



# State of New Mexico

## New Mexico Corrections Department



### **Financial Statements and Schedules**

**With**

### **Independent Auditors' Report**

**For the Fiscal Year Ended June 30, 2011**

**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, 2011**

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

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**Susana Martinez**  
Governor

**Gregg Marcantel**  
Secretary (505) 827-8884



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<b>Corrections Industries</b>	(505) 827-8597
<b>General Counsel</b>	(505) 827-8698
<b>Information Technology</b>	(505) 827-8713
<b>Probation and Parole</b>	(505) 827-8830
<b>Reentry &amp; Prison Reform</b>	(505) 827-8541
<b>Training Academy</b>	(505) 827-8900

December 13, 2011

The Honorable Susana Martinez, 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, 2011 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 28).

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 38) 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 68-71).

## **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 2011, which provides management with financial and budget information. The Department is in its' fifth 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.
  - ARRA Special Revenue Fund – Page 21.
  
- Proprietary - Corrections Industries Revolving Fund – Page 72.

Also included in this report are individual statements by appropriation unit beginning on page 73.

## **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 with the Office of the State Auditor 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 Maestas, CGFM. We express our sincere appreciation 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, Business Managers, and their staff for their diligence and professionalism regarding matters pertaining to the financial affairs of the Department.

Sincerely,



Gregg Marcantel – Secretary of Corrections  
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, 2011**

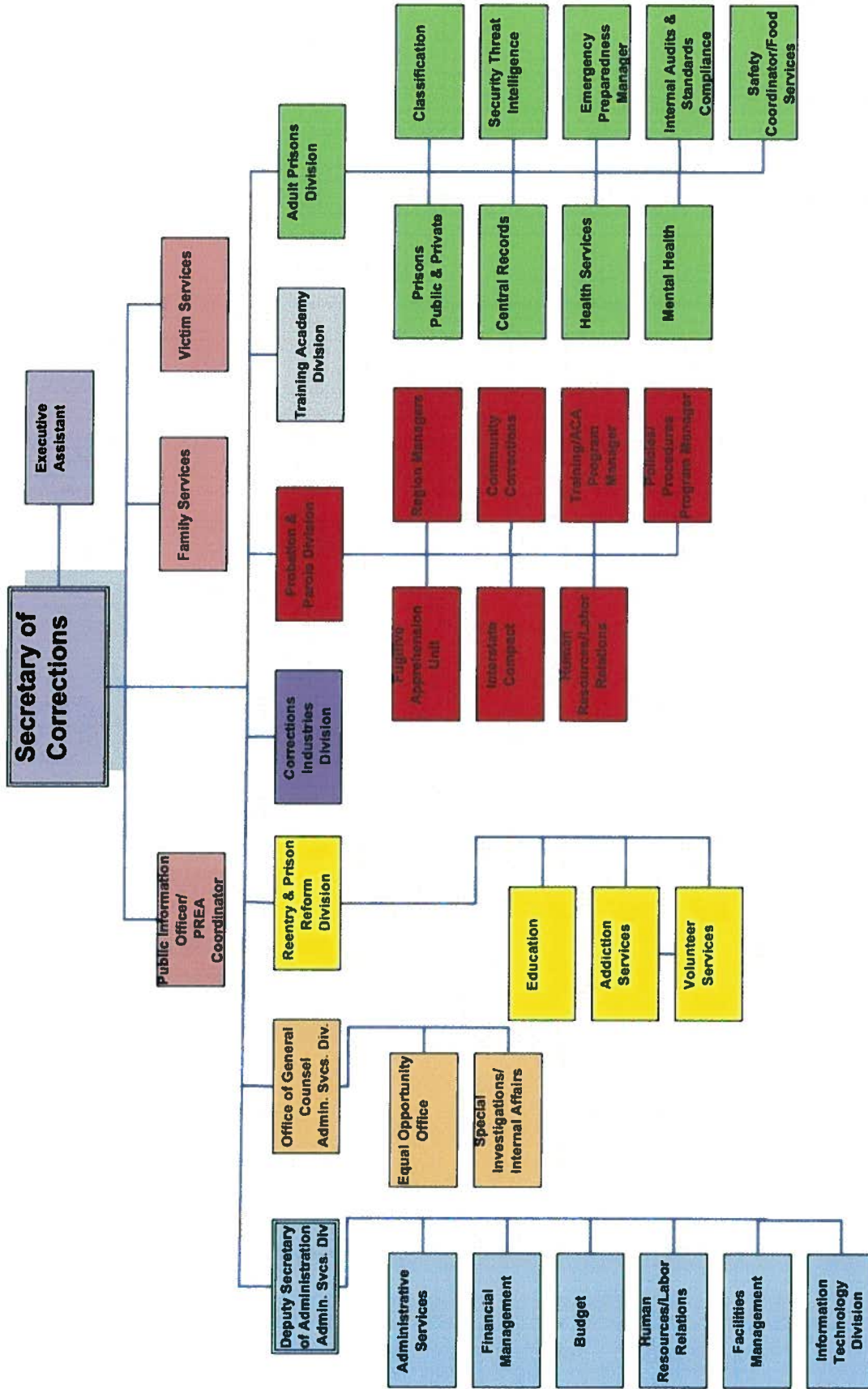
**Administrative Officials**

Gregg Marcantel	Secretary of Corrections
Jerry Roark	Director of Adult Prisons Division
David Bourger	Director of Corrections Industries Division
James Brewster	General Counsel
Tim Oakeley	Acting Director of Information Technology Division
Elsie Duran	Acting Director of Probation and Parole Division
Charlene Knipfing	Director of Reentry & Reform Division
Patrick Apodaca	Deputy Director Training Academy Division

**Corrections Industries Commission**

George Marquez	Chair
John I. Serrano	Member
Michele Marshall	Member
Nick H. Brown	Member
Jay Armijo	Member

**NEW MEXICO CORRECTIONS DEPARTMENT  
ORGANIZATIONAL CHART  
JUNE 30, 2011**





**NEW MEXICO CORRECTIONS DEPARTMENT**  
**List of Abbreviations**  
**JUNE 30, 2011**

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]
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**



State of New Mexico  
*OFFICE OF THE STATE AUDITOR*

**Hector H. Balderas**  
State Auditor

**Carla C. Martinez**  
Deputy State Auditor

**INDEPENDENT AUDITOR'S REPORT**

Mr. Gregg Marcantel, Secretary Designate, Corrections Department  
New Mexico Corrections Department

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and 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, 2011, 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, the fiduciary fund and the budgetary comparisons for the major capital projects fund, the enterprise fund and the individual SHARE funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2011, 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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the 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 positions of each of the individual SHARE funds, major enterprise and fiduciary funds of the Department as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects funds and all individual SHARE funds and the enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2011, 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 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 11 is not a required part of the basic financial statements but is 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 basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 financial statements. The following additional schedules are presented for purposes of additional analysis and are not required parts of the financial statements of the Department: the Schedule of Revenues & Expenditures – Budget to Actual, By Program; the Schedule of Revenues and Expenses, By Enterprise; and the Schedule of Changes in Assets and Liabilities for Agency Funds. 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 as a whole. The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Office of the State Auditor

December 13, 2011

## 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 \$2,808,847. The governmental net assets decreased by \$2,854,423 and the business-type net assets increased by \$45,576.

The business-type activities (Corrections Industries Division) operating revenue decreased by \$609,690 and net results from activities (net income) increased by \$674,788 for a net income of \$45,576 for fiscal year 2011.

The total cost of all Department programs was \$278,861,172.

#### *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.

The New Mexico Corrections Department's total appropriated budget for fiscal year 2011, the decreased by 3.5 percent to \$296.3 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 for statewide general fund, New Mexico Governor Bill Richardson ordered executive agencies to reduce their budgets by 3.2 percent; NMCD's operating budget was reduced over \$8.8 million to \$287.4 million.

In fiscal year 2011, the probation and parole offender population increased by 1.3 percent, however, the year-end inmate population decreased to 6,673 or 1.2 percent less 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 seven of the last eight fiscal years.

In fiscal year 2011, Western New Mexico Correctional Facility (WNMCF) and Southern New Mexico Correctional Facility (SNMCF) both passed the American Correctional Association (ACA) compliance audit to maintain their respective accreditation. Both facilities scored 100 percent compliance from all mandatory standards.

Due to the high turnover rates of previous years, and a renewed increase in the current turnover rate within the Probation and Parole Division (PPD), more than half of the current staff has less than three years of experience. In an effort to stabilize and increase the Division's current turnover and retention rates, PPD continues to work to find solutions while faced with continued budget restrictions. In 2011, the Division instituted a 5% raise for supervisory staff in an effort to increase retention of current supervisors, and to encourage retention and upward mobility of probation and parole officers as well.

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.

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

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 2012, 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 Corizon Health Inc, formerly 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 has successfully graduated 11 International Correctional Instructor classes since 2009 including four classes in fiscal year 2011.

Prison reform and reentry initiatives have become a priority for the entire offender population since the majority of inmates will eventually leave prison and live in our communities. Enhanced preparation tools designed to decrease the frequent obstacles inmates must deal with are being addressed. This innovative approach is clearly a commitment to rethinking and realistically addressing the needs of reentry. It is emphasized that reentry efforts must begin immediately upon admission to prison.

In fiscal year 2011, the Department completed critical-maintenance projects and purchased needed capital outlay items at the public prisons. Some of the items include:

- Completion of kitchen remodel at Roswell Correctional Center (RCC)
- Completed retrofitting two housing units to expand bed capacity at Springer Correctional Center
- Repairs to gas lines for Penitentiary of New Mexico (PNM) staff housing
- Repairs of evaporative coolers for inmate housing units at PNM
- Emergency roof repairs at PNM Level VI
- Continuation of HVAC upgrades at Southern New Mexico Correctional and Central New Mexico Correctional Facility
- Emergency boiler system repairs at Western New Mexico Correctional Facility (WNMCF)
- Emergency evaporative cooler repairs for inmate housing units at WNMCF
- 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. The fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department’s programs. The Department’s fiduciary fund is the Inmate Trust Account.

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

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

#### **Infrastructure Assets**

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

#### **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 2010-2011
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	
Current and Other Assets	\$ 73,694,209	\$ 45,267,860	\$ 4,166,785	\$ 4,196,556	\$ 77,860,994	\$ 49,464,416	-36.47%
Capital and							
Non-Current Assets	34,310,103	31,727,875	345,418	274,699	34,655,521	32,002,574	-7.66%
<b>Total Assets</b>	108,004,312	76,995,735	4,512,203	4,471,255	112,516,515	81,466,990	-27.60%
Current Liabilities	65,868,190	36,153,503	347,065	260,541	66,215,255	37,081,903	-44.00%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
<b>Total Liabilities</b>	65,868,190	36,153,503	347,065	260,541	66,215,255	37,081,903	-44.00%
Net Assets							
Invested in Capital Assets	34,310,103	31,727,875	345,418	274,699	34,655,521	32,002,574	-7.66%
Restricted	6,309,117	7,684,225	-	-	6,309,117	7,684,225	21.80%
Unrestricted	1,516,902	1,430,132	3,819,720	3,936,015	5,336,622	5,366,147	0.55%
<b>Total Net Assets</b>	<b>\$ 42,136,122</b>	<b>\$ 40,842,232</b>	<b>\$ 4,165,138</b>	<b>\$ 4,210,714</b>	<b>\$ 46,301,260</b>	<b>\$ 45,052,946</b>	<b>-2.70%</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, 2011. Net assets for Governmental Activities and Business-type Activities were \$40,842,232 and \$4,210,714, respectively. Total Department net assets for fiscal year 2011 is \$45,052,946. 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 \$1,430,132 at the end of the fiscal year. This results from the New Mexico State Legislature appropriating funds to pay for future liabilities in the year in which they come due.

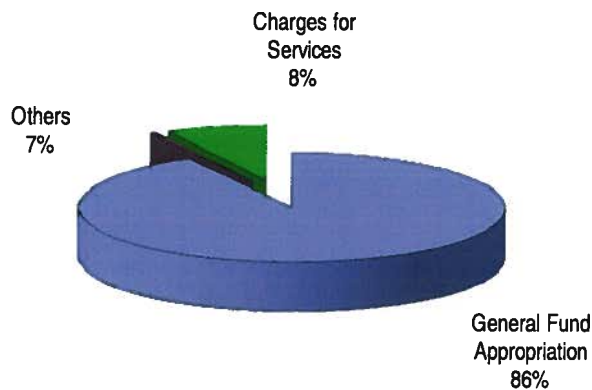
In the Business-type activities, the unrestricted amount of \$3,936,015 cannot be used in governmental activities. The Department generally can only use these net assets to finance the continuing operations of its business activities, such as working capital requirements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2010-2011
	FY2010	FY2011	FY2010	FY2011	FY2010	FY2011	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for Services	\$ 17,766,043	\$ 17,932,485	\$ 3,619,973	\$ 3,010,283	\$ 21,386,016	\$ 20,942,768	-2.07%
Operating Grants & Contributions	21,915,451	1,413,405	-	-	21,915,451	1,413,405	-93.55%
Capital Grants & Contributions	-	-	-	-	-	-	0.00%
<u>General Revenues</u>							
State General Fund							
Appropriations, net of reversions	245,427,923	253,381,007	-	-	245,427,923	253,381,007	3.24%
Others	(9,510,046)	256,318	24,276	58,827	(9,485,770)	315,145	-103.32%
<b>Total Revenues</b>	<b>275,599,371</b>	<b>272,983,215</b>	<b>3,644,249</b>	<b>3,069,110</b>	<b>279,243,620</b>	<b>276,052,325</b>	<b>-1.14%</b>
<b>Expenses</b>							
Public Safety - Corrections	283,557,531	275,837,638	4,273,461	3,023,534	287,830,992	278,861,172	-3.12%
Increase (Decrease) in Net Assets	(7,958,160)	(2,854,423)	(629,212)	45,576	(8,587,372)	(2,808,847)	-67.29%
Beginning Net Assets	48,872,551	42,136,122	4,794,350	4,165,138	53,666,901	46,301,260	-13.72%
Prior Period Adjustment	-	1,560,533	-	-	-	1,560,533	
Net Asset Restatement	1,221,731	-	-	-	1,221,731	-	
Ending Net Assets	<b>\$ 42,136,122</b>	<b>\$ 40,842,232</b>	<b>\$ 4,165,138</b>	<b>\$ 4,210,714</b>	<b>\$ 46,301,260</b>	<b>\$ 45,052,946</b>	<b>-2.70%</b>

**Changes in Net Assets:** The Department's change in net assets for fiscal year 2011 decreased by \$2,808,847. (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).

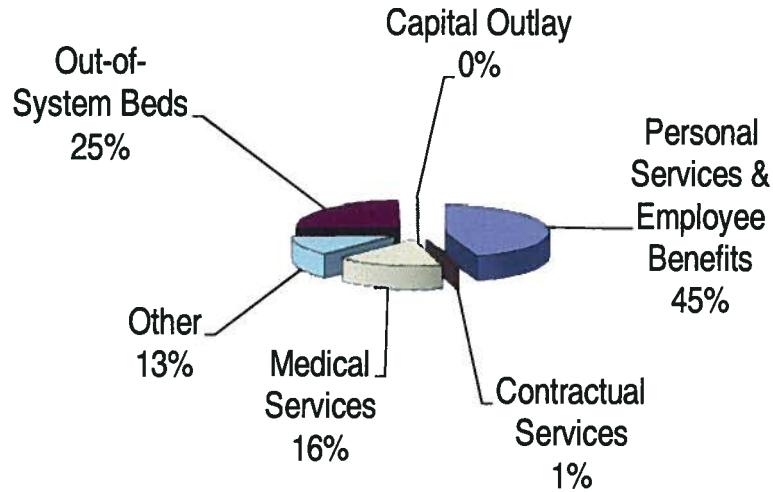
**Figure A-1  
Sources of Revenues for Fiscal Year 2011**



## Functional Expenses for Fiscal Year 2011

### Governmental –Type Activities

Figure A-2



The Department's total expenditures for government-type activities during the fiscal year were \$273.5 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 continues to be aggressive in recruiting correctional officers to fill vacant posts, in order to reduce overtime.

The second largest area of expenditure within the Department is in the category of "Other" costs (38%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 11 approximately 25% 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. Less than one percent of the total expenditures were for capital outlay with the majority of those costs being for computer and machinery.

### Business-Type Activities

Program revenues of the Department's business-type activity (Corrections Industries) decreased approximately 17% percent from \$3.6 million to \$3.0 million and expenses decreased by approximately 29% percent from \$4.3 million to \$3.0 million. Factors contributing to these results are primarily (1) The budget cuts due to the shortfall in expected state revenue which have resulted in another 35% decline in furniture sales and a 57% decline in textile sales forcing CI to consolidate textile programs and shut down the program at the Lea County Correctional Facility in June 2011. (2) The large quantities of finished goods inventory in both furniture and textiles from prior years which have never sold.

### **Fund Balance**

The Department, in its governmental funds, reported a combined fund balance of approximately \$13.2 million, approximately \$1.1 million higher than last year. The primary reason for the increase relates to the Department had more restricted fund balance that was not used and committed fund balance for re-budgeting purposes.

### **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 2011, the Department invested a total of \$31.7 million in governmental-type activities and \$0.3 million in business-type activities for a total amount of \$32.0 million in a variety of capital assets. This amount represents a net decrease (including additions and deletions) of \$2.6 million (-8%) over the last fiscal year. The Department's capital assets remained constant in relation to last fiscal year. Depreciation also increased by \$3.1 million (11%) over the prior period.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2010	2011	2010	2011	2010	2011	2010 - 2011
Buildings and Improvements	32.1	32.1	0.6	0.6	32.7	32.7	0%
Improvements other than Buildings	2.8	2.8	-	-	2.8	2.8	0%
Machinery and Equipment	23.0	23.5	2.1	2.1	25.1	25.6	2%
Automotive	2.6	2.6	0.6	0.6	3.2	3.2	0%
Depreciation	(26.2)	(29.3)	(3.0)	(3.0)	(29.2)	(32.3)	11%
	<u>34.3</u>	<u>31.7</u>	<u>0.3</u>	<u>0.3</u>	<u>34.6</u>	<u>32.0</u>	-8%

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

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

### **Short-Term Debt**

The Department did not have any long-term debt other than compensated absences associated fiscal year 2011. More detailed information regarding the Department's long-term debt is presented in Note 11 to the financial statements.

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

During fiscal year 2011, the New Mexico Corrections Department's (NMCD) initial operating budget decreased by 3.2 percent or \$8.8 million to \$287.5 million, which was attributable to continued decreases in state revenues and the recession. Oil and natural gas royalties remained low, and gross receipts, corporate and personal income taxes dropped due to the sluggish economy. The NMCD was under a hiring freeze, which excluded correctional and probation and parole officers until November 2010, after which time all vacancies were frozen. The hiring freeze was partially lifted in April 2012, however the NMCD is struggling to fill vacant correctional and probation and parole officer positions.

In fiscal year 2011, the probation and parole offender population increased by 1.3 percent, however, the year-end inmate population decreased to 6,673 or 1.2 percent less 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 relatively flat in fiscal year 2012 and is projected to grow at an average rate of 0.84 percent from fiscal year 2012 to 2021. With the current rate of growth, the estimates show that New Mexico will have an offender population of 7,208 by the end of fiscal year 2021.

The Corrections Industries Division (CID) continues to be severely impacted by the cutback in government spending, since CID relies heavily on furniture and textile sales from state agencies. CID is looking at developing other types of enterprise programs as a means of growing their revenues. One possible new program is the re-opening of the License Plate manufacturing plant at the Penitentiary of New Mexico in the later part of fiscal year 2012.

For fiscal year 2012, 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 general fund budget was reduced by an additional \$5.8 million from the previous fiscal year. Because of the reduction in budget, the NMCD needs to maintain strict budget austerity measures and flat contracts (no inflation increases) and in some cases reduce contracts to ensure the budget will be balanced.

NMCD is requesting a total budget of \$287.7 million from all funding sources for fiscal year 2013, which is 3.1 percent increase from the fiscal year 2012 beginning operating budget. Based on October 2011 state revenue projections, all indications point to some growth in state revenues and NMCD staff are hopeful that the budget request will be funded. 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.

Limited growth in New Mexico state government, on a budgetary basis, has continued to affect the Corrections Industries Division's (CID) ability to generate new orders for its standard product (i.e. furniture) from potential state customers. In addition, CID experienced approximately 45.1 percent increase in interest income in fiscal year 2011 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 2011 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, 2011**

	Governmental Activities	Business-type Activities	Total *
<b>ASSETS</b>			
Investments	\$ 38,654,793	\$ 2,609,531	\$ 41,264,324
Petty Cash	2,075	2,750	4,825
Receivables, net of allowance for doubtful accounts	57,982	4,159	62,141
Federal Grants Receivable	356,104	-	356,104
Other Receivables	9,809	-	9,809
Interest Receivable	-	224	224
Internal Balances	(204,777)	204,777	-
Due from Other State Agencies	1,095,563	277,044	1,372,607
Inventories	4,906,800	1,097,100	6,003,900
Prepaid Items	389,511	971	390,482
<b>Total Current Assets</b>	<b>45,267,860</b>	<b>4,196,556</b>	<b>49,464,416</b>
Capital Assets:			
Buildings	32,136,165	630,488	32,766,653
Improvements Other than Buildings	2,815,763	-	2,815,763
Machinery and Equipment	23,517,587	2,069,510	25,587,097
Automotive	2,581,195	618,497	3,199,692
Less Accumulated Depreciation	(29,322,835)	(3,043,796)	(32,366,631)
<b>Total Capital Assets, net of depreciation</b>	<b>31,727,875</b>	<b>274,699</b>	<b>32,002,574</b>
<b>Total Assets</b>	<b>76,995,735</b>	<b>4,471,255</b>	<b>81,466,990</b>
<b>LIABILITIES</b>			
Vouchers Payable	\$ 18,728,767	\$ 159,332	\$ 18,888,099
Payroll Benefits & Taxes Payable	832,430	-	832,430
Accrued Wages Payable	3,164,799	41,596	3,206,395
Compensated Absences Payable:			
Expected to be paid within one year	4,086,835	59,613	4,146,448
Due to State General Fund	9,339,162	-	9,339,162
Due to Other State Agencies	1,510	-	1,510
<b>Total Liabilities</b>	<b>36,153,503</b>	<b>260,541</b>	<b>36,414,044</b>
<b>NET ASSETS</b>			
Invested in Capital Assets	31,727,875	274,699	32,002,574
Restricted for:			
Subsequent Years Expenditures	7,684,225	3,936,015	11,620,240
Unrestricted	1,430,132	-	1,430,132
<b>Total Net Assets</b>	<b>\$ 40,842,232</b>	<b>\$ 4,210,714</b>	<b>\$ 45,052,946</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  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

	Governmental Activities	Business-Type Activities	Total
<b>Expenses</b>			
Public Safety - Corrections	\$ (275,837,638)	\$ -	\$ (275,837,638)
Corrections Industries	-	(3,023,534)	(3,023,534)
<b>Program Revenues</b>			
Charges for Services	17,932,485	3,010,283	20,942,768
Operating Grants & Contributions	1,413,405	-	1,413,405
Capital Grants & Contributions	-	-	-
<b>Changes in net Assets:</b>			
Net Program (Expense) / Revenue	(256,491,748)	(13,251)	(256,504,999)
<b>General Revenues:</b>			
General Fund Appropriation	262,779,600	-	262,779,600
Transfers, net	249,817	-	249,817
Transfers, Severance Tax Bond Appropriation	6,501	-	6,501
Reversions to the State General Fund	(9,398,593)	-	(9,398,593)
Other Revenue	-	54,388	54,388
Unrestricted investment earnings	-	4,439	4,439
Total General Revenues	<u>253,637,325</u>	<u>58,827</u>	<u>253,696,152</u>
Transfers - Internal Activities	-	-	-
<b>Total General Revenues and Transfers</b>	<u>253,637,325</u>	<u>58,827</u>	<u>253,696,152</u>
Change in Net Assets	(2,854,423)	45,576	(2,808,847)
Net Assets - Beginning	42,136,122	4,165,138	46,301,260
Prior Period Adjustment	1,560,533	-	1,560,533
Net Assets beginning, restated	<u>43,696,655</u>	<u>4,165,138</u>	<u>47,861,793</u>
Net Assets - Ending	<u>\$ 40,842,232</u>	<u>\$ 4,210,714</u>	<u>\$ 45,052,946</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF GOVERNMENTAL FUNDS - BALANCE SHEET  
JUNE 30, 2011**

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	State Capital Projects Fund SHARE System Fund 99700	ARRA Special Revenue Fund SHARE System Fund 89000	Total
<b>ASSETS</b>					
Investments	\$ 37,286,101	\$ 1,368,692	\$ -	\$ -	\$ 38,654,793
Petty Cash	2,075	-	-	-	2,075
Receivables, net of allowance for doubtful accounts	57,982	-	-	-	57,982
Federal Grants Receivable	356,104	-	-	-	356,104
Other Receivables	9,809	-	-	-	9,809
Due from Other State Agencies	1,094,709	-	854	-	1,095,563
Inventories	4,906,800	-	-	-	4,906,800
Prepaid Items	389,511	-	-	-	389,511
<b>Total Assets</b>	<b>\$ 44,103,091</b>	<b>\$ 1,368,692</b>	<b>\$ 854</b>	<b>\$ -</b>	<b>\$ 45,472,637</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Vouchers Payable	\$ 18,721,261	\$ 6,652	\$ 854	\$ -	\$ 18,728,767
Payroll Benefits & Taxes Payable	828,164	4,266	-	-	832,430
Accrued Wages Payable	3,151,380	13,419	-	-	3,164,799
Due to Other Funds	204,777	-	-	-	204,777
Due to State General Fund	9,338,991	-	-	-	9,338,991
State Dated Warrants - Due to SGF	171	-	-	-	171
Due to Other State Agencies	1,510	-	-	-	1,510
<b>Total Liabilities</b>	<b>32,246,254</b>	<b>24,337</b>	<b>854</b>	<b>-</b>	<b>32,271,445</b>
<b>Fund Balances:</b>					
Reserved for:					
Nonspendable	5,298,387	-	-	-	5,298,387
Restricted	5,639,870	44,355	-	-	5,684,225
Committed	700,000	1,300,000	-	-	2,000,000
Unassigned	218,580	-	-	-	218,580
<b>Total Fund Balance</b>	<b>11,856,837</b>	<b>1,344,355</b>	<b>-</b>	<b>-</b>	<b>13,201,192</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 44,103,091</b>	<b>\$ 1,368,692</b>	<b>\$ 854</b>	<b>\$ -</b>	<b>\$ 45,472,637</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, 2011**

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>\$ 13,201,192</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	\$ 32,136,165	
Improvements other than buildings	2,815,763	
Machinery and Equipment	23,517,587	
Automotive	2,581,195	
Accumulated depreciation	(29,322,835)	
Total Capital Assets	31,727,875	31,727,875

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

Compensated Absences Payable	(4,086,835)
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Net Assets of Governmental Activities (Statement of Net Assets)	\$ 40,842,232
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The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDING JUNE 30, 2011**

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	State Capital Projects Fund SHARE System Fund 99700	ARRA Special Revenue Fund SHARE System Fund 89000	Total
<b>Revenues</b>					
Charges for Services	\$ 2,189,451	\$ 89,270	\$ -	\$ -	\$ 2,278,721
Intergovernmental	1,800,058	-	-	-	1,800,058
Institutional Sales	1,783,138	-	-	-	1,783,138
Investment Earnings	11,961,550	-	-	-	11,961,550
Miscellaneous	109,018	-	-	-	109,018
Grants and Contributions	1,243,619	-	-	169,786	1,413,405
<b>Total Revenues</b>	<b>19,086,834</b>	<b>89,270</b>	<b>-</b>	<b>169,786</b>	<b>19,345,890</b>
<b>Expenditures, Current</b>					
Personal Services & Employee Benefits	122,256,032	645,627	-	44,598	122,946,257
Contractual Services	46,141,867	3,447	3,402	104,908	46,253,624
Other	100,971,944	2,485,365	-	20,280	103,477,589
Expenditures, Capital Outlay	853,201	-	3,099	-	856,300 *
<b>Total Expenditures</b>	<b>270,223,044</b>	<b>3,134,439</b>	<b>6,501</b>	<b>169,786</b>	<b>273,533,770</b>
Excess (deficiency) Revenues over Expenditures	(251,136,210)	(3,045,169)	(6,501)	-	(254,187,880)
<b>Other Financing Sources (uses)</b>					
State General Fund Appropriations	259,115,400	3,664,200	-	-	262,779,600
Inter-Agency Transfers-In	249,817	-	-	-	249,817
Transfers-In Severance tax bond Proceeds	-	-	6,501	-	6,501
Reversions to State General Fund	(9,398,593)	-	-	-	(9,398,593)
<b>Net Other Financing Sources (uses)</b>	<b>249,966,624</b>	<b>3,664,200</b>	<b>6,501</b>	<b>-</b>	<b>253,637,325</b>
Net Change in Fund Balance	(1,169,586)	619,031	-	-	(550,555)
Fund Balance, Beginning of Year, as previously stated	11,465,890	725,324	-	-	12,191,214
Prior Period Adjustment	1,560,533	-	-	-	1,560,533
Fund Balance, Beginning of Year, restated	13,026,423	725,324	-	-	13,751,747
<b>Fund Balance, End of Year</b>	<b>\$ 11,856,837</b>	<b>\$ 1,344,355</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,201,192</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, 2011**

**Net Change in fund balances - Total Governmental Funds**  
**(Statement of Revenue, Expenditures and Changes in Fund Balance)** **\$ (550,555)**

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	278,360
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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	\$ 856,300	
Depreciation Expense	(3,416,471)	
Excess of Depreciation Expense over Capital Outlay		(2,560,171)

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:

(22,057)

**Change in net assets of governmental activities**  
**(Statement of Activities)**

\$ (2,854,423)

**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, 2011**

	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	Modified Accrual Basis	Favorable (Unfavorable)
<b>Revenues</b>				
Other State Funds	\$ 16,696,600	\$ 17,041,374	\$ 17,843,215	\$ 801,841
Federal Funds	1,178,200	2,690,851	1,243,619	(1,447,232)
<b>Total Revenues</b>	<u>17,874,800</u>	<u>19,732,225</u>	<u>19,086,834</u>	<u>(645,391)</u>
<b>Expenditures, Current</b>				
<b>Personal Services &amp;</b>				
Employee Benefits	132,964,800	129,236,619	122,256,032	6,980,587
Contractual Services	47,931,400	47,200,495	46,141,867	1,058,628
Other	107,854,984	105,482,695	100,971,944	4,510,751
Expenditures, Capital Outlay	-	-	853,201	(853,201)
<b>Total Expenditures</b>	<u>288,751,184</u>	<u>281,919,809</u>	<u>270,223,044</u>	<u>11,696,765</u>
<b>Excess (deficiency) Revenues over Expenditures</b>	<u>(270,876,384)</u>	<u>(262,187,584)</u>	<u>(251,136,210)</u>	<u>11,051,374</u>
<b>Other Financing Sources (uses)</b>				
State General Fund Appropriation	267,804,200	259,115,400	259,115,400	-
Transfers-In	249,800	249,800	249,817	17
Cash Balance Re-Budgeted	2,822,384	2,822,384	-	(2,822,384)
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	-	(9,398,593)	(9,398,593)
<b>Net Other Financing Sources (uses)</b>	<u>270,876,384</u>	<u>262,187,584</u>	<u>249,966,624</u>	<u>(12,220,960)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,169,586)</u>	<u>\$ (1,169,586)</u>
<b>Fund Balance, Beginning of Year, as previously stated</b>			11,465,890	
<b>Prior Period Fund Balance Adjustment</b>			<u>1,560,533</u>	
<b>Fund Balance, Beginning of Year, restated</b>			13,026,423	
<b>Fund Balance, End of Year</b>			<u>\$ 11,856,837</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, 2011**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Other State Funds	\$ 42,100	\$ 42,100	\$ 89,270	\$ 47,170
Federal Funds	-	-	-	-
<b>Total Revenues</b>	<u>42,100</u>	<u>42,100</u>	<u>89,270</u>	<u>47,170</u>
<b>Expenditures, Current</b>				
<b>Personal Services &amp;</b>				
Employee Benefits	763,400	738,600	645,627	92,973
Contractual Services	24,900	24,100	3,447	20,653
Other	3,040,900	2,943,600	2,485,365	458,235
Expenditures, Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<u>3,829,200</u>	<u>3,706,300</u>	<u>3,134,439</u>	<u>571,861</u>
<b>Excess (deficiency) Revenues over Expenditures</b>	<u>(3,787,100)</u>	<u>(3,664,200)</u>	<u>(3,045,169)</u>	<u>619,031</u>
<b>Other Financing Sources (uses)</b>				
State General Fund Appropriation	3,787,100	3,664,200	3,664,200	-
Transfers-In	-	-	-	-
Cash Balance Re-budgeted	-	-	-	-
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	-	-	-
<b>Net Other Financing Sources (uses)</b>	<u>3,787,100</u>	<u>3,664,200</u>	<u>3,664,200</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 619,031</u>	<u>\$ 619,031</u>
<b>Fund Balance, Beginning of Year</b>			<u>725,324</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 1,344,355</u>	

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  
ARRA SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Other State Funds	\$ -	\$ -	\$ -	\$ -
Federal Funds	185,251	169,787	169,786	(1)
Total Revenues	185,251	169,787	169,786	(1)
Expenditures, Current				
Personal Services & Employee Benefits	52,529	44,599	44,598	1
Contractual Services	104,908	104,908	104,908	-
Other	27,814	20,280	20,280	-
Expenditures, Capital Outlay	-	-	-	-
Total Expenditures	185,251	169,787	169,786	1
Excess (deficiency) Revenues over Expenditures	-	-	-	-
Other Financing Sources (uses)				
State General Fund Appropriation	-	-	-	-
Transfers-In	-	-	-	-
Cash Balance Re-budgeted	-	-	-	-
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	-	-	-
Net Other Financing Sources (uses)	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance, Beginning of Year			-	
Fund Balance, End of Year			\$ -	

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011**

**ASSETS**

Current Assets:	
Investments	\$ 2,609,531
Petty Cash	2,750
Receivables (net of allowance for doubtful accounts)	4,159
Interest Receivable	224
Due from Other Funds	204,777
Due from Other State Agencies	277,044
Inventories	1,097,100
Prepaid Items	971
Total Current Assets	<u>4,196,556</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	2,069,510
Buildings and Improvements	630,488
Automotive	618,497
Less Accumulated Depreciation	<u>(3,043,796)</u>
Total Noncurrent Assets	<u>274,699</u>
Total Assets	<u>4,471,255</u>

**LIABILITIES**

Current Liabilities:	
Accounts Payable	159,332
Accrued Wages Payable	41,596
Compensated Absences Payable	59,613
Total Liabilities	<u>260,541</u>

**NET ASSETS**

Invested in Capital Assets	274,699
Restricted	<u>3,936,015</u>
Total Net Assets	<u>\$ 4,210,714</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, 2011**

<b>OPERATING REVENUES</b>		
Sales		\$3,010,283
<b>OPERATING EXPENSES</b>		
Cost of Goods Sold:		
Cost of Materials Used		1,378,694
Direct Labor (inmate payroll)		176,759
Manufacturing and Administrative Overhead		1,302,807
Change in Work in Process and Finished Goods Inventory, Net		88,242
Depreciation Expense		77,032
Total Operating Expenses		3,023,534
<b>OPERATING INCOME (LOSS)</b>		(13,251)
<b>Nonoperating revenue (expense):</b>		
Interest on Deposits with State Treasurer		4,439
Miscellaneous Income		54,388
Total nonoperating revenue / (expense)		58,827
<b>CHANGE IN NET ASSETS</b>		45,576
<b>Total Net Assets, July 1, 2010</b>		4,165,138
<b>Total Net Assets, June 30, 2011</b>		\$4,210,714

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, 2011**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 3,010,283
Cash Payments to Suppliers for Goods and Services	(913,244)
Cash Payments to Employees for Services	(1,135,594)
Cash Payments to Inmates for Services	(176,759)
	<hr/>
Net Cash Used by Operating Activities	784,686
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(6,313)
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(6,313)
Cash Flows from Investing Activities:	
Interest Income	4,439
Miscellaneous Income	54,388
	<hr/>
Net Cash Received from Investing Activities	58,827
Net Increase (Decrease) in Cash	837,200
Cash at Beginning of Year (including petty cash)	1,775,081
	<hr/>
Cash at End of Year (including petty cash)	\$ 2,612,281
	<hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	(13,251)
	<hr/>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	77,032
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	2,529
(Increase) Decrease in Prepaid Expenses	(971)
(Increase) Decrease in Interest Receivable	71
(Increase) Decrease in Due from Other Funds	117,798
(Increase) Decrease in Due from Other State Agencies	542,923
(Increase) Decrease in Inventory	145,079
Increase (Decrease) in Accounts Payable	(39,479)
Increase (Decrease) in Compensated Absences Payable	(22,334)
Increase (Decrease) in Accrued Wages Payable	(24,711)
	<hr/>
Total Adjustments and Changes	797,937
Net Cash Provided (Used) by Operating Activities	\$ 784,686
	<hr/>

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, 2011**

	Inmate Trust Account
<b>ASSETS</b>	
Cash	\$ 1,658,004
Due from Others	872,363
Total Assets	\$ 2,530,367
<b>LIABILITIES</b>	
Due to Other State Agencies	\$ 33,687
Due to Others	783,701
Deposits Held for Others	1,712,979
Total Liabilities	\$ 2,530,367

\* Please refer to Schedule of Changes in Assets and Liabilities on page 78 for detail information.



***NOTES TO THE FINANCIAL STATEMENTS***

**NEW MEXICO CORRECTIONS DEPARTMENT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2011**

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

### **Corrections Industries Division**

The Director of the Corrections Industries Division is responsible to the Secretary of the Department 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.

### **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.

Since 1999, the Department has been reporting its financial statements to comply with GASB #34. As a part of this Statement, there is a reporting requirement regarding the 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 GASB #51 effective July 1, 2009. These statements did not have a significant impact on the financial statements of the Department.

The Department also implemented the provisions of GASB #54 effective July 1, 2010. In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See page 39 and Note 15 for additional information about fund balances.

## **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**

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. Additionally internal activity has been eliminated at this level of presentation.

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

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc). 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. This fund is a non-reverting special revenue fund.

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

Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget

balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

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

1. The budget 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 BALANCE**

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

The fair value of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2011.

<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	\$ 41,264,324
Petty Cash held by the Department		4,825
Total Investments or Cash Equivalents		<u>\$ 41,269,149</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.

## 2. 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.

The Department complies with Article IV, Section 32 of the New Mexico Constitution as it pertains to the remission or forgiveness of debts due to the state or to municipalities. The Department continues to track and communicate with vendors that are listed within its' outstanding accounts receivable listing to recover outstanding balances still owed to the Department. For financial statement purposes only, the total amount the General and Enterprise funds have estimated as being the allowance to be written off prior to fiscal year 2011 has been \$178,125 and \$290,270, respectively. In fiscal year 2011, the amount to be written off for financial statement purposes is listed below.

Accounts Receivable consists of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Accounts Receivable	\$ 278,983	\$ 244,596	\$ 523,579
Less: Allowance for doubtful accounts	(221,001)	(240,437)	(461,438)
Net Accounts Receivable	<u>\$ 57,982</u>	<u>\$ 4,159</u>	<u>\$ 62,141</u>

## 3. Federal Grants Receivable:

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

**4. Due 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, 2011 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	204,777	90700	192,507
			91500	12,270
Totals		<u>\$ 204,777</u>		<u>\$ 204,777</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	192,507	07700	192,507
General Fund	91500	12,270	07700	12,270
Totals		<u>\$ 204,777</u>		<u>\$ 204,777</u>



**5. 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, 2011 consist of the following:

**Interagency Receivables**

<b>Fund Type</b>	<b>SHARE Fund Number</b>	<b>Due From Other Agencies</b>	<b>Due From SHARE Agency Number</b>	<b>Due From SHARE Fund Number</b>	<b>Amount</b>
General Fund	90700	\$ 1,094,709	33700	60100	\$ 962,063
			80500	20100	59,160
			52100	19900	67,916
			Various	Various	5,570
State Capital Projects Fund	99700	854	34100	66400	854
Enterprise Fund	07700	277,044	80500	20100	118,989
			35000	64100	34,266
			52100	19900	19,412
			Various	Various	104,377
Totals		<u>\$ 1,372,607</u>			<u>\$ 1,372,607</u>

**Interagency Payables**

<b>Fund Type</b>	<b>SHARE Fund Number</b>	<b>Due to Other Agencies</b>	<b>Due to SHARE Agency Number</b>	<b>Due to SHARE Fund Number</b>	<b>Amount</b>
Agency Fund	55700	\$ 33,687	78000	06300	\$ 33,687
General Fund	90700	<u>1,510</u>	30500	17000	<u>1,510</u>
Totals		<u>\$ 35,197</u>			<u>\$ 35,197</u>

## 6. 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 \$4,906,800, consist of generic supplies and materials in the various department operated correctional facilities. Inventories are valued using the average cost method. A portion of the amount reported in nonspendable fund balance represents inventories and indicates that supplies inventories are not available expendable resources for Department programs.

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

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

Raw Materials	\$	390,831
Work in Progress		116,240
Finished Goods		<u>590,029</u>
Total Inventory	\$	<u>1,097,100</u>

## 7. Prepaid Items

These amounts represent prepayment of postage and fuel, which has benefit to the Department beyond the fiscal year, ending June 30, 2011. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used. A portion of the amount reported in nonspendable fund balance represents prepaid items.

## 8. 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 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.

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 2011. The Department has one internally generated intangible asset (software), which is capitalized.

## **9. Compensated Absences**

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

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

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

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.

## **10. Deferred Revenues**

Deferred revenues represent a liability for the Governmental Funds. Deferred revenues are used to account for (1) an overdraw of cash (advances) or receipt of grant funds in excess of modified accrual basis expenditures 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. Deferred revenues also arise when resources are received by the Department before it has legal claim to them or when resource inflows that do not yet meet the criteria or eligibility requirements for revenue recognition.

## **11. Due To State General Fund (Reversions)**

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the total 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. Additionally, any unexpended balance of this fund is classified as cash balance. These revenues support expenditures for the payment of maintenance and repairs at the Central Office and Training Academy Complex [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]
- 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. Amounts recovered during fiscal year 2011 in the amount of \$59,602 was reverted from fund 90700 during the year and not included in the amount listed below. Amounts due to the State General Fund for the year ending June 30, 2011 were paid in September 2011.

Current year reversions *Due to the State General Fund* as of June 30, 2011 were as follows:

General Fund	SHARE System Fund 90700	SHARE System Fund 91500	Total
Current Year:			
FY 11 Reversions	\$ 7,367,322	\$ 1,742,635	\$ 9,109,957
FY 11 Excess Revenues Over Budget	131,123	1,366	132,489
Prior Year:			
Prior Year Refunds	76,862	6,570	83,432
Prior Year Reimbursements	13,113	-	13,113
Total FY 11 Reversions	7,588,420	1,750,571	9,338,991
State Dated Warrants	171	-	171
Total Reversions Due to General Fund	<u>\$ 7,588,591</u>	<u>\$ 1,750,571</u>	<u>\$ 9,339,162</u>

## 12. Reservations of Fund Balance

Effective in fiscal year 2011, the Department implemented GASB 54—Fund Balance Reporting and Governmental Fund Type Definitions. The new pronouncement 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. The definition of each classification is summarized below:

### Non-Spendable Fund Balance

The portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

### Restricted Fund Balance

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

### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

### Assigned Fund Balance

The portion of fund balance that are constrained by the government's *intent* to be used for specific purposes, but that are neither restricted nor committed.

### Unassigned Fund Balance

The portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Additionally, the Department maintains a cash balance designation for contingency purposes. This designation is less than one percent (1%) 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 Net Assets** – are liquid assets (generated from revenues and not bond proceeds), which have third-party constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation limiting their use.

The Department follows GASB 46 "Net Assets Restricted by Enabling Legislation". The government-wide statements of net assets reports \$45,052,946, of which \$11,620,240 is restricted by enabling legislation.

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

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

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

### **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 2011.

	(1)	(2)	Total
Appropriations	<u>\$ 150,600</u>	<u>\$ 800,000</u>	<u>\$ 950,600</u>
Expended FY 11	-	-	-
Reverted FY 11	-	-	-
Remainder	<u>150,600</u>	<u>800,000</u>	<u>950,600</u>
Amount Received	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- 1) 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 within the building fund 89800 (Z90152) in the amount of \$272,384. The remaining budget balance is \$150,600. Funds budgeted within fund 89800 are statutory non-reverting. Outstanding Encumbrances: -0-. Unencumbered Balance: \$150,600.
  
- 2) 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. The source of these funds budgeted are statutory non-reverting. 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, 2011, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total Amount on Deposit	\$ 1,668,399
Less: Amount covered by FDIC	<u>(250,000)</u>
Total Uninsured Funds	<u>1,418,399</u>
Amount requiring collateral (50%) *	<u>\$ 709,200</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**

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type</u>
<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 06/30/11</b>	<b>Reconciled Book Balance at 06/30/11</b>
90700	State Treasury	No	\$ 31,185,635	\$ 31,185,635
89800	State Treasury	No	150,602	150,602
91500	State Treasury	No	5,949,864	5,949,864
N/A	Petty Cash	No	2,075	2,075
			<u>37,288,176</u>	<u>37,288,176</u>
90200	State Treasury	No	1,368,692	1,368,692
			<u>1,368,692</u>	<u>1,368,692</u>
07700	State Treasury	Yes	2,609,531	2,609,531
N/A	Petty Cash	No	2,750	2,750
			<u>2,612,281</u>	<u>2,612,281</u>
99700	State Treasury	No	-	-
			<u>-</u>	<u>-</u>
55700	Checking	No	1,668,399	1,658,004
			<u>1,668,399</u>	<u>1,658,004</u>

**NOTE 5: CAPITAL ASSETS**

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

	Beginning Balance 07/01/10	Additions	Deletions	Ending Balance 06/30/11
<b>Governmental-type Activities:</b>				
Buildings and Improvements	\$ 32,133,066	\$ 3,099	\$ -	\$ 32,136,165
Improvements other than Buildings	2,815,763	-	-	2,815,763
Machinery and Equipment	22,980,860	847,601	(310,874)	23,517,587
Automotive	2,575,595	5,600	-	2,581,195
Total Capital Assets at Historical Cost	<u>60,505,284</u>	<u>856,300</u>	<u>(310,874)</u>	<u>61,050,710</u>
Less: Accumulated Depreciation				
Buildings and Improvements	10,695,989	1,525,661	-	12,221,650
Improvements other than Buildings	542,080	134,026	-	676,106
Machinery and Equipment	12,849,389	1,647,321	(288,817)	14,207,893
Automotive	2,107,723	109,463	-	2,217,186
Total Accumulated Depreciation	<u>26,195,181</u>	<u>3,416,471</u>	<u>(288,817)</u>	<u>29,322,835</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,310,103</u>	<u>\$ (2,560,171)</u>	<u>\$ (22,057)</u>	<u>\$ 31,727,875</u>
<b>Business-type Activities:</b>				
Buildings and Improvements	\$ 630,488	\$ -	\$ -	\$ 630,488
Machinery and Equipment	2,063,197	6,313	-	2,069,510
Automotive	618,497	-	-	618,497
Total Capital Assets at Historical Cost	<u>3,312,182</u>	<u>6,313</u>	<u>-</u>	<u>3,318,495</u>
Less: Accumulated Depreciation				
Machinery and Equipment	1,854,344	35,361	-	1,889,705
Buildings and Improvements	470,885	21,648	-	492,533
Automotive	641,535	20,023	-	661,558
Total Accumulated Depreciation	<u>2,966,764</u>	<u>77,032</u>	<u>-</u>	<u>3,043,796</u>
Enterprise Fund Capital Assets, Net	<u>\$ 345,418</u>	<u>\$ (70,719)</u>	<u>\$ -</u>	<u>\$ 274,699</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 \$3,416,471 and \$77,032 for the governmental and enterprise funds, respectively. On the Statement of Activities, these amounts are included in the Public Safety-Corrections and Corrections Industries categories, accordingly.

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

**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%. Laws of 2011, Chapter 178 extended this temporary shift. For the period from July 1, 2011 to June 30, 2012, the employer contribution rates will be reduced by 1.75% and the employee contribution rates will be increased by 1.75%. 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, 2011, 2010, and 2009 were \$7,649,097, \$8,146,335, and \$12,939,037, respectively, which equal the amount of the required contributions for each year.

**ERB 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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. 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).

**ERB Funding Policy**

Effective July 1, 2009 through June 30, 2011, 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. Effective July 1, 2011 plan members are 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 are required to contribute 11.15% of their gross salary. The Corrections Department is required to contribute 12.4 % of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. 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, 2011, 2010, and 2009, were \$771,185, \$792,189, and \$339,197, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE 7: RETIREE HEALTH CARE**

**RHCA Plan Description**

The Corrections Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit 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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee is required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 and 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>
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (correctional officers), during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's salary, and each participating employee was required to contribute 1.042% of their salary. In fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
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.

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, 2011, 2010, and 2009 were \$1,427,090, \$1,467,901, and \$1,772,339, 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, 2011 the value of the Department's interest in the State Permanent Fund was \$216,641,031 at market. Income from the trust for the year then ended was \$10,856,923.

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 \$95,857,434 at June 30, 2011. Income from the trust for the year then ended was \$690,718.

**NOTE 9: 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 \$6,501 during the year ended June 30, 2011.

**NOTE 10: 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 are being accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, all lease agreements include a cancellation clause and are contingent upon legislative appropriation.

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

<b>Year Ended June 30,</b>	
2012	\$ 4,073,650
2013	3,355,406
2014	2,879,234
2015	2,224,229
2016	2,067,397
Thereafter	<u>3,498,276</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 18,098,192</u></b>

During the year ended June 30, 2011, general fund operating lease expenditures for facilities, vehicles, and equipment totaled \$4,689,244.

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>	
2012	\$ 101,730
<b>Total Minimum Lease Payments</b>	<b><u>\$ 101,730</u></b>

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>	
2012	\$ 1,275
<b>Total Minimum Lease Payments</b>	<b><u>\$ 1,275</u></b>

**NOTE 11: CHANGES IN SHORT-TERM LIABILITIES**

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

	Balance Beginning	Increase	(Decrease)	Balance Ending*
Compensated Absences:				
Annual Leave	\$ 3,924,962	\$ 3,267,472	\$ (3,530,991)	\$ 3,661,443
Compensatory Leave	364,591	1,395,861	(1,401,039)	359,413
Sick Leave	75,642	144,358	(154,021)	65,979
Total Long-Term Liabilities	<u>\$ 4,365,195</u>	<u>\$ 4,807,691</u>	<u>\$ (5,086,051)</u>	<u>\$ 4,086,835</u>

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

	Balance Beginning	Increase	(Decrease)	Balance Ending*
Compensated Absences:				
Annual Leave	\$ 69,236	\$ 35,116	\$ (46,082)	\$ 58,270
Compensatory Leave	12,711	3,436	(14,804)	1,343
Sick Leave	-	1,211	(1,211)	-
Total Long-Term Liabilities	<u>\$ 81,947</u>	<u>\$ 39,763</u>	<u>\$ (62,097)</u>	<u>\$ 59,613</u>

\*The estimated amount expected to be paid for Compensated Absences within one year is \$4,086,835, which is listed on the Statement of Net Assets on page 13. The General Operating Funds typically have been used to liquidate short-term liabilities like capital leases and compensated absences. The General Operating Funds used are SHARE funds 89800, 90200, 90700, and 91500. The estimated balance of \$59,613 for the business-type activities is expected to be paid for within one year.

**NOTE 12: PRIOR PERIOD ADJUSTMENT**

A prior period adjustment has been made to correct the beginning net assets and fund balance as of July 1, 2010. This adjustment corrects the current year's opening balances in net assets and General Fund balance for federal grant revenue that was erroneously reported as deferred revenue as of June 30, 2010. This adjustment only affects the beginning net assets on the Statement of Activities and the beginning fund balance on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

	Fund Level
Fund Balance, beginning of year, as previously stated	\$ 11,465,890
To adjust fund balance for federal revenue received in a prior year	1,560,533
Fund Balance, Beginning of Year, restated	<u>\$ 13,026,423</u>

	Government- Wide Level
Net Assets, Beginning of Year, as previously stated	\$ 42,136,122
To adjust fund balance for federal revenue received in a prior year	1,560,533
Net Assets, Beginning of Year, restated	<u>\$ 43,696,655</u>



**NOTE 13: 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) \$262,779,600 of State General Fund Appropriations. (2) \$249,817 was received from GSD Risk Management Division for costs related to legal staff defending the Department in Pro Se cases. (3) \$6,501 was received from the State Board of Finance for ongoing projects being conducted throughout the state. (4) The Department transferred to the State General Fund as part of its reversions \$9,398,593. This amount includes \$59,602 that was reverted from fund 90700 during the fiscal year (additional information regarding this amount can be found in Note 2-9 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	\$ 3,664,200	\$ -
(1) SHARE System Fund 90700	34101-85300	231,612,500	-
(1) SHARE System Fund 91500	34101-85300	27,502,900	-
<b>Total State General Fund Appropriations</b>		<b>\$ 262,779,600</b>	<b>\$ -</b>
<b>General Fund</b>			
(2) SHARE System Fund 90700	35000-35703	\$ 249,817	\$ -
<b>Total Operating Transfers - General Fund</b>		<b>\$ 249,817</b>	<b>\$ -</b>
<b>State Capital Projects Fund</b>			
(3) SHARE System Fund 99700	34100-66400	\$ 6,501	\$ -
<b>Total Operating Transfers - State Capital Projects Fund</b>		<b>\$ 6,501</b>	<b>\$ -</b>
<b>State General Fund Reversions</b>			
(4) SHARE System Fund 90700	34100-85300	-	7,648,022
(4) SHARE System Fund 91500	34100-85300	-	1,750,571
<b>Total State General Fund Reversions</b>		<b>\$ -</b>	<b>\$ 9,398,593</b>

**NOTE 14: CONCENTRATIONS AND INTERFUND TRANSACTIONS**

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, 2011 amounted to \$1,142,046.

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, 2011 the Enterprise Fund incurred \$176,759 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, 2011 the General Fund recorded \$1,361,662 in such revenues.

**NOTE 15: 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 16: FUND BALANCE**

**Government Fund Balances - Restricted and Committed**

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

The following is a summary of the Restricted Fund Balance amounts by fund type at June 30, 2011:

Governmental Funds	
General Operating Fund (90700)	\$3,467,494
Probation and Parole Fund (91500)	2,021,774
Community Corrections Special Revenue Fund (90200)	44,355
Building Fund (89800)	<u>150,602</u>
	<u><u>\$5,684,225</u></u>

The amounts in Committed Fund Balance is cash balance that would be requested for re-budget in future years. The Department did request the use of \$100,000 and \$250,000 in its fiscal year 2012 request and \$100,000 and \$250,000 in its fiscal year 2013 request. These amounts requested were in the General Operating Fund 90700 and 91500, respectively, thereby reducing the amount of the appropriation request. 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 budget request and \$600,000 in its fiscal year 2013 budget request, thereby reducing the amount of the appropriation request

The following is a summary of the Committed Fund Balance amounts by fund type at June 30, 2011:

Governmental Funds	
General Operating Fund (90700)	\$ 200,000
Probation and Parole Fund (91500)	500,000
Community Corrections Special Revenue Fund (90200)	<u>1,300,000</u>
	<u><u>\$2,000,000</u></u>

The Department has a portion of fund balance in the amount of \$5,298,387 that is Nonspendable. This amount includes prepaid expenses, inventories, and petty cash. The Department also has a portion of fund balance in the amount of \$218,580 listed as Unassigned Fund Balance.

**NOTE 17: JPA AND MOU DISCLOSURE**

The Department was a party to the following Joint Power Agreements (JPA) and Memorandums of Understanding (MOU) during fiscal year 2011:

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 2011: -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 2011: -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 2011: \$1,004.48
- o Audit Responsibility: GSD
- o Revenue Reported: NMCD

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 2011: -0-
- o Audit Responsibility: SCSWA
- o Revenue Reported: NMCD

NOTE 17: JPA and MOU Disclosure (Continued)

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 2011: -0-
- o Audit Responsibility: NMCD
- o Revenue Reported: NMDOH

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 2011: -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 2011: -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 2011: -0-
- o Audit Responsibility: NMDOT
- o Revenue Reported: NMCD

NOTE 17: 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 2011: -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 2011: -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 2011: -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 of 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 2011: -0-
- o Audit Responsibility: City of Las Cruces
- o Revenue Reported: NMCD

NOTE 17: 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 2011: \$4,500
- 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 2011: -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 2011: -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 2011: -0-
- o Audit Responsibility: NMCD / GCCF
- o Revenue Reported: GCCF

NOTE 17: 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.

- o Responsible Party for Operations: NMCD / INL
- o Time Period: February 24, 2010 – January 31, 2011
- o Total Estimated Amount of Project: Actual Cost/Reimbursement
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2011: \$115,086
- o Audit Responsibility: NMCD / INL
- o Revenue Reported: NMCD

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

- o Responsible Party for Operations: NMCD
- o Time Period: May 4, 2005 - Indefinite
- o Total Estimated Amount of Project: \$23,579
- o Portion Applicable to NMCD: \$23,579
- o Amount Agency Contributed in Fiscal Year 2011: \$23,579
- o Audit Responsibility: NMCD
- o 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.

- o Responsible Party for Operations: NMDMA
- o Time Period: April 25, 2005 - Indefinite
- o Total Estimated Amount of Project: Income
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2011: -0-
- o Audit Responsibility: NMDMA
- o Revenue Reported: NMCD

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.

- o Responsible Party for Operations: NMCD
- o Time Period: April 25, 2005 - Indefinite
- o Total Estimated Amount of Project: Actual Costs
- o Portion Applicable to NMCD: Actual Costs
- o Amount Agency Contributed in Fiscal Year 2011: -0-
- o Audit Responsibility: NMCD
- o Revenue Reported: NMDOH



NOTE 17: JPA and MOU Disclosure (Continued)

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

- o Responsible Party for Operations: NMCD / FBI
- o Time Period: April 25, 2005 - Indefinite
- o Total Estimated Amount of Project: Income
- o Portion Applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2011: -0-
- o Audit Responsibility: FBI
- o 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.

- o Responsible Party for Operations: NMCD
- o Time Period: July 1, 2009 – June 30, 2011
- o Total estimated amount of project: \$22,000
- o Portion applicable to NMCD: \$22,000
- o Amount Agency Contributed in Fiscal Year 2011 - \$22,000
- o Audit Responsibility: NMCD
- o 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.

- o Responsible Party for Operations: NMCD/Bernalillo County
- o Time Period: July 16, 2010 – November 30, 2010
- o Total estimated amount of project: \$6,612
- o Portion applicable to NMCD: -0-
- o Amount Agency Contributed in Fiscal Year 2011: -0-
- o Audit Responsibility: NMCD
- o Revenue Reported: Bernalillo county

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.

- o Responsible Party for Operations: NMCD
- o Time Period: Indefinite
- o Total Estimated Amount of Project: Actual Cost/Reimbursement
- o Portion Applicable to NMCD: Actual Cost/Reimbursement
- o Amount Agency Contributed in Fiscal Year 2011: -0-
- o Audit Responsibility: NMCD / US Marshal's Service
- o Revenue Reported: NMCD

NOTE 17: JPA and MOU Disclosure (Continued)

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 2011: \$1,366
- 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, 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).

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

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

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

- Education Bureau (EDB)
- Health Services Bureau (HSB)
- Adult Prisons Division (APD)
- Corrections Training Academy (CTA)
- Addiction Services Bureau (ASB)
- 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)

### **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)
- State Capital Projects Fund (99700)

**NEW MEXICO CORRECTIONS DEPARTMENT  
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**BUILDING FUND  
SHARE FUND 89800**

	<b>Life-to-Date Budgeted Amounts</b>	<b>FY 11 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	272,384	-	272,384	-
<b>Total Budgeted Revenues</b>	<b>\$ 272,384</b>	<b>\$ -</b>	<b>\$ 272,384</b>	<b>\$ -</b>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	-	-	-
Other	272,384	-	121,784	150,600
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
<b>Total Budgeted Expenditures</b>	<b>\$ 272,384</b>	<b>\$ -</b>	<b>\$ 121,784</b>	<b>150,600</b>

\*\$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, 2011**

**GENERAL OPERATING FUND  
SHARE FUND 90700**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State General Fund	\$ 239,379,100	\$ 231,612,500	\$ 231,612,500	\$ -
Other State Funds	14,696,600	15,041,374	15,735,680	694,306
Inter-Agency Transfers	249,800	249,800	249,817	17
Federal Funds	1,178,200	2,650,893	2,754,857	103,964
Total Revenues	\$ 255,503,700	249,554,567	250,352,854	798,287
Rebudgeted Cash	2,300,000	2,300,000	-	(2,300,000)
<b>Total Budgeted Revenues</b>	\$ 257,803,700	\$ 251,854,567	\$ 250,352,854	\$ (1,501,713)
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 113,499,200	\$ 110,323,961	\$ 104,290,817	\$ 6,033,144
Contractual Services	47,892,000	47,162,395	46,109,417	1,052,978
Other	96,412,500	94,368,211	92,258,749	2,109,462
Operating Transfers	-	-	-	-
Reversions	-	-	7,648,022	(7,648,022)
<b>Total Budgeted Expenditures</b>	\$ 257,803,700	\$ 251,854,567	\$ 250,307,005	\$ 1,547,562

\* \$2,300,000 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, 2011**

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

	<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	\$ 28,425,100	\$ 27,502,900	\$ 27,502,900	\$ -
Other State Funds	2,000,000	2,000,000	2,107,535	107,535
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	39,958	49,295	9,337
Total Revenues	<u>30,425,100</u>	<u>29,542,858</u>	<u>29,659,730</u>	<u>116,872</u>
Rebudgeted Cash	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
<b>Total Budgeted Revenues</b>	<u><u>\$ 30,675,100</u></u>	<u><u>\$ 29,792,858</u></u>	<u><u>\$ 29,659,730</u></u>	<u><u>\$ (133,128)</u></u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 19,465,600	\$ 18,912,658	\$ 17,965,215	\$ 947,443
Contractual Services	39,400	38,100	32,450	5,650
Other	11,170,100	10,842,100	9,566,396	1,275,704
Operating Transfers	-	-	-	-
Reversions	-	-	1,750,571	(1,750,571)
<b>Total Budgeted Expenditures</b>	<u><u>\$ 30,675,100</u></u>	<u><u>\$ 29,792,858</u></u>	<u><u>\$ 29,314,632</u></u>	<u><u>\$ 478,226</u></u>

\* \$250,000 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, 2011**

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

	<u>Life-to-Date Budgeted Amounts</u>	<u>FY 11 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	6,501	986,319	(13,681)
Federal Funds	-	-	-	-
Total Revenues	<u>1,000,000</u>	<u>6,501</u>	<u>986,319</u>	<u>(13,681)</u>
Rebudgeted Cash	-	-	-	\$ -
<b>Total Budgeted Revenues</b>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 6,501</u></u>	<u><u>\$ 986,319</u></u>	<u><u>\$ (13,681)</u></u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	62,611	3,402	58,932	3,679
Other	927,389	3,099	927,387	2
Operating Transfers	10,000	-	-	10,000
Reversions	-	-	-	-
<b>Total Budgeted Expenditures</b>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 6,501</u></u>	<u><u>\$ 986,319</u></u>	<u><u>\$ 13,681</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, 2011**

<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	\$ 150,602	\$ 31,185,635	\$ 5,949,864	\$ 37,286,101
Petty Cash	-	2,075	-	2,075
Receivables net				
of allowance for doubtful accounts	-	57,982	-	57,982
Federal Grants Receivable	-	356,104	-	356,104
Other Receivables	-	9,809	-	9,809
Due from Other State Agencies	-	1,094,709	-	1,094,709
Inventories	-	4,674,642	232,158	4,906,800
Prepaid Items	-	349,408	40,103	389,511
<b>Total Assets</b>	<b>\$ 150,602</b>	<b>\$ 37,730,364</b>	<b>\$ 6,222,125</b>	<b>\$ 44,103,091</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Vouchers Payable	\$ -	\$ 17,589,003	\$ 1,132,258	\$ 18,721,261
Payroll Benefits & Taxes Payable	-	751,344	76,820	828,164
Accrued Wages Payable	-	2,695,209	456,171	3,151,380
Due to Other Funds	-	192,507	12,270	204,777
Due to State General Fund	-	7,588,420	1,750,571	9,338,991
State Dated Warrants - Due to SGF	-	171	-	171
Due to Other State Agencies	-	1,510	-	1,510
<b>Total Liabilities</b>	<b>-</b>	<b>28,818,164</b>	<b>3,428,090</b>	<b>32,246,254</b>
<b>Fund Balances:</b>				
Reserved for:				
Nonspendable	-	5,026,126	272,261	5,298,387
Restricted	150,602	3,467,494	2,021,774	5,639,870
Committed	-	200,000	500,000	700,000
Unassigned	-	218,580	-	218,580
<b>Total Fund Balance</b>	<b>150,602</b>	<b>8,912,200</b>	<b>2,794,035</b>	<b>11,856,837</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 150,602</b>	<b>\$ 37,730,364</b>	<b>\$ 6,222,125</b>	<b>\$ 44,103,091</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, 2011**

	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	\$ -	\$ 15,735,680	\$ 2,107,535	\$ 17,843,215
Federal Grants	-	1,198,351	45,268	1,243,619
<b>Total Revenues</b>	<b>-</b>	<b>16,934,031</b>	<b>2,152,803</b>	<b>19,086,834</b>
<b>Expenditures, Current</b>				
Personal Services & Employee Benefits	-	104,290,817	17,965,215	122,256,032
Contractual Services	-	46,109,417	32,450	46,141,867
Other	-	91,405,548	9,566,396	100,971,944
Expenditures, Capital Outlay	-	853,201	-	853,201
<b>Total Expenditures</b>	<b>-</b>	<b>242,658,983</b>	<b>27,564,061</b>	<b>270,223,044</b>
<b>Excess (deficiency) Revenues over Expenditures</b>	<b>-</b>	<b>(225,724,952)</b>	<b>(25,411,258)</b>	<b>(251,136,210)</b>
<b>Other Financing Sources (uses)</b>				
General Fund Appropriation	-	231,612,500	27,502,900	259,115,400
Operating Transfers-In	-	249,817	-	249,817
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	(7,648,022)	(1,750,571)	(9,398,593)
<b>Net Other Financing Sources (uses)</b>	<b>-</b>	<b>224,214,295</b>	<b>25,752,329</b>	<b>249,966,624</b>
<b>Excess Revenues and Other Financing Sources over (under) Expenditures &amp; Other Financing Uses</b>	<b>-</b>	<b>(1,510,657)</b>	<b>341,071</b>	<b>(1,169,586)</b>
<b>Fund Balance, Beginning of Year, as previously stated</b>	<b>150,602</b>	<b>8,866,351</b>	<b>2,448,937</b>	<b>11,465,890</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>1,556,506</b>	<b>4,027</b>	<b>1,560,533</b>
<b>Fund Balance, Beginning of Year, restated</b>	<b>150,602</b>	<b>10,422,857</b>	<b>2,452,964</b>	<b>13,026,423</b>
<b>Fund Balance, End of Year</b>	<b>\$ 150,602</b>	<b>\$ 8,912,200</b>	<b>\$ 2,794,035</b>	<b>\$ 11,856,837</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) 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, and Central Office "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, 2011**

	Furniture	Tele- marketing	Cleaning Products*	Textiles*	PNM Data Entry
Revenue from Sales	\$ 268,694	\$ 144,809	\$ 410,992	\$ 1,238,227	\$ 110,000
Manufacturing Costs:					
Costs of Materials Used:					
Beginning Inventory - Materials	132,091	3,093	15,206	261,749	-
Materials Purchases	94,208	-	241,911	536,380	-
Net Material Transfers	-	-	-	-	-
Materials Available	226,299	3,093	257,117	798,129	-
Less Ending Inventory	(105,776)	(2,828)	(40,745)	(205,040)	-
Cost of Materials Used	120,523	265	216,372	593,089	-
Direct Labor - Inmate Pay	28,691	17,111	7,490	70,338	14,702
Manufacturing Overhead:					
Salaries	153,127	66,822	21,983	126,951	24,900
Benefits	59,522	26,712	11,860	61,531	16,292
In-State Travel	676	544	-	9,791	288
Maintenance & Repairs	1,003	20	-	75	163
Supplies	1,726	2,049	-	6,568	201
Contractual Services	-	-	-	-	-
Other Costs	3,188	8,402	675	9,670	669
Out-of-State Travel	-	-	-	-	-
Irrigation Fees	-	-	-	-	-
Depreciation	9,036	126	20,037	2,533	727
Miscellaneous	2,119	-	-	70	-
Total Manufacturing Overhead	230,397	104,675	54,555	217,189	43,240
Total Manufacturing Costs	379,611	122,051	278,417	880,616	57,942
Add Beginning Work in Process	142,036	-	-	-	-
Less Ending Work in Process	(116,240)	-	-	-	-
Total Cost of Goods Manufactured	405,407	122,051	278,417	880,616	57,942
Add Beginning Finished Goods	167,610	-	20,059	459,065	-
Less Ending Finished Goods	(166,090)	-	(28,546)	(391,918)	-
Net Finished goods Transfers	314	(212)	2,411	(1,235)	46
Total Cost of Goods Sold	407,241	121,839	272,341	946,528	57,988
Gross Profit	(138,547)	22,970	138,651	291,699	52,012
Allocated Overhead:					
Facility Overhead	-	-	-	-	-
Sales & Marketing	(12,196)	-	(18,657)	(56,209)	-
Distribution Center	4,479	-	6,852	12,829	-
Central Office	(55,320)	(32,994)	(14,442)	(135,624)	(28,348)
General Fund Subsidy	-	-	-	-	-
Other Income (Expense)	-	-	-	-	-
Net Income (Loss)	\$ (201,584)	\$ (10,024)	\$ 112,404	\$ 112,695	\$ 23,664

The accompanying notes are an integral part of the financial statements

GCCF Print	LLCC Farm	Sales & Marketing	Distribution Center	Central Office	Total Industries
\$ 92,884	\$ 185,500	\$ -	\$ 559,177	\$ -	\$ 3,010,283
26,170	9,359	-	-	-	447,668
54,763	37,126	-	357,056	413	1,321,857
-	(7,214)	19	7,195	-	-
80,933	39,271	19	364,251	413	1,769,525
(29,509)	(6,933)	-	-	-	(390,831)
51,424	32,338	19	364,251	413	1,378,694
8,880	25,910	-	1,451	2,186	176,759
14,555	10,576	70,983	90,028	237,438	817,363
8,004	4,490	25,011	40,421	64,388	318,231
198	1,076	416	20,152	8,703	41,844
2,142	2,713	-	354	4,945	11,415
8,911	1,423	-	-	1,115	21,993
1,027	-	-	-	238	1,265
11,038	555	2,036	1,000	17,430	54,663
-	-	-	-	-	-
-	32,989	-	-	-	32,989
3,841	16,615	1,235	15,811	7,071	77,032
-	-	-	-	855	3,044
49,716	70,437	99,681	167,766	342,183	1,379,839
110,020	128,685	99,700	533,468	344,782	2,935,292
-	-	-	-	-	142,036
-	-	-	-	-	(116,240)
110,020	128,685	99,700	533,468	344,782	2,961,088
5,741	-	-	-	-	652,475
(3,475)	-	-	-	-	(590,029)
(2,143)	-	-	-	819	-
110,143	128,685	99,700	533,468	345,601	3,023,534
(17,259)	56,815	(99,700)	25,709	(345,601)	(13,251)
-	-	-	-	-	-
(4,216)	(8,421)	99,699	-	-	-
1,548	-	-	(25,708)	-	-
(17,122)	(49,959)	-	(2,798)	336,607	-
-	-	-	-	-	-
-	-	-	-	58,827	58,827
\$ (37,049)	\$ (1,565)	\$ (1)	\$ (2,797)	\$ 49,833	\$ 45,576

\* Roll-up for 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 CLEANING PRODUCTS BY FACILITY  
For the Fiscal Year Ending June 30, 2011**

	WNMCF Soap Shop	WNMCF Plastics	Total Cleaning Products
Revenue from Sales	\$ 131,710	\$ 279,282	\$ 410,992
<b>Manufacturing Costs:</b>			
<b>Costs of Materials Used:</b>			
Beginning Inventory - Materials	5,456	9,750	15,206
Materials Purchases	83,633	158,278	241,911
Net Material Transfers	-	-	-
Materials Available	<u>89,089</u>	<u>168,028</u>	<u>257,117</u>
Less Ending Inventory	<u>(13,352)</u>	<u>(27,393)</u>	<u>(40,745)</u>
Cost of Materials Used	<u>75,737</u>	<u>140,635</u>	<u>216,372</u>
Direct Labor - Inmate Pay	<u>2,985</u>	<u>4,505</u>	<u>7,490</u>
<b>Manufacturing Overhead:</b>			
Salaries	10,666	11,317	21,983
Benefits	6,256	5,604	11,860
In-State Travel	-	-	-
Maintenance & Repairs	-	-	-
Supplies	-	-	-
Contractual Services	-	-	-
Other Costs	675	-	675
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	2,552	17,485	20,037
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	<u>20,149</u>	<u>34,406</u>	<u>54,555</u>
Total Manufacturing Costs	98,871	179,546	278,417
Add Beginning Work in Process	-	-	-
Less Ending Work in Process	-	-	-
Total Cost of Goods Manufactured	<u>98,871</u>	<u>179,546</u>	<u>278,417</u>
Add Beginning Finished Goods	18,299	1,760	20,059
Less Ending Finished Goods	<u>(18,169)</u>	<u>(10,377)</u>	<u>(28,546)</u>
Net Finished goods Transfers	<u>2,411</u>	<u>-</u>	<u>2,411</u>
Total Cost of Goods Sold	<u>101,412</u>	<u>170,929</u>	<u>272,341</u>
Gross Profit	30,298	108,353	138,651
<b>Allocated Overhead:</b>			
Facility Overhead	-	-	-
Sales & Marketing	(5,979)	(12,678)	(18,657)
Distribution Center	2,196	4,656	6,852
Central Office	(5,756)	(8,686)	(14,442)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	<u>\$ 20,759</u>	<u>\$ 91,645</u>	<u>\$ 112,404</u>

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, 2011**

	CCA Textiles	LCCF Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 331,462	\$ 438,163	\$ 468,602	\$ 1,238,227
Manufacturing Costs:				
Costs of Materials Used:				
Beginning Inventory - Materials	72,000	189,749	-	261,749
Materials Purchases	132,807	88,732	314,841	536,380
Net Material Transfers	(223)	223	-	-
Materials Available	204,584	278,704	314,841	798,129
Less Ending Inventory	(74,246)	(130,794)	-	(205,040)
Cost of Materials Used	130,338	147,910	314,841	593,089
Direct Labor - Inmate Pay	12,572	54,659	3,107	70,338
Manufacturing Overhead:				
Salaries	41,475	74,361	11,115	126,951
Benefits	21,985	33,739	5,807	61,531
In-State Travel	5,106	3,924	761	9,791
Maintenance & Repairs	72	3	-	75
Supplies	1,467	2,645	2,456	6,568
Contractual Services	-	-	-	-
Other Costs	1,960	7,679	31	9,670
Out-of-State Travel	-	-	-	-
Irrigation Fees	-	-	-	-
Depreciation	1,179	1,354	-	2,533
Loss on Disposal of Equipment	-	-	-	-
Miscellaneous	-	70	-	70
Total Manufacturing Overhead	73,244	123,775	20,170	217,189
Total Manufacturing Costs	216,154	326,344	338,118	880,616
Add Beginning Work in Process	-	-	-	-
Less Ending Work in Process	-	-	-	-
Total Cost of Goods Manufactured	216,154	326,344	338,118	880,616
Add Beginning Finished Goods	65,099	349,539	44,427	459,065
Less Ending Finished Goods	(69,772)	(243,771)	(78,375)	(391,918)
Net Finished goods Transfers	470	(2,928)	1,223	(1,235)
Total Cost of Goods Sold	211,951	429,184	305,393	946,528
Gross Profit	119,511	8,979	163,209	291,699
Allocated Overhead:				
Facility Overhead	-	-	-	-
Sales & Marketing	(15,047)	(19,890)	(21,272)	(56,209)
Distribution Center	5,525	7,304	-	12,829
Central Office	(24,241)	(105,393)	(5,990)	(135,624)
General Fund Subsidy	-	-	-	-
Other Income (Expense)	-	-	-	-
Net Income (Loss)	\$ 85,748	\$ (109,000)	\$ 135,947	\$ 112,695

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, 2011**

**CORRECTIONS INDUSTRIES DIVISION**

Revenues	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts GAAP Basis	Favorable (Unfavorable)
Printing and Reproduction	\$ 441,900	\$ 441,900	\$ 652,061	\$ 210,161
Furniture Sales	1,846,200	1,846,200	268,694	(1,577,506)
Other Manufacturing	1,939,500	1,939,500	1,649,219	(290,281)
Farm Products	179,000	179,000	185,500	6,500
Micrographic, Data Entry & Telemarketing Services	328,800	328,800	254,809	(73,991)
Interest on Deposits	7,100	7,100	4,439	(2,661)
Other Revenue	-	-	54,388	54,388
<b>Total Revenues</b>	<b>4,742,500</b>	<b>4,742,500</b>	<b>3,069,110</b>	<b>(1,673,390)</b>
Rebudgeted Cash	-	-	-	-
<b>Total Budgeted Revenues</b>	<b>\$ 4,742,500</b>	<b>\$ 4,742,500</b>	<b>\$ 3,069,110</b>	<b>\$ (1,673,390)</b>
<b>Expenditures</b>				
Personal Services & Employee Benefits	\$ 2,106,500	\$ 2,106,500	\$ 1,135,594	\$ 970,906
Contractual Services	20,700	20,700	-	20,700
Other	2,615,300	2,615,300	1,810,908	804,392
Operating Transfers	-	-	-	-
<b>Total Budgeted Expenditures</b>	<b>4,742,500</b>	<b>4,742,500</b>	<b>2,946,502</b>	<b>1,795,998</b>
<b>Non-Budgeted Expenditures</b>				
Depreciation Expense	-	-	77,032	(77,032)
<b>Total Budgeted and Non-Budgeted Expenditures</b>	<b>\$ 4,742,500</b>	<b>\$ 4,742,500</b>	<b>\$ 3,023,534</b>	<b>\$ 1,718,966</b>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**PROGRAM SUPPORT**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State General Fund	\$ 8,015,900	\$ 7,755,800	\$ 7,755,800	\$ -
Other State Funds	102,500	101,412	118,816	17,404
Inter-Agency Transfers	249,800	249,800	249,817	17
Federal Funds	-	-	-	-
Total Revenues	8,368,200	8,107,012	8,124,433	17,421
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	\$ 8,368,200	\$ 8,107,012	\$ 8,124,433	\$ 17,421
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 6,359,800	\$ 6,164,500	\$ 5,370,847	\$ 793,653
Contractual Services	468,500	453,300	335,418	117,882
Other	1,539,900	1,489,212	1,978,391	(489,179) *
Operating Transfers	-	-	-	-
Reversions	-	-	407,199	(407,199)
Total Budgeted Expenditures	\$ 8,368,200	\$ 8,107,012	\$ 8,091,855	\$ 15,157

\* Negative variance above in the "Other" category is due to a reclassification of expenses from the Personal Services & Employee Benefits and Contractual Services categories to reflect expenses related to the required implementation of GASB #51 pronouncement; therefore, reclassification was for financial statement presentation only. Compliance regarding budget was followed and the above listed Program did not exceed its budgetary control.

The accompanying notes are an integral part of the financial statements



**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**INMATE MANAGEMENT and CONTROL**

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
State General Fund	\$ 231,363,200	\$ 223,856,700	\$ 223,856,700	\$ -
Other State Funds	14,594,100	14,939,962	15,616,864	676,902
Inter-Agency Transfers	-	-	-	-
Federal Funds	1,178,200	2,650,893	2,754,857	103,964
Total Revenues	247,135,500	241,447,555	242,228,421	780,866
Rebudgeted Cash	1,500,000	1,500,000	-	(1,500,000)
Total Budgeted Revenues	\$ 248,635,500	\$ 242,947,555	\$ 242,228,421	\$ (719,134)
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 107,139,400	\$ 104,159,461	\$ 98,919,970	\$ 5,239,491
Contractual Services	47,423,500	46,709,095	45,773,999	935,096
Other	94,072,600	92,078,999	90,280,358	1,798,641
Operating Transfers	-	-	-	-
Reversions	-	-	7,240,823	(7,240,823)
Total Budgeted Expenditures	\$ 248,635,500	\$ 242,947,555	\$ 242,215,150	\$ 732,405

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

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**COMMUNITY OFFENDER MANAGEMENT**

	<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	\$ 28,425,100	\$ 27,502,900	\$ 27,502,900	\$ -
Other State Funds	2,000,000	2,000,000	2,107,535	107,535
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	39,958	49,295	9,337
Total Revenues	<u>30,425,100</u>	<u>29,542,858</u>	<u>29,659,730</u>	<u>116,872</u>
Rebudgeted Cash	250,000	250,000	-	(250,000)
Total Budgeted Revenues	<u>\$ 30,675,100</u>	<u>\$ 29,792,858</u>	<u>\$ 29,659,730</u>	<u>\$ (133,128)</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ 19,465,600	\$ 18,912,658	\$ 17,965,215	\$ 947,443
Contractual Services	39,400	38,100	32,450	5,650
Other	11,170,100	10,842,100	9,566,396	1,275,704
Operating Transfers	-	-	-	-
Reversions	-	-	1,750,571	(1,750,571)
Total Budgeted Expenditures	<u>\$ 30,675,100</u>	<u>\$ 29,792,858</u>	<u>\$ 29,314,632</u>	<u>\$ 478,226</u>

\* \$250,000 was re-budgeted from cash balance

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**COMMUNITY CORRECTIONS – VENDOR OPERATED**

	<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	\$ 3,787,100	\$ 3,664,200	\$ 3,664,200	\$ -
Other State Funds	42,100	42,100	89,270	47,170
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	<u>3,829,200</u>	<u>3,706,300</u>	<u>3,753,470</u>	<u>47,170</u>
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	<u>\$ 3,829,200</u>	<u>\$ 3,706,300</u>	<u>\$ 3,753,470</u>	<u>\$ 47,170</u>
<b>EXPENDITURES</b>				
Personal Services &				
Employee Benefits	\$ 763,400	\$ 738,600	\$ 645,627	\$ 92,973
Contractual Services	24,900	24,100	3,447	20,653
Other	3,040,900	2,943,600	2,485,365	458,235
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	<u>\$ 3,829,200</u>	<u>\$ 3,706,300</u>	<u>\$ 3,134,439</u>	<u>\$ 571,861</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM  
FOR THE FISCAL YEAR ENDING JUNE 30, 2011**

**Z 00113 – FUND 90700**

	<b>Life-to-Date Budgeted Amounts</b>	<b>FY 11 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	800,000	-	-	800,000
Total Budgeted Revenues	<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,000</u>
<b>EXPENDITURES</b>				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	-	-	-
Other	800,000	-	-	800,000
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	<u>\$ 800,000</u>	<u>\$ -</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**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**For the Fiscal Year Ending June 30, 2011**

	Balance as of June 30, 2010	Additions	Deletions	Balance as of June 30, 2011
<b>ASSETS</b>				
Cash	\$ 795,119	\$ 5,083,215	\$ (4,220,330)	\$ 1,658,004
Due from Others	991,618	872,363	(991,618)	872,363
Total Assets	<u>1,786,737</u>	<u>5,955,578</u>	<u>(5,211,948)</u>	<u>2,530,367</u>
<b>LIABILITIES</b>				
Due to Other State Agencies	38,985	33,687	(38,985)	33,687
Due to Others	164,465	783,701	(164,465)	783,701
Deposits Held for Others	1,583,287	1,712,979	(1,583,287)	1,712,979
Total Liabilities	<u>\$ 1,786,737</u>	<u>\$ 2,530,367</u>	<u>\$ (1,786,737)</u>	<u>\$ 2,530,367</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, 2011**

<b>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>			
Direct Programs:			
Incarcerated Individuals Program	84.331	Q331A100032	\$ 64,404
Pass-through programs from the New Mexico Higher Education Department			
Adult Basic Education	84.002	71-9981	172,309
Total U.S. Department of Education programs			<u>236,713</u>
<b>U.S. Department of Justice</b>			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2008-AP-BX-1317	1,556,000
Prisoner Reentry Initiative	16.753	2010-DD-BX-0622	31,704
Organized Crime Drug Enforcement Task Forces	16.579	245D-AO-63435	1,769
United States Marshal	16.738		21,405
Total Direct Programs			<u>1,610,878</u>
Pass-through programs from the State Department of Public Safety			
Residential Substance Abuse for State Prisoners	16.593	2007-RT-BX-0039	30,260
Residential Substance Abuse for State Prisoners	16.593	2008-RT-BX-0041	43,837
ARRA-Edward Byrne Memorial Justice Assistance Grant	16.803	RA-JAG-NMCD-SFY10	169,786
Bullet Proof Vest Program	16.607	1121-0235	39,237
Pass-through program from Region III Enforcement Task Force-Santa Fe County			
Narcotics Task Force	16.004	MOU	4,396
Pass-through program from the Children, Youth and Families Department			
AmeriCorps Program-Opportunities with AmeriCorps for Reentry Success	94.006	09FHNM001	143,516
Pass-through program from the City of Rio Rancho			
ARRA-New Mexico Gang Task Force Grant	16.803	09-RA-JAG-RRNMGT-F-SFY10	27,456
Total pass-through programs			<u>458,488</u>
Total U.S. Department of Justice programs			<u>2,069,366</u>
Total Expenditures of Federal Awards			<u>\$ 2,306,079</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.



State of New Mexico  
*OFFICE OF THE STATE AUDITOR*

Hector H. Balderas  
State Auditor

Carla C. Martinez  
Deputy State Auditor

**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. Gregg Marcantel, Secretary Designate, Corrections Department,  
New Mexico Corrections Department

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, the 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, 2011. 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

Management of the Department is responsible for establishing and maintaining effective 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 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 noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraph 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 08-01, 10-02 and 11-01, 11-02, 11-03, 11-04, 11-05, 11-06, 11-07, 11-08, and 11-09.

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.

Office of the State Auditor

December 13, 2011



State of New Mexico  
*OFFICE OF THE STATE AUDITOR*

**Hector H. Balderas**  
State Auditor

**Carla C. Martinez**  
Deputy State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
PROGRAM-SPECIFIC AUDIT OPTION UNDER OMB CIRCULAR A-133**

Mr. Gregg Marcantel, Secretary Designate, Corrections Department,  
New Mexico Corrections Department

**Compliance**

We have audited the State of New Mexico Corrections Department (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 the Department's major federal programs for the year ended June 30, 2011. The Department's major federal program is 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 its major federal program is the responsibility of the Department's management. Our responsibility is to express an opinion 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 its major federal program for the year ended June 30, 2011.

**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.

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.

Office of the State Auditor ✓

December 13, 2011

**NEW MEXICO CORRECTIONS DEPARTMENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

**Findings for Fiscal Year 2010**

**Current Status**

08-01	Inventory Control	Repeated and Modified
10-01	Lack of Segregation of Duties	Resolved
10-02	Accounting for Fiduciary Funds	Repeated and Modified

**NEW MEXICO CORRECTIONS DEPARTMENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDING JUNE 30, 2011**

**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. Eleven 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>
State Criminal Alien Assistance Program	16.606

7. The threshold for distinguishing Types A and B programs was \$300,000.
8. The Department was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**08-01 Inventory control – Repeated and Modified - (Other)**

Condition:

During the year- end inventory observation testwork, we noted an instance where there was inadequate training or supervision of employees performing counts at one location. Outlined below is an example of this condition:

- At the Southern New Mexico Correctional Facility Warehouse an inventory item was miscounted. The quantity identified on the count sheet indicated 42 full boxes of inventory, however, when OSA and the NMCD staff counted all the boxes there were a total of 5 boxes that were a different type of inventory item that should not have been included.

Criteria:

According to the State of New Mexico Model Accounting Practices, FIN 10.5, Section F. Physical Inventory, the inventory count is to be performed by two people to add assurance of the quantity at hand of an inventory item. Boxes

of inventory should be inspected to determine if the box has been opened. In addition, reviewers of the inventory should perform their own recounts before signing that number on the inventory item.

Cause:

Lack of adherence to inventory observation procedures.

Effect:

Inventory balances 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. The staff at the Southern New Mexico Correctional Facility (SNMCF) have received a refresher training on inventory including the process to open all boxes and examine its contents at the time of physical inventory counts. Staff will also be reminded of the importance of ensuring all inventory is accounted for properly so that discrepancies do not occur in the future.

**10-02 Accounting for fiduciary funds - Repeated and Modified - (Other)**

Condition:

The NMCD presents in its audit report a "Statement of Fiduciary Assets and Liabilities". The title of the statement implies that all of the funds disclosed on this statement are "agency" funds. The agency funds included in this statement are used to account for money that belongs to inmates in the various prisons. The accounting and financial reporting for agency funds is very simple; generally the only asset is cash in the bank and the counter-balancing credit is a liability often titled "Funds held for others." All of the financial reporting for agency funds occurs on a statement of position, either a balance sheet or a statement of assets and liabilities. There is no activity statement that discloses the amount of money received and expended during the fiscal period.

The NMCD also uses the fiduciary funds to account for the operation of a number of inmate stores at the various prisons. The inmate stores purchase merchandise for resale to the inmates. The inmate stores sell goods to the inmates for a modest profit. Profits from the sales to the inmates are accumulated and used to purchase equipment used in the inmates' gymnasium. Not all of the merchandise purchased during the fiscal year was sold during the fiscal year. Thus, as of the balance sheet date, the inmate stores also held a small amount of inventory that is omitted from the Statement of Fiduciary Assets and Liabilities.

The NMCD 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. Further, ITAS was designed to account for agency funds, not operations such as inmate stores.

Criteria:

The Financial Control Division (FCD) of the New Mexico Department of Finance and Administration (DFA), 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 to record transactions timely. 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 NMCD 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 or to account for a business-type activity such as an inmate store.

Effect:

The NMCD is currently including in its "Statement of Fiduciary Assets and Liabilities" amounts that are not agency funds. Further, it is not disclosing the activity of the inmate stores in a meaningful manner. Also, the NMCD 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. Further, the NMCD is not able to produce meaningful statements of operations for activities such as the inmate stores and canteens. Without a monthly trial balance, the NMCD does not have a readily determinable "per books" balance of cash to which it can reconcile the Inmate Trust bank account. As of the balance sheet date, the auditors have noted a difference of \$10,395 between the master bank account of all the fiduciary funds and the amount recorded in the SHARE accounting system

Recommendation:

The NMCD 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. The NMCD also needs to acquire software that will enable it to properly account for the inmate stores and produce a meaningful statement of operations that will disclose the inmate stores revenues, purchases, and expenses. The inmate stores could be reported as a special revenue fund, a proprietary fund, or as a private purpose trust. The NMCD should work with the DFA to develop an approach to inputting the accounting information into the SHARE accounting system.

Response:

The Department concurs with the recommendation and recognizes the importance of accounting for all funds entrusted to the Department. Of equal importance is the activity of the inmate stores as well as the ability to readily produce accounting reports from its' Inmate Trust Accounting System (ITAS). The Department has found a vendor with a suitable software program that can encompass the concerns stated within the recommendation. The Department's plan is to purchase and implement the above new software; however, the procurement and implementation of a new software program will be dependent on Departmental financial resources.

**11-01 Payroll – Lack of supporting documentation - (Other)**

Condition:

During our testwork of payroll, we noted the following exceptions:

- One employee personnel file out of twenty-five selected for testing could not be located. The employee, a cadet at the Corrections Training Academy resigned his employment on October 12, 2010.
- One of the twenty-five employee files was missing the required background check documentation. Although there is documentation of a background check in the personnel file in question, some of the identifying information in the background check is inconsistent with other information in the file.

Criteria:

Subpart 1.15.6.101 NMAC, Employees Personnel Files, requires the department to retain employee's personnel files for three years after the employee terminates. Department Policy CD-037301.D as authorized by Section 28-2-5 NMSA 1978, states "A thorough background check of employees being considered for a classified position shall be conducted by obtaining a signed Release and Waiver (Classified Positions), which will include but is not limited to previous employment, verifications, criminal records check, etc."

Cause:

The cadet's personnel file was transferred from the Training Academy to the Penitentiary of New Mexico (PNM) even though he had resigned from the academy and never reported for work at PNM. Apparently the cadet's personnel file was misplaced at PNM. When the background check information came to the Human Resources Bureau it was not

scrutinized closely enough to notice that some of the identifying information in the background check was not consistent with the identifying information of the employee in question.

Effect:

The department has not maintained complete personnel files. Further, the Department has failed to follow its own policy by not properly documenting the background check of one of its employees.

Recommendation:

The Department should ensure that all required payroll related documentation is maintained and properly filed.

Response:

It is the NMCD Human Resources Bureau objective to follow its policies to ensure personnel related documentation is maintained. In correcting the handling of terminated employee's files from the NMCD Training Academy to other NMCD facilities, the NMCD Human Resource Bureau has informed the Training Academy Human Resource Department not to transfer any terminated Personnel and Payroll files to other NMCD facilities. All Training Academy terminated employee files will be kept at the Training Academy for the retention of three years, then the file will be transferred and stored at the New Mexico Records and Retention Department.

The Human Resource Bureau acknowledges the error regarding the inconsistent background check. The Human Resource Bureau will audit facilities on a regular basis to ensure background checks are conducted correctly. Also, the HR Bureau will avidly take measures to have quarterly HR meetings/trainings to ensure all NMCD HR staff is consistent with procedures throughout the NMCD Human Resource field offices.

**11-02 Contract Billing and Rates Applied - (Other)**

Condition:

During our accounts payable testwork for a contract between NMCD and a municipality, we noted six months of invoices totaling \$3,094,691 which contains verbiage that is unclear to the reader. The contract terms use a schedule to determine the annual rate which is used in the calculation of the facility use fee; however, we found that the schedule was ambiguous, and neither the contract provisions nor the schedule provide clear guidance as to how NMCD should apply the schedule rates to a definite time period.

Criteria:

Proper accounting practices require adherence to contract requirements. Contracts should only be entered into when the terms and requirements clearly establish beginning and end dates of rates.

Cause:

The facility use fee schedule's date ranges for annual fees are not clear, and the contract provisions do not provide guidance as to whether the date ranges should be interpreted as beginning dates or end dates.

Effect:

Without clear contract terms, NMCD may interpret the verbiage incorrectly within the contract.

Recommendation:

NMCD should only enter into contracts when contract terms are clearly stated. The ambiguity in the contract and the schedule need to be corrected.

Response:

Prior to entering into new contracts or as contracts expire, the Department will closely review its contract terms to ensure each aspect of the contract is clearly stated. In addition, the Department is willing to enter into negotiations with



the current contractor to amend the above stated contract to clarify the ambiguous terms stated within the contract provisions.

**11-03 Lack of maintaining a tracking log for receiving money orders, checks, or cash to ensure properly making deposits within 24 hours and 24 hour violations - (Other)**

**Condition:**

During our testwork of NMCD, regular cash receipts, we noted 18 instances out of 25 that were not properly logged in to identify the date received and determine if the 24 hour rule was met. Further, in one of the 18 instances that were not properly logged, it appears that multiple checks were held for deposit.

During our testwork of Inmate Trust Account cash receipts, we noted 2 instances out of 27 that the log did not include the date received after the mail was opened. Due to the date not being included on the log we could not determine when the money orders were received to ensure they were deposited within 24 hours. In addition, we noted 7 instances out of 27 that were received but not deposited in the bank within the 24 hour period.

**Criteria:**

Section 6-10-2 NMSA 1978, of the Public Money statutes requires the maintenance of a record in which is entered daily, in detail, all items of cash receipts and disbursements of public money. The cash record shall be balanced daily so as to show the balance of public money on hand at the close of each day's business. Section 6-10-3 NMSA 1978 requires most cash received to be deposited to the bank within 24 hours.

**Cause:**

Due to the lack of a tracking log, it is possible that NMCD did not meet the 24 hour deposit deadline on money orders, checks, and/or cash when received.

In some instances there is mail received that contains checks and money orders which do not make it to the intended department for processing within the 24 hour deposit time limit. In addition, there are cases where staff chose to hold checks and money orders longer than the 24 hour period to reduce the number of deposits by creating one deposit instead of creating multiple individual deposits.

**Effect:**

An improper system in place to log in money orders, checks, or cash when received can lead to an increased risk for misappropriation of receipts from the mail. The items could potentially have been held for days and deposited anytime after the mandatory 24 hour rule. Also, money orders, checks, or cash received by the Department, but not logged in upon receipt, could be untraceably deposited into bank accounts not authorized by the Department.

**Recommendation:**

In order to prevent or reduce the risk of misappropriation of funds, a log should be maintained of all the monies received by the Department. Such a log will provide the information necessary to ensure that all monies received are deposited in accounts authorized by the Department in a timely manner.

**Response:**

The Department concurs with the recommendation and recognizes the importance of a tracking log to record all money orders, checks, and/or cash to ensure items are properly deposited within 24 hours. The Department will notify all of its locations that deposit funds on behalf of NMCD to implement and maintain a logging mechanism to record depositing items received. The log will reference key identifiable information e.g. issuer, date, and amount of the issuance received and will accompany the deposit copies provided to the Central Office for post-auditing.

#### **11-04 Domicile to duty vehicles - (Other)**

##### Condition:

During our audit procedures regarding employee benefits, we noted 2 instances totaling \$42, out of 5 instances tested, in which 2 employees incorrectly received taxable income on their W-2. Upon inquiry of the two employees involved, the auditors learned that the employees are assigned a domicile-to duty vehicle. However, those two employees do not use their vehicles for purposes of commuting from home to work and back again. We also noted in 3 instances out of 5 instances tested, where the employee's timesheet did not accurately reflect domicile-to-duty vehicle usage recorded in the employee's vehicle mileage log. This resulted in the following errors in employees' W-2 income: 2 employees had an overstatement of \$3; one employee had an overstatement of \$9; and one employee had an understatement of \$3.

##### Criteria:

The State Audit Rule Section 2.2.2.10 H (2) (ii) *IRS Employee Income Tax Compliance Issues* establishes that the use of a commuting vehicle be properly included on an employee's W-2.

NMCD's *Use of State and Privately Owned Privately Owned Motor Vehicles Policy #CD-022000 Section M*. establishes the guidelines for maintaining a car log, submission and recording of usage in employee timesheets, and earnings reporting on an employee's paycheck.

##### Cause:

NMCD's monitoring system that is in place to review domicile to duty vehicle usage is not being followed.

##### Effect:

Without monitoring and a system of review, employees may be incorrectly allocated personal commuting vehicle use. Employees that are being allocated a fringe benefit rate incorrectly increase their taxable income and cause the employees to pay more than is required. The impact may be substantial as some of incorrect allocations may have been occurring for years.

##### Recommendation:

In order to prevent and reduce the risk of incorrectly allocating employee use, an updated roster or listing of domicile to duty employees should be maintained. Also, the domicile to duty employee's supervisor should verify the reporting of the usage of domicile to duty vehicle by the employee. Furthermore, NMCD should research the employees that have been identified as being incorrectly allocated and determine the proper course of action.

##### Response:

The Department recognizes the significance of correctly reporting and maintaining an updated roster as it pertains to domicile to duty vehicles. The Department will notify all field offices affected to ensure periodic review of the domicile to duty roster. Additionally, Supervisors who are responsible for approving staff's timesheets will be advised of the necessary steps to ensure that each employee's timesheet properly reflects the instances when state-owned vehicles are used as commuter vehicles. Measures will be taken to research the data of the affected employees and steps will be taken to prevent future occurrences.

#### **11-05 Inmate trust accounts-missing documentation - (Other)**

##### Condition:

There do not appear to be written consistent policies and procedures governing the receipt and disbursement of inmate trust cash accounts.

During our testwork of Inmate Trust Accounts cash disbursements, we noted the following:

- There were no supporting vendor invoices in 12 out of 27 disbursements for a total of \$ 3,007.44.
- There were no supporting documents that identified key information such as; descriptions, payee, quantities, and account information for 19 out of 27 disbursements for a total of \$5,447.30. Did not key identifiable

- There were no documents evidencing prior authorization for purchase in 7 out of 27 transactions for a total of \$1,620.27. NMCD purchased 5 bus tickets with one invoice and could not provide any support for cost the disbursement, such as the cost of the bus tickets.

During our testwork of Inmate Trust Account cash receipts, we noted the following:

- There were no documents provided in 2 out of 27 transactions to verify the receipt of monies for a total that was undeterminable.
- There was not an account transaction history provided for 1 out of 27 transactions for a total of \$40.00.
- There were no supporting documents provided that identified key information such as; the batch #, deposit #, deposit amount, NMCD Account #, and deposit ticket date for 7 out of 27 transactions for a total of \$430.00.

Criteria:

DFA's Manual of Model Accounting Practices Section 6-5-2-1.B establishes that agencies "Collect and maintain the necessary information from the state departments and agencies to produce ledgers, journals, registers and other supporting records and analysis" and Section 6-5-2-1.C & 2.20.5.8.C(7) NMAC establishes that agencies should "Maintain information that adequately supports all entries in the state general ledger." Furthermore, the NMCD Inmate Trust Accounts Policy CD-024500 states it is the responsibility of the Warden of each facility to promulgate policies and procedures regarding the cash disbursement and cash receipt process of the Inmate Trust Accounts.

Cause:

NMCD does not have any detailed policies and procedures over Inmate Trust Accounts.

Effect:

Without proper supporting documentation for the disbursement and the receipting of cash, inmate funds are susceptible to misappropriation.

Recommendation:

The Department should implement consist policies and procedures related to controls over inmate trust accounts, especially cash receipts and cash disbursements. The implemented policies and procedures should be followed by all facilities. At a minimum, NMCD should keep copies of documents that are associated with the disbursements and receipt of monies from the Inmate Trust Account. In order to support bus ticket purchases, NMCD should arrange with the bus depot to make a photo copy of the ticket when prepared or consider purchasing bus tickets on the internet as that could be used as an invoice or receipt to support the transaction.

Response:

The Department recognizes the importance of the consistency in documentation used within all facilities for cash disbursements and receipts for the Inmate Trust accounts. The current policies and procedures will be reviewed and modified, if necessary, to include more detail as appropriate with regards to documentation used for cash disbursements and receipts. Each facility will make an effort to train its staff. As part of the training, staff will also be reminded of the importance of including proper support for all transactions and to ensure such support documentation is consistent and standardized to support expenses made and funds received.

**11-06 Medical Services Contract - (Other)**

Condition:

During our testwork of accounts payable, we noted 6 out of 6 instances related to a medical services contract in which NMCD paid invoices prior to verifying the fixed cost portion of the invoice totaling \$11,319,500.

The payment vouchers consist of an invoice with three line items: 1) a fixed contract amount for medical services rendered; 2) variable costs for pharmaceuticals; and 3) staffing.

NMCD monitors services rendered as well as the staffing reconciliation portions of the invoice by reviewing monthly staffing detail, the pharmaceutical costs and the patient information pertaining to the pharmaceutical costs. The services on each invoice are reviewed, approved, and signed off on by the NMCD staff that oversees medical

operations prior to payment. The NMCD relies on reports provided by the vendor in order to reconcile the fixed cost portion of the invoices. Specifically, one NMCD employee reviews the reports to determine whether the vendor is meeting a standard of "substantial delivery of medical services." However, the reports provided by the vendor do not reconcile with the fixed cost portion of the invoices and NMCD's monitoring system does not verify the reports against the invoices. The reports also detail the services provided for the month prior to the time period covered by the invoice. In sum, the fixed contract portion of the vendor's reports do not support the amounts charged in the invoice under the fixed contract amount, and NMCD receives the reports after it has already made payment for the time period covered by the reports. In addition, although the staffing portion of the invoice agrees with the dollar amount provided in the monthly reports, NMCD does not independently verify the information. For example, if the vendor's staffing report indicates that there were three nurses on a given day, NMCD does not take a "head count" to verify the count of three nurses.

Criteria:

All costs should be completely supported before they are approved for payment; invoices should be processed only when they adequately detail all costs that support what is being charged in the invoice. Section 13-1-158 NMSA 1978 establishes: "No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code [13-1-28 NMSA 1978]." NMCD should also have a monitoring system in place that allows for the independent verification of the receipt of goods and services prior to making payment.

Cause:

NMCD is lacking the resources to adequately monitor services rendered in order to support costs prior to disbursing payment of invoices related to the medical contract.

Effect:

With the lack of resources to adequately monitor the services rendered prior to disbursement and the lack of support for a portion of the invoice prior to payment, there is potential for payments made for services that are not rendered.

Recommendation:

NMCD should implement a monitoring system that functions as a control over payments that may have unsupported costs. NMCD should also ensure invoices contain enough detailed support prior to disbursing payment to the vendor. Any invoice that fails to include sufficient cost detail should be rejected. NMCD should independently verify the reports of the vendor's services and should not solely rely on the vendor produced detail. Additionally, contract language should be added to contracts that requires detailed billings and full support for all charges under the contract. NMCD should do random "head counts" at the various prison infirmaries.

Response:

The medical services provider does self report in various areas as it pertains to staff reporting. The staff member who oversees the medical contract, monitors each facility by performing site visits and reviewing several reporting tools provided by the contractor to ensure proper medical services are provided. Due to dwindling staff resources, the recent monitoring process has been limited. The Department has begun to review its monitoring structure as it pertains to contracts to closely monitor its contracts. The Department will include language within the forthcoming contract that will state that detailed billing information will be required within each invoice to ensure all services are preformed prior to funds being disbursed.

**11-07 Missing capital assets - (Other)**

Condition:

Southern New Mexico Correctional Facility (SNMCF):

During the capital assets testwork at SNMCF, we noted 2 out of 5 instances where we could not locate capital assets from the capital asset listing to its location at the facility.

We attempted to locate a Hobart HOD Food Oven from the Location Detail listing. This is kitchen equipment that we expected to be in SNMCF's kitchen. We were told this asset was "cannibalized" and used for its parts.

We also attempted to locate a floor finishing machine from the Location Detail listing of SNMCF's capital assets. This is janitorial equipment that we expected to be in SNMCF's janitorial closet. We located a few floor finishing machines; however, none of them had the serial number or asset tag number we were attempting to locate.

Central New Mexico Correctional Facility (CNMCF):

During the capital assets testwork at CNMCF, we noted 3 out of 5 instances where we could not locate capital assets from the capital asset listing to its location at the facility.

We attempted to locate a Washer Extractor selected from the Location Detail listing. This is laundry equipment that we expected to be in CNMCF's laundry area. We located a washer extractor but it was apparently a different piece of equipment than the one listed in the Location Detail listing. It had a serial number that was not consistent with the Location Detail listing.

We also attempted to trace two convection ovens located in the CNMCF kitchen to the Location Detail listing of CNMCF's capital assets. There are five convection ovens on the Location Detail listing, but none of them have either a tag number or a serial number.

#### Criteria:

Title 2, Chapter 20, Part 1 NMAC establishes the requirement that each state agency conduct a physical count of its capital assets each year. This physical count must be documented with a listing that identifies all of the capital assets. Section 2.20.1.16(D) NMAC establishes "The inventory process shall produce a list of the property and the date and cost of acquisition. The annual physical inventory checks against losses not previously revealed and brings to light errors in records of accountability, but more importantly, a systematic physical inventory of fixed assets provides an opportunity for surveying their physical condition, with respect to their need for repairs, maintenance or replacement." Section 2.20.1.18 (A) establishes the standards for disposition of assets which state "Sections 13-6-1 through 13-6-2 NMSA 1978, and the procurement code govern the disposition of fixed assets."

#### Cause:

The cause of this condition is the lack of consistent adherence to the Department's capital asset policies and procedures. The SNMCF and CNMCF are not properly monitoring their capital asset disposals and reporting back to the accounting department on a yearly basis. The SNMCF and CNMCF are not consistently reviewing the capital asset listing on a yearly basis to verify existence of the assets.

#### Effect:

The capital asset listing is not being maintained which could cause capital assets to be materially misstated.

#### Recommendation:

To maintain adequate accountability, NMCD should maintain a capital asset listing through conducting physical inventories, properly including tag numbers, serial numbers, and other identifiable information for additions, and each business office obtain proper authorization prior to disposing of assets. We recommend that policies for proper accounting of capital assets be conveyed to all NMCD employees with the responsibility of accounting for capital asset deletions. Additional training may be necessary to ensure proper procedures are understood and followed. When feasible, NMCD accounting should perform physical observation of assets throughout the year in departments that do not consistently review their capital asset listing.

#### Response:

The Department concurs with the recommendation. It is the Department's practice to maintain strong internal controls over capital assets; hence, we are in agreement that adequate tracking mechanisms within the Department need to be strengthened and practiced to ensure accountability of all assets coming into and leaving the agency's possession. The action to be taken by the Department is to stress and communicate to all Divisions and Business Offices the importance of being accountable of all capital assets and staff will be reminded of the importance of ensuring that all assets are accounted for and not disposed of without proper documentation.

**11-08 Unsupported and/or unallowed costs of \$1,325 - (Other)**

**Condition:**

During our testwork of payments to one vendor, we noted 1 invoice out of 1 tested, in the amount of \$1,325, did not contain any supporting documentation that detailed materials costs billed by Omni. Furthermore, materials cost were not an allowed item under the price agreement ending 2814.

**Criteria:**

Proper internal controls require the NMCD to adhere to contract terms and conditions and to ensure that unauthorized payments are not processed. The price agreement, #80-770-00-02814, utilized for the procurement only included prices for labor. The terms and conditions specified in #80-770-00-02814 did not include any prices for materials, bond costs, contingencies and overhead or profit costs; thus, any disbursement for those items was not allowed by the contract.

**Cause:**

It appears as though controls over purchase orders and the subsequent disbursements under the price agreements are deficient.

**Effect:**

NMCD violated the contract terms and conditions of the price agreement #80-770-00-02814, which resulted in a payment made to the vendor in violation of the contract. Additionally, since the vendor did not provide detail on the materials purchased, NMCD was unable to clearly distinguish what materials the vendor purchased and how much materials the vendor utilized for the particular project. Therefore, this creates the opportunity for vendors to overbill NMCD for materials costs and there is a significant risk that vendors may be unjustly enriched. Finally, transparency related to the expenditure of public funds is harmed if there is not adequate documentation or clear definitions that explain for what purpose the money is being disbursed.

**Recommendation:**

NMCD should follow proper controls to ensure that disbursements are made in accordance with its price agreements. For example, NMCD should reject invoices submitted without adequate support for materials or labor until adequate support is received.

**Response:**

The Department recognizes the importance of ensuring public funds are spent in accordance with its price agreements and other contractual procurement transactions. The finding is a continued occurrence as a result to a follow-up of the special audit. The Office of the State Auditor (OSA) performed a special audit, upon the request of the NMCD, over selected procurement and accounts payable transactions the Department held with certain vendors. Since the special audit was being performed throughout fiscal year 2011 and released on May 19, 2011, the Department has not fully implemented changes to strengthen the Department's internal controls as it pertains to unsupported and /or allowed costs. However, since the release of the special audit, the NMCD has made many changes to strengthen its internal controls. From purchasing to accounts payable, much additional documentation and certifications are being required to justify and verify the purchase, receipt, and payment of goods and services. The Procurement and Accounts Payable staff will continue scrutinize supporting documentation to ensure the disbursements are made in accordance with its price agreements and will remind all field offices of the liability that the Department is undertaking when supporting documentation is omitted. As for the NMCD price agreement in question, when the NMCD was informed that the terms of this contract did not allow for certain transactions, the price agreement was cancelled, and never re-issued.

**11-09 Lack of support for disbursements - (Other)**

**Condition:**

In one instance, NMCD paid an invoice of \$3,374 on for materials for the replacement of a Control Center Intercom Microphone at the Western New Mexico Correctional Facility. The only detail provided was for a "Control Center

intercom microphone,” and the invoice did not provide a materials breakout. The invoice fails to support whether or not the vendor charged for parts and materials at cost according to price agreement #81-350-00-04024. In another instance for a total of \$5,115, the invoice was not descriptive enough to identify the goods or services provided to NMCD. The invoice simply reads “Installation of security camera” and the dollar amount charged of \$5,115. With such minimal detail, we cannot determine who performed what type of labor, for how long or at what rate. The invoice fails to support that the labor rates charged by the vendor agree to those set by the price agreement #81-350-00-04024.

Criteria:

Proper internal controls require NMCD to adhere to contract terms and conditions and to ensure that unauthorized and unallowed payments are not processed. The terms and conditions specified in contract #81-350-00-04024 require that the vendor invoice include copies of all purchases for parts and materials, including vendor and date purchased. The price agreement also specifies that charges for materials shall be at cost. In addition, invoices should be processed only when they adequately detail all costs, such as labor costs and the hours and rates that relate to that charge. NMCD should verify receipt of goods and services prior to making payment.

Cause:

NMCD failed to request support for charges prior to disbursing payments to the vendor.

Effect:

NMCD has incomplete support for payments disbursed. Inadequate controls over disbursements increase the risk that improper charges by vendors will not be detected prior to payments being disbursed.

Recommendation:

NMCD should be familiar with contractual requirements, especially those requirements that function as controls over unsupported costs. NMCD should require vendors to submit support for charges that adequately detail the composition of charges, such as costs and quantities of materials, and labor rates and hours. NMCD should be familiar with contractual and purchasing requirements, especially those requirements that function as controls over unsupported costs. NMCD should also ensure invoices contain enough detail support prior to disbursing payment to the vendor. Any invoice that fails to include sufficient cost detail should be rejected.

Response:

The Department recognizes the importance of ensuring public funds are spent in accordance with its price agreements and other contractual procurement transactions. The finding is a continued occurrence as a result to a follow-up of the special audit. The Office of the State Auditor (OSA) performed a special audit, upon the request of the NMCD, over selected procurement and accounts payable transactions the Department held with certain vendors. Since the special audit was being performed throughout fiscal year 2011 and released on May 19, 2011, the Department has not fully implemented changes to strengthen the Department’s internal controls as it pertains to unsupported costs. However, since the release of the special audit, the NMCD has made many changes to strengthen its internal controls. From purchasing to accounts payable, much additional documentation and certifications are being required to justify and verify the purchase, receipt, and payment of goods and services. The Procurement and Accounts Payable staff will continue scrutinize supporting documentation to ensure the disbursements are made in accordance with its price agreements and will remind all field offices of the liability that the Department is undertaking when supporting documentation is omitted.

**C. FINDINGS – FEDERAL PROGRAMS**

**None**

**NEW MEXICO CORRECTIONS DEPARTMENT**  
**Exit Conference**  
**Year Ended June 30, 2011**

An exit conference was held on Tuesday, December 13, 2011 and attended by the following:

**New Mexico Corrections Department Personnel:**

Gregg Marcantel, Secretary of Corrections  
Toni Rodriguez, Executive Assistant  
Jerry Roark, Director of Adult Prisons  
Bryan M. Maestas, CGFM, Accounting Manager/Acting CFO, Financial Management Bureau  
Rita Chavez, Budget Analyst, Budget Bureau  
David Bourger, Director, Corrections Industries Division  
Mary Alice Baca, Business Manager, Corrections Industries Division  
Albert Montano, Procurement Manager, Financial Management Bureau  
Bernice Romero, Payroll Manager, Human Resources Bureau  
Antoinette Solano, Accountant, Financial Management Bureau  
Vicki Trujillo, Accountant, Financial Management Bureau  
Teresa Larragoite, Business Manager, Probation and Parole Division  
Anthony Romero, Deputy Director of Adult Prisons

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

Carla Martinez, CPA, Deputy State Auditor  
John Earnshaw, CPA, Audit Manager  
Blanca Sena, Audit Supervisor  
Andrew Gallegos, Senior Auditor