and \$250,000 in its fiscal year 2011 request and \$100,000 and \$250,000 in its fiscal year 2012 request. These amounts requested were in the General Operating Fund 90700 and 91500, respectively, thereby reducing the amount of the appropriation request. In addition, the Department maintains a cash balance designation for contingency purposes. This designation is less than one half of one percent (.5%) of the total operating budget.

The Community Corrections Special Revenue fund statutorily does not revert to the State General Fund. The Department has requested to use \$700,000 in its fiscal year 2012 request, thereby reducing the amount of the current year appropriation request.

The following is a breakout of the Reserved for Subsequent Year Expenditures for use in the subsequent years:

Reserved for Subsequent Years Expenses	
Governmental Funds	
General Operating Fund	\$ 5,609,117
Community Corrections Special Revenue Fund	700,000
	<u>\$ 6,309,117</u>

**Unreserved, Designated for Future Expenditures:**

This designation is used to restrict the use of cash balance amounts that would be requested for re-budget in future years.

All excess budget amounts remaining in the Community Corrections Special revenue fund at fiscal year-end statutorily does not revert to the State General Fund.

The following is a breakout of the Unreserved, Designated for Future Expenditures:

Governmental Funds	
General Operating Fund	\$ 157,130
Community Corrections Special Revenue Fund	25,324
	<u>\$ 182,454</u>

**NOTE 17: OFFICE OF THE STATE AUDITOR: SPECIAL AUDIT**

The results of the fiscal year 2009 audit identified a weakness within the Department's contracting process and providing supporting documentation for select contracts. Due to this finding, the New Mexico Office of the State Auditor is in the process of performing a special audit over select contracts the Department holds with certain vendors. At the time of this audit report, the results of this special audit are unknown.

**NOTE 18: NEW PRONOUNCEMENTS**

Effective for fiscal years beginning after June 15, 2010, GASB 54—Fund Balance Reporting and Governmental Fund Type Definitions will provide modifications to, and additional types of, fund balance classifications. This statement will enhance the usefulness of fund balance information to provide more consistency among the classifications and will establish reporting standards for all governments that report governmental funds.

Effective for fiscal years beginning after June 15, 2010, GASB 59—*Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.
- Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.
- Statement 53 is amended to:
  - Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance.
  - Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit.
  - Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
  - Provide that one of the "leveraged yield" criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

Although early implementation is encouraged, the State of New Mexico has decided to implement these new pronouncements for fiscal year ending June 30, 2011. Because of this, we do not know how these modifications will impact the Department's financial statements, at this point in time.

**NOTE 19: JPA AND MOU DISCLOSURE**

The Department was a party to the following Joint Power Agreements (JPA) and Memorandums of Understanding (MOU) during fiscal year 2010:

Inmate Labor – JPA between NMCD and Energy Minerals and Natural Resources Department (EMNRD) to provide inmate forestry work camp that will provide training and labor for fire suppression. JPA will incorporate inmates at the Central New Mexico Correctional Facility (CNMCF) and NMCD Women's Correctional Facility.

- o Responsible Party for Operations: EMNRD
- o Time period: October 14, 1997 to indefinite
- o Total estimated amount of Project: \$112,105
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: EMNRD
- o Revenue Reported: NMCD

Inmate Labor – JPA between NMCD and Energy Minerals and Natural Resources Department (EMNRD) to provide inmate labor to maintain New Mexico State Parks.

- o Responsible Party for Operations: EMNRD
- o Time period: July 20, 2001 to indefinite
- o Total estimated amount of Project: \$149,000
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: EMNRD
- o Revenue Reported: NMCD

NM Tort Claims Act – JPA between NMCD and General Services Department, Risk Management Division to provide legal representation of NMCD employees pursuant to the New Mexico Tort Claims Act (Pro Se cases). Yearly allotment made to the NMCD Office of General Counsel.

- o Responsible Party for Operations: General Services Department (GSD)
- o Time period: July 1, 2008 to June 30, 2012
- o Total estimated amount of Project: \$243,724
- o Portion Applicable to NMCD: Income
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: GSD
- o Revenue Reported: NMCD

Inmate Education – JPA between NMCD and Eastern New Mexico University (ENMU) to provide post secondary and vocational education for residents of New Mexico Correctional Centers in Las Cruces, Los Lunas, Santa Fe, Grants, Hagerman, and Springer, NM.

- o Responsible Party for Operations: NMCD
- o Time period: September 28, 2009 to June 30, 2010
- o Total estimated amount of Project: \$263,300
- o Portion Applicable to NMCD: \$263,300
- o Amount Agency Contributed in Fiscal Year 2010: \$263,300
- o Audit Responsibility: NMCD
- o Revenue Reported: ENMU

NOTE 19: JPA and MOU Disclosure (Continued)

Inmate Education – JPA between NMCD and Eastern New Mexico University (ENMU) to provide post secondary education for inmates and library support services for the residents of New Mexico Correctional Centers in Las Cruces, Los Lunas, Santa Fe, Grants, Springer, and Hagerman, NM.

- o Responsible Party for Operations: NMCD
- o Time period: September 28, 2009 to June 30, 2010
- o Total estimated amount of Project: \$16,500
- o Portion Applicable to NMCD: \$16,500
- o Amount Agency Contributed in Fiscal Year 2010: \$14,629
- o Audit Responsibility: NMCD
- o Revenue Reported: ENMU

Inmate Education – JPA between NMCD and Eastern New Mexico University (ENMU) to provide post secondary and vocational education for youth offenders at NMCD facilities who are twenty five years of age and under and who have less than five years to serve on their sentence.

- o Responsible Party for Operations: NMCD
- o Time period: September 28, 2009 to September 30, 2010
- o Total estimated amount of Project: \$10,550
- o Portion Applicable to NMCD: \$10,550
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: NMCD
- o Revenue Reported: ENMU

Landfill / Transfer Station Work Crews – JPA between NMCD and the South Central Solid Waste Authority (SCSWA) to provide inmate work crews for maintenance, beautification, and enhancement at the Corralitos landfill or transfer station in Dona Ana County.

- o Responsible Party for Operations: South Central Solid Waste Authority
- o Time period: May 5, 2005 to Indefinite
- o Total estimated amount of Project: Income
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: SCSWA
- o Revenue Reported: NMCD

Clinical Services – JPA between NMCD and the New Mexico Department of Health (NMDOH) to provide HIV/AIDS clinical services for inmates with the HIV disease.

- o Responsible Party for Operations: NMCD
- o Time period: July 1, 2007 to June 30, 2011
- o Total estimated amount of Project: \$350,000
- o Portion Applicable to NMCD: \$350,000
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: NMCD
- o Revenue Reported: NMDOH

NOTE 19: JPA and MOU Disclosure (Continued)

Transitional Reporting Services – JPA between the New Mexico Department of Health (NMDOH) and the NMCD to provide FTE to support the Transitional Reporting Center Programs in the Albuquerque and Las Cruces areas.

- o Responsible Party for Operations: NMDOH
- o Time period: Indefinite
- o Total estimated amount of Project: \$1,000,000
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: NMDOH
- o Revenue Reported: NMCD

Inmate Labor – JPA between NMCD and NM Energy Minerals and Natural Resources Department (EMNRD) and Corrections Corporation of America (CCA) to provide inmate forestry work camps that will provide training and labor for fire suppression.

- o Responsible Party for Operations: EMNRD
- o Time period: October 14, 1997 to Indefinite
- o Total estimated amount of Project: \$150,000
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: EMNRD
- o Revenue Reported: NMCD

Inmate Labor – JPA between NMCD and the New Mexico Department of Transportation (NMDOT) to provide inmate labor for highway maintenance and beautification. Officer and inmate wages are reimbursed by NMDOT.

- o Responsible Party for Operations: NMDOT
- o Time period: June 25, 2007 to June 30, 2011
- o Total estimated amount of Project: Income
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: NMDOT
- o Revenue Reported: NMCD

Inmate Education – JPA between NMCD and Mesalands Community College to provide post secondary and vocational education for inmates at NM Correctional Centers in Santa Rosa, Clayton, Los Lunas, Grants, Las Cruces and Springer, NM.

- o Responsible Party for Operations: NMCD
- o Time period: September 28, 2009 to June 30, 2010
- o Total estimated amount of Project: \$70,000
- o Portion Applicable to NMCD: \$70,000
- o Amount Agency Contributed in Fiscal Year 2010: \$67,405
- o Audit Responsibility: NMCD
- o Revenue Reported: Mesalands Community College

NOTE 19: JPA and MOU Disclosure (Continued)

Inmate Labor – JPA between NMCD and the Santa Fe Solid Waste Management Agency (SFSWM) 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.

- o Responsible Party for Operations: SFSWM
- o Time period: September 1, 2001 to Indefinite
- o Total estimated amount of Project: \$90,000
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: SFSWM
- o Revenue Reported: NMCD

Inmate Labor – JPA 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, New Mexico.

- o Responsible Party for Operations: City of Grants
- o Time Period: December 5, 2008 to Indefinite
- o Total Estimated amount of Project: Income
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: City of Grants
- o Revenue Reported: NMCD

Inmate Labor – JPA between NMCD and the City of Santa Fe to provide inmate labor to perform minor maintenance, beautification, and litter control in the Santa Fe public areas and other properties as directed by the agency.

- o Responsible Party for Operations: City of Santa Fe
- o Time Period: July 21, 2009 to Indefinite
- o Total Estimated amount of Project: \$45,000/FY
- o Portion Applicable to NMCD: Income
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: City of Santa Fe
- o Revenue Reported: NMCD

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

- o Responsible Party for Operations: City of Las Cruces
- o Time Period: July 28, 1998 to Indefinite
- o Total Estimated amount of Project: Income
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: City of Las Cruces
- o Revenue Reported: NMCD



NOTE 19: JPA and MOU Disclosure (Continued)

Legal Representation – MOU between NMCD and the Attorney General's Office (AG) to provide legal representation of NMCD and its employees in federal and habeas corpus proceedings.

- o Responsible Party for Operations: NMCD
- o Time period: July 1, 2009 - Indefinite
- o Total estimated amount of Project: \$25,000 +
- o Portion Applicable to NMCD: \$25,000 +
- o Amount Agency Contributed in Fiscal Year 2010: \$3,636
- o Audit Responsibility: NMCD
- o Revenue Reported: NM Attorney General

Inmate Tracking – MOU between NMCD and the New Mexico Human Services Department for the tracking of all inmates and parolees named in Child Support Enforcement Cases.

- o Responsible Party for Operations: HSD / NMCD
- o Time Period: June 4, 2003 - Indefinite
- o Total Estimated Amount of Project: -0-
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: HSD / NMCD
- o Revenue Reported: Agreement only, no funds transferred

Educational Travel Reimbursement – MOU between NMCD and the Northeast New Mexico Detention Facility (NENMDF) to reimburse NENMDF for travel costs associated with NMCD educational/training classes.

- o Responsible Party for Operations: NMCD / NENMDF
- o Time Period: October 1, 2008 – October 1, 2010
- o Total Estimated Amount of Project: Undetermined
- o Portion Applicable to NMCD: Agreed Upon Costs
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: NMCD / NENMDF
- o Revenue Reported: NENMDF

Educational Travel Reimbursement – MOU between NMCD and the Guadalupe County Correctional Facility to reimburse GCCF for travel costs associated with NMCD educational/training classes.

- o Responsible Party for Operations: NMCD / GCCF
- o Time Period: October 1, 2008 – October 1, 2010
- o Total Estimated Amount of Project: Undetermined
- o Portion Applicable to NMCD: Agreed Upon Costs
- o Amount Agency Contributed in Fiscal Year 2010: -0-
- o Audit Responsibility: NMCD / GCCF
- o Revenue Reported: GCCF

NOTE 19: JPA and MOU Disclosure (Continued)

Training of Personnel from Central America – MOU between NMCD and Department of State, Bureau for International Narcotics and Law Enforcement Affairs (INL) for training and mentoring of corrections personnel from Central America.

- Responsible Party for Operations: NMCD / INL
- Time Period: April 7, 2009 – March 31, 2010
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2010: \$75,198
- Audit Responsibility: NMCD / INL
- Revenue Reported: NMCD

Training of Personnel from Central America – MOU between NMCD and Department of State, Bureau for International Narcotics and Law Enforcement Affairs (INL) for training and mentoring of corrections personnel from Central America.

- Responsible Party for Operations: NMCD / INL
- Time Period: February 24, 2010 – January 31, 2011
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2010: \$27,430
- Audit Responsibility: NMCD / INL
- Revenue Reported: NMCD

Collective Bargaining Negotiations – MOU between NMCD, Multiple Agencies and Department of Finance & Administration (DFA) for the representation during collective bargaining negotiations.

- Responsible Party for Operations: NMCD
- Time Period: May 4, 2005 - Indefinite
- Total Estimated Amount of Project: \$32,310
- Portion Applicable to NMCD: \$32,310
- Amount Agency Contributed in Fiscal Year 2010: \$32,310
- Audit Responsibility: NMCD
- Revenue Reported: DFA

Inmate Labor – MOU between NMCD and New Mexico Department of Military Affairs (NMDMA) for inmate labor to perform janitorial and maintenance services.

- Responsible Party for Operations: NMDMA
- Time Period: April 25, 2005 - Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2010: -0-
- Audit Responsibility: NMDMA
- Revenue Reported: NMCD

NOTE 19: JPA and MOU Disclosure (Continued)

Hepatitis C Medication and Pharmaceutical Consulting – MOU between NMCD and New Mexico Department of Health (NMDOH) to provide Hepatitis C medication and consulting to NMCD inmates with the HCV Disease.

- Responsible Party for Operations: NMCD
- Time Period: April 25, 2005 - Indefinite
- Total Estimated Amount of Project: Reimbursement of actual Costs
- Portion Applicable to NMCD: Reimbursement of actual Costs
- Amount Agency Contributed in Fiscal Year 2010: \$147,948
- Audit Responsibility: NMCD
- Revenue Reported: NMDOH

International and Domestic Terrorism Taskforce – MOU between NMCD and the Federal Bureau of Investigations (FBI) to form the New Mexico Joint Terrorism Taskforce.

- Responsible Party for Operations: NMCD / FBI
- Time Period: April 25, 2005 - Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2010: -0-
- Audit Responsibility: FBI
- Revenue Reported: NMCD

10 Year Inmate Population Projections – MOU between NMCD and the New Mexico Sentencing Commission to develop sound 10-year inmate population projections.

- Responsible Party for Operations: NMCD
- Time Period: July 1, 2009 – June 30, 2010
- Total estimated amount of project: \$22,000
- Portion applicable to NMCD: \$22,000
- Amount Agency Contributed in Fiscal Year 2010 - \$22,000
- Audit Responsibility: NMCD
- Revenue Reported: NMCD

Substance Abuse Program Re-Entry Conference – MOU between NMCD, and the Bernalillo county Department of Public Safety, Substance Abuse Division to utilize funding from the Residential Substance Abuse Treatment Grant to support Re-Entry Conference developed by Bernalillo County.

- Responsible Party for Operations: NMCD/Bernalillo County
- Time Period: January 14, 2010 – February 2010
- Total estimated amount of project: \$6,750
- Portion applicable to NMCD: \$6,750
- Amount Agency Contributed in Fiscal Year 2010: \$6,750
- Audit Responsibility: NMCD
- Revenue Reported: Bernalillo county

NOTE 19: JPA and MOU Disclosure (Continued)

Regional Fugitive Task Forces – MOU between NMCD and the United States Marshal's Service to form the regional Fugitive Task Forces Per the Presidential Threat Protection Act.

- Responsible Party for Operations: NMCD
- Time Period: Indefinite
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: Actual Cost/Reimbursement
- Amount Agency Contributed in Fiscal Year 2010: \$9,124
- Audit Responsibility: NMCD / US Marshal's Service
- Revenue Reported: NMCD

Espanola Westside Weed and Seed Initiative – MOU between NMCD/PPD and the City of Espanola to weed out violent crime, gang, and drug activity, while restoring the community through revitalization and education.

- Responsible Party for Operations: NMCD / City of Espanola
- Time Period: April 1, 2009 – April 1, 2010
- Total Estimated Amount of Project: \$38,500
- Portion Applicable to NMCD: Reimbursement
- Amount Agency Contributed in Fiscal Year 2010: -0-
- Audit Responsibility: City of Espanola
- Revenue Reported: NMCD

Advocacy and Training to Women at WNMCF – MOU between NMCD and the New Mexico Coalition of Sexual Assault Programs to provide advocacy and training regarding the crimes of Domestic Violence, sexual assault, and stalking to women and staff at the Western New Mexico Correctional Facility (WNMCF).

- Responsible Party for Operations: NMCD / NMCSAP
- Time Period: April 7, 2009 – March 31, 2010
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2010: -0-
- Audit Responsibility: NMCSAP / NMCD
- Revenue Reported: NMCSAP

Albuquerque Safe Streets Task Force – MOU between NMCD/PPD and the Federal Bureau of Investigations (FBI) for inter-agency cooperation and formalizing inter-agency relationships for policy guidance, planning, training, public and media relations.

- Responsible Party for Operations: NMCD / FBI
- Time Period: April 8, 2009 - Duration of SSTF Operations
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: Actual Cost/Reimbursement
- Amount Agency Contributed in Fiscal Year 2010: -0-
- Audit Responsibility: NMCD / FBI
- Revenue Reported: NMCD

## **GENERAL FUND**

The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund.

The General Fund is comprised of the New Mexico Corrections Department Performance Based Budgeting by Programs and Non-Program budgets. Non-Program budgets are labeled as traditional budgets for the ASD Building Fund, the Computer System Enhancement, various other Special Appropriation Z Codes, the ARRA Fund, and the State Capital Projects Fund as listed below. The General Fund is accounted for at the Department of Finance and Administration within the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) Fund 90700 unless otherwise noted.

### **Program Support (Fund 90700)**

- Administrative Services Division (ASD)
- Information Technology Division (ITD)

### **Inmate Management and Control (Fund 90700)**

- Health Services Bureau (HSB)
- Adult Prisons Division (APD)
- Corrections Training Academy (CTA)
- Western New Mexico Correctional Facility (WNMCF)
- Southern New Mexico Correctional Facility (SNMCF)
- Penitentiary of New Mexico (PNM)
- Central New Mexico Correctional Facility (CNMCF)
- Roswell Correctional Center (RCC)
- Springer Correctional Center (SCC)

### **Inmate Programming (Fund 90700)**

- Education Bureau (EDB)
- Addiction Services Bureau (ASB)

### **Community Offender Management (Fund 91500)**

- Probation & Parole Division (PPD)

### **Community Corrections / Vendor Operated (Fund 90200)**

- Community Corrections (CC)

### **Traditional Budget**

- ARRA Fund (Fund 89000)
- ASD Building Fund (Fund 89800)
- Computer System Enhancement (Fund 90700)
- State Capital Projects Fund (99700)

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**PROGRAM SUPPORT**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final	Modified Accrual Basis	
<b>REVENUES</b>				
State General Fund	\$ 8,583,200	\$ 8,583,200	\$ 8,583,200	\$ -
Other State Funds	80,000	78,342	84,777	6,435
Inter-Agency Transfers	243,700	243,700	243,724	24
Federal Funds	-	-	-	-
Total Revenues	8,906,900	8,905,242	8,911,701	6,459
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	\$ 8,906,900	\$ 8,905,242	\$ 8,911,701	\$ 6,459
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 6,484,000	\$ 6,484,000	\$ 5,125,150	\$ 1,358,850
Contractual Services	586,700	586,700	516,543	70,157
Other	1,836,200	1,834,542	2,695,379	(860,837) *
Operating Transfers	-	-	-	-
Reversions	-	-	547,750	(547,750)
Total Budgeted Expenditures	\$ 8,906,900	\$ 8,905,242	\$ 8,884,822	\$ 20,420

\* Negative variance in the "Other" category is due to reclassification of expenses required for implementation of new GASB pronouncement. Reclassification was for financial statement presentation only.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**INMATE MANAGEMENT and CONTROL**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Modified Accrual Basis</u>	
<b>REVENUES</b>				
State General Fund	\$ 232,355,900	\$ 232,355,900	\$ 232,355,900	\$ -
Other State Funds	14,778,400	14,556,526	15,395,358	838,832
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	1,479,756	1,479,756	-
Total Revenues	<u>247,134,300</u>	<u>248,392,182</u>	<u>249,231,014</u>	<u>838,832</u>
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	<u>\$ 247,134,300</u>	<u>\$ 248,392,182</u>	<u>\$ 249,231,014</u>	<u>\$ 838,832</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 96,944,800	\$ 96,571,436	\$ 74,527,652	\$ 22,043,784
Contractual Services	51,089,500	51,989,500	46,724,077	5,265,423
Other	99,100,000	99,831,246	91,671,474	8,159,772
Operating Transfers	-	-	-	-
Reversions	-	-	34,881,961	(34,881,961)
Total Budgeted Expenditures	<u>\$ 247,134,300</u>	<u>\$ 248,392,182</u>	<u>\$ 247,805,164</u>	<u>\$ 587,018</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**INMATE PROGRAMMING**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Modified Accrual Basis</u>	<u>(Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ 9,477,500	\$ 9,477,500	\$ 9,477,500	\$ -
Other State Funds	5,000	2,087	5,938	3,851
Inter-Agency Transfers	-	-	-	-
Federal Funds	264,400	441,836	340,637	(101,199)
Total Revenues	<u>9,746,900</u>	<u>9,921,423</u>	<u>9,824,075</u>	<u>(97,348)</u>
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	<u>\$ 9,746,900</u>	<u>\$ 9,921,423</u>	<u>\$ 9,824,075</u>	<u>\$ (97,348)</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 8,425,000	\$ 8,476,757	\$ 7,690,084	\$ 786,673
Contractual Services	617,500	651,481	391,577	259,904
Other	704,400	793,185	624,232	168,953
Operating Transfers	-	-	-	-
Reversions	-	-	1,119,932	(1,119,932)
Total Budgeted Expenditures	<u>\$ 9,746,900</u>	<u>\$ 9,921,423</u>	<u>\$ 9,825,825</u>	<u>\$ 95,598</u>

The accompanying notes are an integral part of the financial statements



**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**COMMUNITY OFFENDER MANAGEMENT**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State General Fund	\$ 30,381,600	\$ 30,381,600	\$ 30,381,600	\$ -
Other State Funds	1,700,000	1,700,000	2,021,894	321,894
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	30,658	30,658	-
Total Revenues	32,081,600	32,112,258	32,434,152	321,894
Rebudgeted Cash	-	1,500,000	-	(1,500,000)
Total Budgeted Revenues	\$ 32,081,600	\$ 33,612,258	\$ 32,434,152	\$ (1,178,106)
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 19,642,000	\$ 19,661,920	\$ 18,695,198	\$ 966,722
Contractual Services	39,600	39,600	29,526	10,074
Other	12,400,000	12,410,738	9,543,129	2,867,609
Operating Transfers	-	1,500,000	1,500,000	-
Reversions	-	-	2,456,465	(2,456,465)
Total Budgeted Expenditures	\$ 32,081,600	\$ 33,612,258	\$ 32,224,318	\$ 1,387,940

\* \$1,500,000 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**COMMUNITY CORRECTIONS – VENDOR OPERATED**

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final	Modified Accrual Basis	
<b>REVENUES</b>				
State General Fund	\$ 3,790,600	\$ 3,790,600	\$ 3,790,600	\$ -
Other State Funds	42,100	31,414	258,076	226,662
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	3,832,700	3,822,014	4,048,676	226,662
Rebudgeted Cash	545,700	2,045,700	-	(2,045,700)
Total Budgeted Revenues	\$ 4,378,400	\$ 5,867,714	\$ 4,048,676	\$ (1,819,038)
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 769,000	\$ 769,000	\$ 736,657	\$ 32,343
Contractual Services	9,400	9,400	1,672	7,728
Other	3,600,000	3,589,314	2,995,007	594,307
Operating Transfers	-	1,500,000	1,500,000	-
Reversions	-	-	150,000	(150,000)
Total Budgeted Expenditures	\$ 4,378,400	\$ 5,867,714	\$ 5,383,336	\$ 484,378

\* \$2,045,700 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**COMPUTER SYSTEMS ENHANCEMENT**

	<b>Life-to-Date Budgeted Amounts</b>	<b>FY 10 Actual Amounts Modified Accrual Basis</b>	<b>Life-to-Date Actual Amounts Modified Accrual Basis</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	-	-	-	-
Rebudgeted Cash	1,007,175	-	1,007,175	-
Total Budgeted Revenues	<u>\$ 1,007,175</u>	<u>\$ -</u>	<u>\$ 1,007,175</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	-	-	-	-
Contractual Services	934,306	66,865	186,943	747,363
Other	72,869	803,129	818,738	(745,869)
Operating Transfers	-	-	-	-
Reversions	-	1,494	1,494	(1,494)
Total Budgeted Expenditures	<u>\$ 1,007,175</u>	<u>\$ 871,488</u>	<u>\$ 1,007,175</u>	<u>\$ -</u>

\$1,007,175 was re-budgeted from cash balance.

Budget for the various projects under this budget reference was established in a previous fiscal year and will cover multiple fiscal periods that do not lapse at year-end.

\* Negative variance in the "Other" category is due to reclassification of expenses required for implementation of new GASB pronouncement. Reclassification was for financial statement presentation only.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**Z 90153 – Fund 90700**

	<u>Life-to-Date Budgeted Amounts</u>	<u>FY 10 Actual Amounts Modified Accrual Basis</u>	<u>Life-to-Date Actual Amounts Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ 75,000	\$ -	\$ 75,000	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	<u>75,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	-	-	-
Other	75,000	72,733	72,733	2,267
Operating Transfers	-	-	-	-
Reversions	-	2,267	2,267	(2,267)
Total Budgeted Expenditures	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ -</u>

\* Budget for the various projects under this budget reference was established in a previous fiscal year and will cover multiple fiscal periods that do not lapse at year-end.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**Z 00113 – FUND 90700**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Modified Accrual Basis</u>	<u>(Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	-	-	-	-
Rebudgeted Cash	800,000	800,000	-	800,000
Total Budgeted Revenues	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ (800,000)</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	-	-	-
Other	800,000	800,000	-	800,000
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ 800,000</u>

\*\$800,000 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**ARRA FUND  
SHARE FUND 89000**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	20,249,653	20,249,653	20,064,400	(185,253)
<b>Total Revenues</b>	<u>20,249,653</u>	<u>20,249,653</u>	<u>20,064,400</u>	<u>(185,253)</u>
Rebudgeted Cash		-	-	-
<b>Total Budgeted Revenues</b>	<u>\$ 20,249,653</u>	<u>\$ 20,249,653</u>	<u>\$ 20,064,400</u>	<u>\$ (185,253)</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 20,004,928	\$ 20,004,928	\$ 20,002,398	2,530
Contractual Services	175,000	175,000	20,091	154,909
Other	69,725	69,725	41,911	27,814
Operating Transfers	-	-	-	-
<b>Total Budgeted Expenditures</b>	<u>\$ 20,249,653</u>	<u>\$ 20,249,653</u>	<u>\$ 20,064,400</u>	<u>\$ 185,253</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**BUILDING FUND  
SHARE FUND 89800**

	<u>Life-to-Date Budgeted Amounts</u>	<u>FY 10 Actual Amounts Modified Accrual Basis</u>	<u>Life-to-Date Actual Amounts Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	-	-	-	-
Rebudgeted Cash	272,384	-	272,384	-
Total Budgeted Revenues	<u>\$ 272,384</u>	<u>\$ -</u>	<u>\$ 272,384</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	-	-	-
Other	272,384	121,784	121,784	150,600
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	<u>\$ 272,384</u>	<u>\$ 121,784</u>	<u>\$ 121,784</u>	<u>150,600</u>

\*\$272,384 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**GENERAL OPERATING FUND  
SHARE FUND 90700**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Modified Accrual Basis</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ 250,491,600	\$ 250,491,600	\$ 250,416,600	\$ (75,000)
Other State Funds	14,863,400	14,636,955	15,486,073	849,118
Inter-Agency Transfers	243,700	243,700	243,724	24
Federal Funds	264,400	1,921,592	1,820,393	(101,199)
Total Revenues	<u>\$ 265,863,100</u>	<u>267,293,847</u>	<u>267,966,790</u>	<u>672,943</u>
Rebudgeted Cash	<u>1,807,175</u>	<u>1,807,175</u>	<u>-</u>	<u>(1,807,175)</u>
<b>Total Budgeted Revenues</b>	<b><u>\$ 267,670,275</u></b>	<b><u>\$ 269,101,022</u></b>	<b><u>\$ 267,966,790</u></b>	<b><u>\$ (1,134,232)</u></b>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 111,853,800	\$ 111,532,193	\$ 87,342,886	\$ 24,189,307
Contractual Services	53,228,006	54,161,987	47,699,062	6,462,925
Other	102,588,469	103,406,842	95,866,947	7,539,895
Operating Transfers	-	-	-	-
Reversions	-	-	36,553,404	(36,553,404)
<b>Total Budgeted Expenditures</b>	<b><u>\$ 267,670,275</u></b>	<b><u>\$ 269,101,022</u></b>	<b><u>\$ 267,462,299</u></b>	<b><u>\$ 1,638,723</u></b>

\* \$1,807,175 was re-budgeted from cash balance. The above amounts include budgets for the various projects where the budget was established in a previous fiscal year and will cover multiple fiscal periods that do not lapse at year-end.

The accompanying notes are an integral part of the financial statements



**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**PROBATION AND PAROLE GENERAL OPERATING FUND  
SHARE FUND 91500**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Modified Accrual Basis</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ 30,381,600	\$ 30,381,600	\$ 30,381,600	\$ -
Other State Funds	1,700,000	1,700,000	2,021,894	321,894
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	30,658	30,658	-
Total Revenues	<u>32,081,600</u>	<u>32,112,258</u>	<u>32,434,152</u>	<u>321,894</u>
Rebudgeted Cash	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>(1,500,000)</u>
<b>Total Budgeted Revenues</b>	<u><u>\$ 32,081,600</u></u>	<u><u>\$ 33,612,258</u></u>	<u><u>\$ 32,434,152</u></u>	<u><u>\$ (1,178,106)</u></u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 19,642,000	\$ 19,661,920	\$ 18,695,198	\$ 966,722
Contractual Services	39,600	39,600	29,526	10,074
Other	12,400,000	12,410,738	9,543,129	2,867,609
Operating Transfers	-	1,500,000	1,500,000	-
Reversions	<u>-</u>	<u>-</u>	<u>2,456,465</u>	<u>(2,456,465)</u>
<b>Total Budgeted Expenditures</b>	<u><u>\$ 32,081,600</u></u>	<u><u>\$ 33,612,258</u></u>	<u><u>\$ 32,224,318</u></u>	<u><u>\$ 1,387,940</u></u>

\* \$1,500,000 was re-budgeted from cash balance

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

**GENERAL FUND STATE CAPITAL PROJECTS FUND  
SHARE FUND 99700**

	<u>Life-to-Date Budgeted Amounts</u>	<u>FY 10 Actual Amounts Modified Accrual Basis</u>	<u>Life-to-Date Actual Amounts Modified Accrual Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
State General Fund	\$ -	\$ -	\$ -	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	1,000,000	432,990	979,818	(20,182)
Federal Funds	-	-	-	-
Total Revenues	<u>1,000,000</u>	<u>432,990</u>	<u>979,818</u>	<u>(20,182)</u>
Rebudgeted Cash	<u>1,892,435</u>	<u>-</u>	<u>-</u>	<u>\$ (1,892,435)</u>
<b>Total Budgeted Revenues</b>	<u><u>\$ 2,892,435</u></u>	<u><u>\$ 432,990</u></u>	<u><u>\$ 979,818</u></u>	<u><u>\$ (1,912,617)</u></u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	65,000	9,366	55,530	9,470
Other	2,817,435	730,770	2,815,715	1,720
Operating Transfers	10,000	-	-	10,000
Reversions	-	1,008	1,008	(1,008)
<b>Total Budgeted Expenditures</b>	<u><u>\$ 2,892,435</u></u>	<u><u>\$ 741,144</u></u>	<u><u>\$ 2,872,253</u></u>	<u><u>\$ 20,182</u></u>

\* Budget for the various projects under this fund were established during the fiscal year and will cover multiple fiscal periods that do not lapse at year-end.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING BALANCE SHEET GENERAL FUND TYPES  
AS OF JUNE 30, 2010**

<b>ASSETS</b>	Building Fund SHARE System Fund 89800	General Operating Fund SHARE System Fund 90700	Probation & Parole Fund SHARE System Fund 91500	Total *
Investments	\$ 232,409	\$ 39,358,383	\$ 6,215,452	\$ 45,806,244
Petty Cash	-	2,075	-	2,075
Receivables net of allowance for doubtful accounts	-	71,068	-	71,068
Federal Grants Receivable	-	115,395	-	115,395
Other Receivables	-	9,111	-	9,111
Due from Other State Agencies	-	1,037,537	-	1,037,537
Due from Other Funds	-	20,003,988	-	20,002,398
Inventories	-	4,915,644	496,099	5,411,743
Prepaid Items	-	245,825	40,000	285,825
<b>Total Assets</b>	<b>\$ 232,409</b>	<b>\$ 65,759,026</b>	<b>\$ 6,751,551</b>	<b>\$ 72,741,396</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
Vouchers Payable	\$ 81,807	\$ 13,021,123	\$ 962,145	\$ 14,065,075
Payroll Benefits Payable	-	2,258,315	90,381	2,348,696
Payroll Taxes Payable	-	347,040	318,454	665,494
Accrued Wages Payable	-	2,612,643	423,037	3,035,680
Due to Other Funds	-	276,170	48,105	322,685
Due to State General Fund	-	36,553,404	2,456,465	39,009,869
State Dated Warrants - Due to SGF	-	-	-	-
Due to Other State Agencies	-	1,243	-	1,243
Deferred Revenue	-	1,556,506	4,027	1,560,533
Other Liabilities	-	266,231	-	266,231
<b>Total Liabilities</b>	<b>81,807</b>	<b>56,892,675</b>	<b>4,302,614</b>	<b>61,275,506</b>
<b>Fund Equity</b>				
<b>Reserved for:</b>				
Inventories	-	4,915,644	496,099	5,411,743
Prepaid Expenses	-	245,825	40,000	285,825
Subsequent Years Expenditures	-	3,696,279	1,912,838	5,609,117
Petty Cash	-	2,075	-	2,075
<b>Unreserved / Undesignated</b>				
Designated for Future Expenditures	150,602	6,528	-	157,130
<b>Total Fund Equity</b>	<b>150,602</b>	<b>8,866,351</b>	<b>2,448,937</b>	<b>11,465,890</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 232,409</b>	<b>\$ 65,759,026</b>	<b>\$ 6,751,551</b>	<b>\$ 72,741,396</b>

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

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND TYPES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

	Building Fund SHARE System Fund 89800	General Operating Fund SHARE System Fund 90700	Probation & Parole Fund SHARE System Fund 91500	Total *
<b>Revenues</b>				
Other State Funds	\$ -	\$ 15,486,073	\$ 2,021,894	\$ 17,507,967
Federal Grants	-	1,820,393	30,658	1,851,051
<b>Total Revenues</b>	<b>-</b>	<b>17,306,466</b>	<b>2,052,552</b>	<b>19,359,018</b>
<b>Expenditures, Current</b>				
Personal Services & Employee Benefits	-	87,342,886	18,695,198	106,038,084
Contractual Services	-	47,699,062	29,526	47,728,588
Other	50,518	92,847,417	9,543,129	102,441,064
Expenditures, Capital Outlay	71,266	3,019,530	-	3,090,796
<b>Total Expenditures</b>	<b>121,784</b>	<b>230,908,895</b>	<b>28,267,853</b>	<b>259,298,532</b>
<b>Excess (deficiency) Revenues over Expenditures</b>	<b>(121,784)</b>	<b>(213,602,429)</b>	<b>(26,215,301)</b>	<b>(239,939,514)</b>
<b>Other Financing Sources (uses)</b>				
General Fund Appropriation	-	250,416,600	30,381,600	280,798,200
Operating Transfers-In	-	243,724	-	243,724
Operating Transfers-Out	-	-	(1,500,000)	(1,500,000)
Reversions to State General Fund	-	(36,553,404)	(2,456,465)	(39,009,869)
<b>Net Other Financing Sources (uses)</b>	<b>-</b>	<b>214,106,920</b>	<b>26,425,135</b>	<b>240,532,055</b>
<b>Excess Revenues and Other Financing Sources over (under) Expenditures &amp; Other Financing Uses</b>	<b>(121,784)</b>	<b>504,491</b>	<b>209,834</b>	<b>592,541</b>
<b>Fund Balance, Beginning of Year</b>	<b>272,386</b>	<b>8,361,860</b>	<b>2,239,103</b>	<b>10,873,349</b>
<b>Fund Balance, End of Year</b>	<b>\$ 150,602</b>	<b>\$ 8,866,351</b>	<b>\$ 2,448,937</b>	<b>\$ 11,465,890</b>

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

The accompanying notes are an integral part of the financial statements

## ENTERPRISE FUND

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The Enterprise Fund is accounted for at the Department of Finance and Administration within the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) Fund 07700.

A combined balance sheet is presented in the Statement of Net Assets at both government-wide and proprietary levels of detail. Listed below is a description of the types of activities operated by the Department's Corrections Industries Division (CID), as shown in the following Schedule of Revenue and Expenses, by Enterprise.

**Furniture** – CNMCF (Los Lunas) and SNMCF (Las Cruces) manufacture furniture for sale primarily to government entities.

**Data Entry Programs** – The PNM Data Entry Program employs inmates to enter computer data for other state agencies, which are billed for the services rendered.

**Printing** – The GCCF print shop, located in Santa Rosa, NM, provides printing services to government entities.

**Reproduction** – The Corrections Corporation of America women's facility in Grants, NM provides microfilming and electronic imaging of documents to government entities.

**Telemarketing** – Telemarketing programs at the Corrections Corporation of America women's facility, located in Grants, NM, answer telephone inquiries about tourist attractions for the New Mexico Tourism Department and mail brochures to prospective tourists.

**Shoes and Textiles (Textiles)** – Clothing, shoes, mattresses, bed linens, towels and other related products are manufactured at the privately operated men's facility in Hobbs (LCCF), at the privately operated women's facility in Grants (CCA), and at the state operated men's facility in Grants (WNMCF) for sale to government entities and companies operating private prisons.

**Cleaning Products** – Manufacturing and production of various types of plastic cleaning products located at WNMCF in Grants, NM.

**Administrative Overhead** – The costs of Sales and Marketing, the Distribution Center, Central Office, CNMCF Administration and SNMCF Administration "enterprises" are allocated to the true enterprises at fiscal year end.

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE  
FOR THE FISCAL YEAR ENDING JUNE 30, 2010**

	Furniture*	Tele- marketing	Cleaning Products*	CCA Micro	Textiles*	PNM Data Entry	GCCF Print
Revenue from Sales	\$ 472,886	\$ 166,542	\$ 375,008	\$ -	\$ 1,443,766	\$ 110,000	\$ 143,740
Manufacturing Costs:							
Costs of Materials Used:							
Beginning Inventory - Materials	291,948	3,337	41,108	886	366,269	-	37,546
Materials Purchases	212,517	7,033	161,276	-	582,911	-	63,939
Net Material Transfers	-	-	-	-	-	-	-
Materials Available	504,465	10,370	202,384	886	949,180	-	101,485
Less Ending Inventory	(132,091)	(3,093)	(15,206)	-	(261,749)	-	(26,170)
Cost of Materials Used	372,374	7,277	187,178	886	687,431	-	75,315
Direct Labor - Inmate Pay	48,133	16,162	7,811	-	113,006	16,279	10,473
Manufacturing Overhead:							
Salaries	175,789	106,254	35,933	-	88,884	33,161	37,275
Benefits	92,966	48,112	18,724	-	40,755	17,808	20,741
In-State Travel	2,624	2,479	190	-	1,504	38	-
Maintenance & Repairs	928	202	-	-	2,227	1,471	7,158
Supplies	7,318	1,510	1,130	-	16,580	292	11,123
Contractual Services	-	-	-	-	-	-	-
Other Costs	6,788	12,417	675	78	16,615	59	12,217
Out-of-State Travel	-	-	-	-	-	-	-
Irrigation Fees	-	-	-	-	-	-	-
Depreciation	5,846	-	20,194	729	2,487	931	5,669
Miscellaneous	-	-	-	-	-	-	-
Total Manufacturing Overhead	292,259	170,974	76,846	807	169,052	53,760	94,183
Total Manufacturing Costs	712,766	194,413	271,835	1,693	969,489	70,039	179,971
Add Beginning Work in Process	150,631	-	-	-	-	-	-
Less Ending Work in Process	(142,036)	-	-	-	-	-	-
Total Cost of Goods Manufactured	721,361	194,413	271,835	1,693	969,489	70,039	179,971
Add Beginning Finished Goods	411,544	-	35,711	-	446,113	-	5,775
Less Ending Finished Goods	(167,610)	-	(20,059)	-	(459,065)	-	(5,741)
Net Finished goods Transfers	(15,272)	-	2,112	(407)	(134)	12,539	(2,454)
Total Cost of Goods Sold	950,023	194,413	289,599	1,286	956,403	82,578	177,551
Gross Profit	(477,137)	(27,871)	85,409	(1,286)	487,363	27,422	(33,811)
Allocated Overhead:							
Facility Overhead	(105,274)	-	-	-	-	-	-
Sales & Marketing	(39,514)	-	(31,335)	-	(120,639)	-	(12,011)
Distribution Center	9,842	-	7,805	-	24,958	-	2,992
Central Office	(84,760)	(28,459)	(13,754)	-	(198,988)	(28,665)	(18,442)
General Fund Subsidy	-	-	-	-	-	-	-
Other Income (Expense)	-	-	-	-	8,450	-	-
Net Income (Loss)	\$ (696,843)	\$ (56,330)	\$ 48,125	\$ (1,286)	\$ 201,144	\$ (1,243)	\$ (61,272)

The accompanying notes are an integral part of the financial statements

LLCC Farm	Sales & Marketing	Distribution Center	Central Office	CNMCF Admin	SNMCF Admin	Total Industries
\$ 171,880	\$ -	\$ 736,151	\$ -	\$ -	\$ -	\$ 3,619,973
8,929	-	-	-	-	-	750,023
40,863	-	449,382	-	-	-	1,517,921
(11,470)	-	11,435	35	-	-	-
38,322	-	460,817	35	-	-	2,267,944
(9,359)	-	-	-	-	-	(447,668)
28,963	-	460,817	35	-	-	1,820,276
32,020	-	4,977	340	10	2,740	251,951
31,041	150,493	119,045	252,008	39,457	23,275	1,092,615
15,722	59,414	55,071	105,383	16,794	9,625	501,115
1,679	4,014	32,528	8,410	-	232	53,698
959	-	729	46,412	-	-	60,086
29	-	490	12,832	-	-	51,304
-	-	-	-	-	-	-
431	3,005	1,494	18,112	297	649	72,837
-	-	-	-	-	-	-
28,394	-	-	-	-	-	28,394
16,615	-	15,402	10,679	-	7,370	85,922
-	-	-	-	-	-	-
94,870	216,926	224,759	453,836	56,548	41,151	1,945,971
155,853	216,926	690,553	454,211	56,558	43,891	4,018,198
-	-	-	-	-	-	150,631
-	-	-	-	-	-	(142,036)
155,853	216,926	690,553	454,211	56,558	43,891	4,026,793
-	-	-	-	-	-	899,143
-	-	-	-	-	-	(652,475)
-	934	-	2,682	-	-	-
155,853	217,860	690,553	456,893	56,558	43,891	4,273,461
16,027	(217,860)	45,598	(456,893)	(56,558)	(43,891)	(653,488)
-	-	-	-	56,558	48,716	-
(14,362)	217,861	-	-	-	-	-
-	-	(45,597)	-	-	-	-
(56,383)	-	(8,765)	443,041	-	(4,825)	-
-	-	-	-	-	-	-
1,975	-	-	13,851	-	-	24,276
\$ (52,743)	\$ 1	\$ (8,764)	\$ (1)	\$ -	\$ -	\$ (629,212)

\* Roll-up for Furniture, Cleaning Products, and Textiles on following pages.

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES,  
FOR FURNITURE BY FACILITY  
For the Fiscal Year Ending June 30, 2010**

	CNMCF Furniture	SNMCF Furniture	Total Furniture
Revenue from Sales	\$ 424,756	\$ 48,130	\$ 472,886
Manufacturing Costs:			
Costs of Materials Used:			
Beginning Inventory - Materials	179,748	112,200	291,948
Materials Purchases	186,324	26,193	212,517
Net Material Transfers	-	-	-
Materials Available	<u>366,072</u>	<u>138,393</u>	<u>504,465</u>
Less Ending Inventory	<u>(132,091)</u>	<u>-</u>	<u>(132,091)</u>
Cost of Materials Used	<u>233,981</u>	<u>138,393</u>	<u>372,374</u>
Direct Labor - Inmate Pay	<u>38,986</u>	<u>9,147</u>	<u>48,133</u>
Manufacturing Overhead:			
Salaries	125,821	49,968	175,789
Benefits	58,030	34,936	92,966
In-State Travel	620	2,004	2,624
Maintenance & Repairs	609	319	928
Supplies	4,734	2,584	7,318
Contractual Services	-	-	-
Other Costs	2,410	4,378	6,788
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	2,437	3,409	5,846
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	<u>194,661</u>	<u>97,598</u>	<u>292,259</u>
Total Manufacturing Costs	467,628	245,138	712,766
Add Beginning Work in Process	7,074	143,557	150,631
Less Ending Work in Process	<u>(142,036)</u>	<u>-</u>	<u>(142,036)</u>
Total Cost of Goods Manufactured	<u>332,666</u>	<u>388,695</u>	<u>721,361</u>
Add Beginning Finished Goods	296,307	115,237	411,544
Less Ending Finished Goods	<u>(167,610)</u>	<u>-</u>	<u>(167,610)</u>
Net Finished goods Transfers	<u>(10,374)</u>	<u>(4,898)</u>	<u>(15,272)</u>
Total Cost of Goods Sold	<u>450,989</u>	<u>499,034</u>	<u>950,023</u>
Gross Profit	(26,233)	(450,904)	(477,137)
Allocated Overhead:			
Facility Overhead	(56,558)	(48,716)	(105,274)
Sales & Marketing	(35,492)	(4,022)	(39,514)
Distribution Center	8,840	1,002	9,842
Central Office	(68,653)	(16,107)	(84,760)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	<u>\$ (178,096)</u>	<u>\$ (518,747)</u>	<u>\$ (696,843)</u>

The accompanying notes are an integral part of the financial statements



**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES,  
FOR CLEANING PRODUCTS BY FACILITY  
For the Fiscal Year Ending June 30, 2010**

	WNMCF Soap Shop	WNMCF Plastics	Total Cleaning Products
Revenue from Sales	\$ 172,632	\$ 202,376	\$ 375,008
Manufacturing Costs:			
Costs of Materials Used:			
Beginning Inventory - Materials	17,150	23,958	41,108
Materials Purchases	85,818	75,458	161,276
Net Material Transfers	-	-	-
Materials Available	102,968	99,416	202,384
Less Ending Inventory	(5,456)	(9,750)	(15,206)
Cost of Materials Used	97,512	89,666	187,178
Direct Labor - Inmate Pay	3,779	4,032	7,811
Manufacturing Overhead:			
Salaries	17,966	17,967	35,933
Benefits	9,363	9,361	18,724
In-State Travel	-	190	190
Maintenance & Repairs	-	-	-
Supplies	430	700	1,130
Contractual Services	-	-	-
Other Costs	675	-	675
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	2,847	17,347	20,194
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	31,281	45,565	76,846
Total Manufacturing Costs	132,572	139,263	271,835
Add Beginning Work in Process	-	-	-
Less Ending Work in Process	-	-	-
Total Cost of Goods Manufactured	132,572	139,263	271,835
Add Beginning Finished Goods	28,886	6,825	35,711
Less Ending Finished Goods	(18,299)	(1,760)	(20,059)
Net Finished goods Transfers	1,735	377	2,112
Total Cost of Goods Sold	144,894	144,705	289,599
Gross Profit	27,738	57,671	85,409
Allocated Overhead:			
Facility Overhead	-	-	-
Sales & Marketing	(14,425)	(16,910)	(31,335)
Distribution Center	3,593	4,212	7,805
Central Office	(6,655)	(7,099)	(13,754)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	\$ 10,251	\$ 37,874	\$ 48,125

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES AND EXPENSES,  
FOR TEXTILES BY FACILITY  
For the Fiscal Year Ending June 30, 2010**

	CCA Textiles	LCCF Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 209,559	\$ 989,546	\$ 244,661	\$ 1,443,766
Manufacturing Costs:				
Costs of Materials Used:				
Beginning Inventory - Materials	12,315	353,954	-	366,269
Materials Purchases	75,396	355,316	152,199	582,911
Net Material Transfers	18,590	(18,590)	-	-
Materials Available	106,301	690,680	152,199	949,180
Less Ending Inventory	(72,000)	(189,749)	-	(261,749)
Cost of Materials Used	34,301	500,931	152,199	687,431
Direct Labor - Inmate Pay	12,923	100,083	-	113,006
Manufacturing Overhead:				
Salaries	9,064	79,820	-	88,884
Benefits	4,497	36,123	135	40,755
In-State Travel	1,056	448	-	1,504
Maintenance & Repairs	466	1,761	-	2,227
Supplies	4,536	12,044	-	16,580
Contractual Services	-	-	-	-
Other Costs	2,034	14,581	-	16,615
Out-of-State Travel	-	-	-	-
Irrigation Fees	-	-	-	-
Depreciation	1,133	1,354	-	2,487
Loss on Disposal of Equipment	-	-	-	-
Miscellaneous	-	-	-	-
Total Manufacturing Overhead	22,786	146,131	135	169,052
Total Manufacturing Costs	70,010	747,145	152,334	969,489
Add Beginning Work in Process	-	-	-	-
Less Ending Work in Process	-	-	-	-
Total Cost of Goods Manufactured	70,010	747,145	152,334	969,489
Add Beginning Finished Goods	31,743	414,370	-	446,113
Less Ending Finished Goods	(65,099)	(349,539)	(44,427)	(459,065)
Net Finished goods Transfers	66,992	(106,627)	39,501	(134)
Total Cost of Goods Sold	103,646	705,349	147,408	956,403
Gross Profit	105,913	284,197	97,253	487,363
Allocated Overhead:				
Facility Overhead	-	-	-	-
Sales & Marketing	(17,510)	(82,685)	(20,444)	(120,639)
Distribution Center	4,362	20,596	-	24,958
Central Office	(22,755)	(176,233)	-	(198,988)
General Fund Subsidy	-	-	-	-
Other Income (Expense)	8,450	-	-	8,450
Net Income (Loss)	\$ 78,460	\$ 45,875	\$ 76,809	\$ 201,144

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENSES – BUDGET AND ACTUAL  
For the Fiscal Year Ending June 30, 2010**

**CORRECTIONS INDUSTRIES DIVISION**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Printing and Reproduction	\$ 417,400	\$ 417,400	\$ 879,891	\$ 462,491
Furniture Sales	1,857,100	1,857,100	472,886	(1,384,214)
Other Manufacturing	1,755,200	1,225,200	1,818,774	593,574
Farm Products	222,400	222,400	171,880	(50,520)
Micrographic, Data Entry & Telemarketing Services	355,600	355,600	276,542	(79,058)
Interest on Deposits	30,200	30,200	3,058	(27,142)
Miscellaneous Revenue	-	-	-	-
Other Revenue	-	1,975	21,218	19,243
Total Revenues	<u>4,637,900</u>	<u>4,109,875</u>	<u>3,644,249</u>	<u>(465,626)</u>
Rebudgeted Cash	-	530,000	-	(530,000)
<b>Total Budgeted Revenues</b>	<u>\$ 4,637,900</u>	<u>\$ 4,639,875</u>	<u>\$ 3,644,249</u>	<u>\$ (995,626)</u>
<b>Expenditures</b>				
Personal Services & Employee Benefits	\$ 1,692,200	\$ 1,692,200	\$ 1,593,730	\$ 98,470
Contractual Services	20,700	20,700	-	20,700
Other	2,925,000	2,926,975	2,593,809	333,166
Operating Transfers	-	-	-	-
<b>Total Budgeted Expenditures</b>	<u>4,637,900</u>	<u>4,639,875</u>	<u>4,187,539</u>	<u>452,336</u>
<b>Non-Budgeted Expenditures</b>				
Depreciation Expense	-	-	85,922	(85,922)
<b>Total Budgeted and Non-Budgeted Expenditures</b>	<u>\$ 4,637,900</u>	<u>\$ 4,639,875</u>	<u>\$ 4,273,461</u>	<u>\$ 366,414</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
For the Fiscal Year Ending June 30, 2010**

	Balance as of June 30, 2009	Additions	Deletions	Balance as of June 30, 2010
<b>ASSETS</b>				
Cash	\$ 1,166,503	\$ 4,634,234	\$ (5,005,618)	\$ 795,119
Due from Others	1,235,275	991,618	(1,235,275)	991,618
Total Assets	<u>2,401,778</u>	<u>5,625,852</u>	<u>(6,240,893)</u>	<u>1,786,737</u>
<b>LIABILITIES</b>				
Due to Other State Agencies	26,149	38,985	(26,149)	38,985
Due to Others	785,319	164,465	(785,319)	164,465
Deposits Held for Others	1,590,310	1,583,287	(1,590,310)	1,583,287
Total Liabilities	<u>2,401,778</u>	<u>1,786,737</u>	<u>(2,401,778)</u>	<u>1,786,737</u>

The accompanying notes are an integral part of the financial statements



**SINGLE AUDIT SECTION**

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ending June 30, 2010**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>			
Pass-through programs from the New Mexico Higher Education Department			
Adult Basic Education	84.002	71-9981	200,286
ARRA State Fiscal Stabilization Fund - Government Services	84.397	S397A090032	20,000,000
Total U.S. Department of Education programs			<u>20,200,286</u>
<b>U.S. Department of Justice</b>			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2008-AP-BX-1317	1,464,600
Career Pathways Initiative	16.579	2007-DD-BX-0721	62,210
United States Marshal	16.738		25,034
Total Direct Programs			<u>1,551,844</u>
Pass-through programs from the State Department of Public Safety			
Residential Substance Abuse for State Prisoners	16.593	05-RT-BX-040	1,276
Residential Substance Abuse for State Prisoners	16.593	06-RT-BX-040	53,030
Residential Substance Abuse for State Prisoners	16.593	07-RT-BX-040	23,835
ARRA-Edward Byrne Memorial Justice Assistance Grant	16.803	RA-JAG-NMCD-SFY10	64,400
Bullet Proof Vest Program	16.607	1121-0235	15,156
Pass-through program from the City of Espanola			
Espanola Westside Weed and Seed Initiative	16.595	2008-WS-QX-0173	5,624
Total pass-through programs			<u>163,321</u>
Total U.S. Department of Justice programs			<u>1,715,165</u>
Total Expenditures of Federal Awards			<u>\$ 21,915,451</u>

Note: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. There were no federal awards expended in the form of non-cash assistance during the year. There were no loans for loan guarantees during the year.

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

Mr. Joe R. Williams, Secretary, Corrections Department,  
New Mexico Corrections Commission and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, the combining and individual funds, fiduciary fund, and related budgetary comparisons presented as supplemental information of the New Mexico Corrections Department (Department) as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 6, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in



Mr. Joe R. Williams, Secretary, Corrections Department,  
New Mexico Corrections Commission and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Internal Control Over Financial Reporting - continued**

internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as findings 10-01, 10-02, and 08-01.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the Department, the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyers + Company, LLC*

December 6, 2010



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Mr. Joe R. Williams, Secretary, Corrections Department,  
New Mexico Corrections Commission and  
Mr. Hector H. Balderas  
New Mexico State Auditor

**Compliance**

We have audited the State of New Mexico Corrections Department's (Department) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2010. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the 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, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.



Mr. Joe R. Williams, Secretary, Corrections Department,  
New Mexico Corrections Commission and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Internal Control Over Compliance.**

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the Department, the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyers + Company, LLC*

December 6, 2010

**NEW MEXICO CORRECTIONS DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

**Findings for Fiscal Year 2008**

**Current Status**

07-02	Procurement Violations	Resolved
08-01	Inventory Control	Repeated and Modified
09-01	Lack of Supporting Documentation for Contracts	Resolved
09-02	Operating Lease Schedule of Future Minimum Lease Payments	Resolved
09-03	Acquiring Capital Assets	Resolved

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDING JUNE 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the State of New Mexico Corrections Department (Department).
2. Three deficiencies in internal control were disclosed during the audit of the financial statements and are reported in the 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*. None of these deficiencies were considered to be a significant deficiency or a material weakness.
3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of major federal award programs as reported in the Independent Auditors' Report on Compliance with Requirements that could have a direct and material effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
6. The program tested as a major:

<u>Program Name</u>	<u>CFDA Number</u>
ARRA State Fiscal Stabilization Fund – Government Services	84.397

7. The threshold for distinguishing Types A and B programs was \$657,295.
8. The Department was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**08-01 Inventory Control – Repeated and Modified**

Condition:

During year end inventory observation testwork, we noted multiple instances where there was inadequate training or supervision of employees performing counts at the various locations. Outlined below are examples of this condition:

- At the Roswell Correctional Center Warehouse an inventory item was miscounted. The quantity identified on the count sheet indicated two full boxes of inventory with 96 items in each. However, when one box was opened it contained 64 items of inventory.
- During the inventory observation at Corrections Industries at the Central New Mexico Correctional Facility, it was noted that six out of the twenty items selected for observation had counts on their inventory tags that did not agree to the actual quantity of goods on hand. In addition, for each one of these items, there were signatures on the inventory tags noting that the counts had been verified by at least one reviewer.

Criteria:

According to the State of New Mexico Model Accounting Practices, FIN 10.2, Section F. Physical Inventory, the inventory count is to be performed by two people to added assurance of the quantity on hand of an inventory item. Boxes of inventory should be inspected to determine if the box has been opened. Additionally, inventory tags aid in tracking the quantities observed by specific employees. In addition, reviewers of the inventory process should perform their own recounts before signing that the number on the inventory tag is accurate.

Cause:

Lack of adherence to inventory observation procedures.

Effect:

Inventory balances at year-end could be misstated due to inaccurate observation of inventory on hand.

Recommendation:

We recommend the Department implement training sessions during the year to properly train employees about adequate processes and procedures to follow when performing inventory observation.

Response:

The Department concurs with the recommendation and will remind staff of the internal Departmental processes and procedures as they pertain to inventory as well as the importance of ensuring all inventory is accounted for so that discrepancies do not occur. Each affected organizational unit will make a concerted effort to train staff prior to performing the inventory. As part of training, the Business Manager and/or the Facility Manager will assign staff to facilitate spot checks on inventory counts to compare with actual perpetual inventory. In addition, at year-end specific instructions will be sent out prior to performing inventory counts.

**10-01 Lack of Segregation of Duties**

Condition:

During our walkthrough of the cash receipts process for Probation and Parole (PPD), we noted there is only one individual opening mail, sorting the mail, and preparing the deposit information. The mail received by PPD consists of money orders from individuals on parole, which may be converted to cash easily if the payee line item is not filled out.

Criteria:

In order to have strong internal controls, duties should be properly segregated, allowing no one individual to both open mail containing cash receipts and enter deposit information into the bank. Additionally, the Manual of Model Accounting Practices, FIN 2.3, Part D, 2, per Chapter 6-5-2, NMSA 1978, states that the amount deposited must be verified by an individual independent of the personnel who had access to the monies and/or deposit.

Cause:

Lack of adequate segregation of duties.

Effect:

There is an increased risk for misappropriation of receipts from the mail. The amount of the effect is undeterminable.

Recommendation:

We recommend the Department implements a policy regarding segregation of duties to ensure receipts are reviewed by an independent person before submitting the deposit.

Response:

The NMCD Probation and Parole Division (PPD) will implement an internal procedure to encompass segregation of duties within the probation and parole fees processes. Both PPD offices, which receive fees, will implement the same procedure, which will strengthen the probation and parole fee processes as well as have an enhanced accountability of funds being received.

**10-02 Accounting for Fiduciary Funds**

Condition:

The Department uses the Inmate Trust Accounting System (ITAS), which is a subsystem of software used to track all inmate-related information for the Department. ITAS is used to account for the fiduciary funds which are funds owned by the inmates and which are in the State of New Mexico's SHARE fund 55700. The ITAS software does not readily produce auditable accounting reports such as a trial balance at the end of each month.

Criteria:

The Financial Control Division (FCD) of the New Mexico Department of Finance and Administrations, as authorized by 6-5-2 and 9-6-5 (E) NMSA 1978 has issued regulations titled "Responsibility for Accounting Function" which are Title 2, Chapter 20, Part 5 of the New Mexico Administrative Code (NMAC). These regulations require all accounting systems, including subsidiary systems such as the Department's fiduciary fund accounting system are recording transactions timely, completely, and accurately. FCD has also promulgated the Manual of Model Accounting Practices to provide further guidance to New Mexico state agencies with respect to the SHARE accounting system.

Cause:

The Department is using a database software application to account for fiduciary funds. This software is very specialized and was never intended to produce accounting reports such as a monthly trial balance.

Effect:

The Department is unable to readily produce a monthly trial balance for the fiduciary funds which can be used by management throughout the fiscal year and by the auditors during the annual financial audit.

Recommendation:

The Department should either acquire or develop software which would enable it to extract information from the ITAS system to produce auditable accounting reports including a trial balance at the end of each month.

Response:

The Department concurs with the recommendation and recognizes the importance of accounting for all funds entrusted to the Department and value to readily produce accounting reports from its' Inmate Trust Accounting System (ITAS). The Department is in the process of researching suitable vendors to acquire a new software program. The procurement and implementation of a new software program will be dependent on departmental financial resources.

**C. FINDINGS – FEDERAL PROGRAMS**

**None**

**NEW MEXICO CORRECTIONS DEPARTMENT**  
**Exit Conference**  
**Year Ended June 30, 2010**

An exit conference was held on Thursday, December 9, 2010 and attended by the following:

**New Mexico Corrections Department Personnel:**

Joe R. Williams, Secretary of Corrections  
Jolene M. Gonzales, Deputy Secretary of Administration/Chief Financial Officer  
Jon –Michael Moralez, Deputy Director of Adult Prisons  
Raphael Torres, Bureau Chief, Financial Management Bureau  
Bryan M. Maestas, CGFM, Accounting Manager, Financial Management Bureau  
Francis Page, MA, CFE, Budget Bureau Chief, Administrative Services Division  
Anna Martinez, Deputy Director, Corrections Industries Division  
Mary Alice Baca, Business Manager, Corrections Industries Division  
Vicki Trujillo, Accountant, Financial Management Bureau  
Teresa Larragoite, Business Manager, Probation and Parole Division  
David Jablonski, Deputy Director, Probation and Parole Division

**Via teleconference:**

Lupe Martinez-Marshall, WNMCF Warden  
Deanna Hoisington, WNMCF Deputy Warden  
Norma Patterson, WNMCF, Business Manager  
German Franco, SNMCF Acting Warden  
James Thomas, SNMCF Deputy Warden  
Jose Contreras, SNMCF Business Manager  
Laura Valdez, SNMCF Assistant Business Manager  
Tina Perez, SNMCF Financial Specialist  
Lawrence Jaramillo, PNM Warden  
David Vigil, PNM Business Manager  
Anthony Romero, CNMCF Warden  
Ken Sandlin, CNMCF Deputy Warden  
Joseph Garcia, CNMCF Deputy Warden  
Robert Tenorio, CNMCF Deputy Warden  
Joe Padilla, CNMCF Deputy Warden  
Laura Tafoya, CNMCF Quality Assurance Manager  
Andrew Sweeney, CNMCF Major  
Joe Valencia, CNMCF Business Manager  
Joni Brown, RCC Warden  
Janet Sanders, RCC Business Manager  
Karen Schwarz, RCC Assistant Business Manager  
Mike Martinez, SCC Warden  
Jeri Roever, SCC Business Manager

**Meyners + Company LLC Personnel:**

Janet Pacheco-Morton, CPA, CGFM, Assurance Principal  
Laura Beltran-Schmitz, CPA, CFE, Supervising Senior Accountant  
Ryan Jones, In-Charge Accountant

**New Mexico Office of the State Auditor Personnel:**

Carla Martinez, CPA, Deputy State Auditor  
John Earnshaw, CPA, Audit Manager  
Natalie Cordova, Audit Supervisor