

State of New Mexico

New Mexico Corrections Department



Financial Statements and Schedules

With

Independent Auditors' Report

For the Fiscal Year Ended June 30, 2015

**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, 2015**

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NEW MEXICO CORRECTIONS DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2015

Administrative Officials

Gregg Marcantel
Mark Myers

Joe W. Booker, Jr.
Paul Montoya
Jerry Roark
Anna Martinez
James Brewster
Tim Oakeley
Rose Bobchak

Secretary of Corrections
Acting Deputy Secretary of Administration/
Director Training Academy Division
Deputy Secretary of Operations
Acting Director of Administrative Services
Director of Adult Prisons Division
Acting Director of Corrections Industries Division
General Counsel
Director of Information Technology Division
Director of Probation and Parole Division

Corrections Industries Commission

George Marquez
John I. Serrano
Harold Foreman
Nick H. Brown
Jay Armijo
Christine Van Norman

Chair
Member
Member
Member
Member
Member

NEW MEXICO CORRECTIONS DEPARTMENT
List of Abbreviations
JUNE 30, 2015

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

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of State of New Mexico Corrections Department (Department), as of and for the year ended June 30, 2015, and the related notes to the financial statements 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 comparison for the enterprise fund, presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department, as of June 30, 2015, 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 funds for the year then ended in accordance 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, each of the individual SHARE funds, the fiduciary funds and the budgetary comparison for the enterprise fund of the Department as of June 30, 2015, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

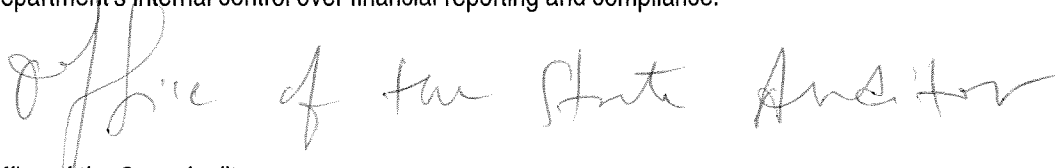
The Schedule of Expenditures of federal awards and additional schedules listed as "other supplemental information" are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of federal awards and additional schedules listed as "other supplemental information" are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, performance measure schedule and vendor schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Office of the State Auditor". The signature is written in dark ink and is positioned above the typed text of the office name.

Office of the State Auditor
Santa Fe, New Mexico
November 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

HIGHLIGHTS AND ACCOMPLISHMENTS

Financial Highlights. The Department's net position increase by \$7,613,157 for FY15: governmental net position \$7,377,637 and business-type net position \$235,520.

The Corrections Industries Division is classified as a business-type activity. For fiscal year (FY) 2015, the Corrections Industries Division had an increase in net position of \$235,520. Operating revenues increased by \$3,410,294 and operating expenses also increased by \$3,278,751 over the prior period. The Corrections Industries Division implemented several new programs in FY 15. These new programs account for the much of the increases in the operating revenues and expenses.

Total costs for all Department Programs were \$312,426,698 - \$304,656,771 for the governmental activities and \$7,769,927 for the enterprise activities.

Accomplishments.

The ASD continues a program for accounting, finance, budget and purchasing staff to provide standardized training to reduce errors and increase efficiency Department-wide. Site visits from ASD staff to the facilities were initiated in FY 2015 to review business processes between the facilities and ASD. Lessons learned from these visits will be utilized to revise current operating procedures to enhance the overall business operations of the Department.

Infrastructure emergencies caused by a growing deferred maintenance need of approximately \$300 million dollars at state-owned facilities continued to be a major problem that the Department is constantly facing. NMCD is addressing this major problem by increasing its maintenance and repairs line item along with enhancing oversight of routine maintenance.

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 position and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Both statements distinguish between the governmental and business-type activities of the primary government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements.

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

- Governmental Activities – Most of the Department's basic services are included in the governmental activities. State appropriations and federal grants finance most of these activities. The funds included in Governmental Activities for the Department are the General Operating Fund (including Probation and Parole activities and the Building Fund), the Community Corrections Special Revenue 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 23.

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.

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

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

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Table A-1

The Department's Net Position

	Governmental Activities		Business-Type Activities		Total *		Total Percentage Change
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	2014-2015
Current and Other Assets	\$ 48,919,929	\$ 47,648,120	\$ 5,708,040	\$ 5,142,608	\$ 54,627,969	\$ 52,790,728	-3.36%
Capital and							
Non-Current Assets	28,396,420	27,295,579	385,191	588,954	28,781,611	27,884,533	-3.12%
Total Assets	77,316,349	74,943,699	6,093,231	5,731,562	83,409,580	80,675,261	-3.28%
Current Liabilities	40,389,687	30,639,400	1,116,820	519,630	41,506,507	31,159,030	-24.93%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
Total Liabilities	40,389,687	30,639,400	1,116,820	519,630	41,506,507	31,159,030	-24.93%
Net Position							
Investment in Capital Assets	28,396,420	27,295,579	385,191	588,954	28,781,611	27,884,533	-3.12%
Restricted	15,089,268	14,225,958	4,591,221	4,622,977	19,680,489	18,848,935	-4.23%
Unrestricted	(6,559,026)	2,782,762	-	-	(6,559,026)	2,782,762	-142.43%
Total Net Position	\$ 36,926,662	\$ 44,304,299	\$ 4,976,412	\$ 5,211,931	\$ 41,903,074	\$ 49,516,230	18.17%

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

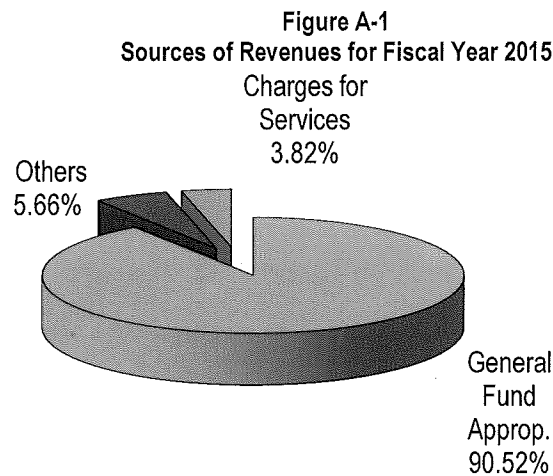
Net Assets: Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2015. Net position for Governmental Activities and Business-type Activities were \$44,304,299 and \$5,211,931 respectively. Total Department net position for fiscal year 2015 is \$49,516,230. However, most of those assets are either restricted as to the purposes for which they can be utilized or are invested in capital assets (buildings, equipment, etc.) The unrestricted net position in Governmental Activities is \$2,782,762 at the end of the fiscal year.

In the Business-type activities, the restricted amount of \$4,622,977 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2014-2015
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 6,413,979	\$ 4,353,027	\$ 4,443,725	\$ 7,854,019	\$ 10,857,704	\$ 12,207,046	12.43%
Operating Grants & Contributions	725,576	387,966	-	-	725,576	387,966	-46.53%
<u>General Revenues</u>							
State General Fund							
Appropriations, net of reversions	269,640,645	289,709,600	150,000	-	269,790,645	289,709,600	7.38%
Others	16,166,526	17,583,815	6,930	151,428	16,173,456	17,735,243	
Transfers - Internal Activities	-	-	-	-	-	-	0.00%
Total Revenues	292,946,726	312,034,408	4,600,655	8,005,447	297,547,381	320,039,855	7.56%
Expenses							
Public Safety - Corrections	302,058,025	304,656,771	4,491,176	7,769,927	306,549,201	312,426,698	1.92%
Increase (Decrease) in Net Position	(9,111,299)	7,377,637	109,480	235,520	(9,001,820)	7,613,157	-184.57%
Beginning Net Position	46,037,960	36,926,662	4,866,932	4,976,412	50,904,892	41,903,074	-17.68%
Prior Period Adjustment	-	-	-	-	-	-	
Beginning Net Position Restated	46,037,960	36,926,662	4,866,932	4,976,412	50,904,892	41,903,074	
Ending Net Position	\$ 36,926,661	\$ 44,304,299	\$ 4,976,412	\$ 5,211,932	\$ 41,903,073	\$ 49,516,231	18.17%

Changes in Net Position: The Department's change in net position for the governmental activities in fiscal year 2015 increased by \$7,377,637. (See Table A-2). A significant portion, 90.52%, of the Department's revenue comes from State General Fund Appropriations, 3.82% comes from charges for services, and 5.66% comes from other revenue sources. (See figure A-1).



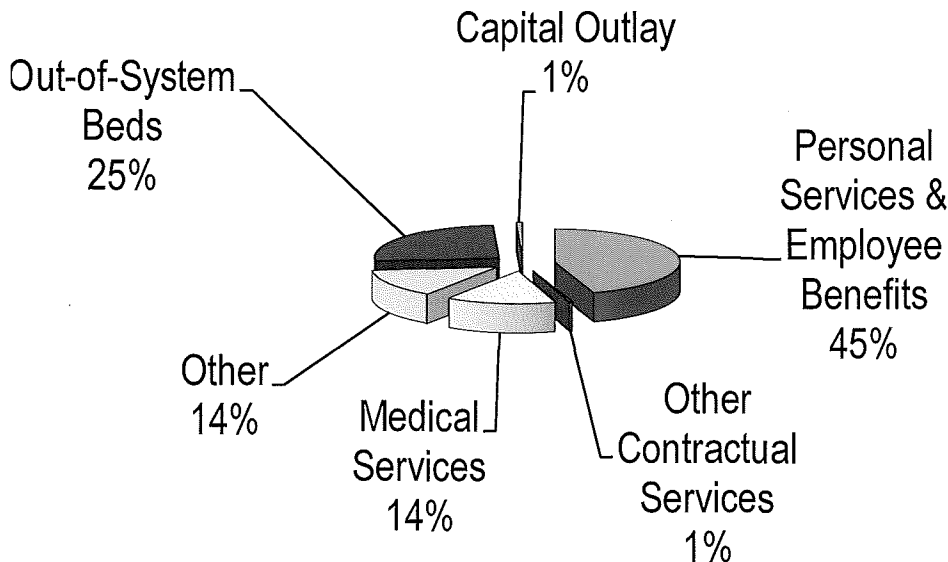
Functional Expenses for Fiscal Year 2015

Business-Type Activities

Program revenues of the Department's business-type activity (Corrections Industries) increased from \$4,443,725 to \$7,854,019 and expenses increased by approximately 73.00% percent from \$4,491,176 to \$7,769,927.

Governmental Funds

Figure A-2



The Department's total expenditures for government-type funds during the fiscal year were \$303.5 million. Approximately half (45%) of the expenditures of the Department are in the area of personal services and employee benefits. Over half (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 (40%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 2015 approximately 25% was for the housing male and female inmates in contract prisons, and the remaining 14% was for the other operating costs.

Expenditures in the contractual services category accounted for 15% of the Department's expenditures, with approximately 14% of these expenditures directly related to medical services for inmates and about 1% are related to other contractual services. Less than one percent of the total expenditures were for capital outlay with the majority of those costs being for machinery and equipment. The governmental activities increase in Public Safety – Corrections expense of \$2,598,746 was due to an increase in inmate costs, population and facility maintenance.

Fund Balance

The Department, in its governmental funds, reported a combined fund balance of approximately \$21.0 million, approximately \$8.3 million greater than last year's amount.

General Fund Budgetary Highlights

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

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

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

- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.
- Budget adjustment requests that adhere to required operating budget cuts in compliance with Legislative actions.

Capital Assets and Debt Administration

At the end of fiscal year 2015, the Department invested a total of \$27.3 million in governmental-type activities and \$.6 million in business-type activities for a total amount of \$27.9 million in a variety of capital assets. This amount represents an overall net decrease (including additions and deletions) of \$.9 million (3.12%) from the prior fiscal year. Accumulated depreciation increased by \$.1 million, less than one percent over the prior period.

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

	Governmental Activities		Business-type Activities		Total		Total % Change 2014 - 2015
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	
Buildings and Improvements	34.3	36.0	1.0	1.0	35.3	37.0	4.82%
Improvements other than Buildings	3.7	3.7	-	-	3.7	3.7	0.00%
Machinery and Equipment	24.8	21.9	2.2	2.2	27.0	24.1	-10.74%
Automotive	2.7	2.9	0.8	1.0	3.5	3.9	11.43%
Depreciation	(37.1)	(37.2)	(3.6)	(3.6)	(40.7)	(40.8)	0.15%
	<u>28.4</u>	<u>27.3</u>	<u>0.4</u>	<u>0.6</u>	<u>28.8</u>	<u>27.9</u>	-2.99%

Additional detailed information about the Department's capital assets is presented in Note 4 to the financial statements.

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

Short-Term Debt

The Department did not have any long-term debt other than compensated absences associated in fiscal year 2015. More detailed information regarding the Department's long-term debt is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The New Mexico Corrections Department (NMCD) FY15 operating budget was increased by 2.9 percent or \$8.5 million to \$301.2 million, from the FY14 appropriated budget. The increase was to support the Department's inmate population growth and salary increases appropriated by the State legislature. The Department is experiencing increasing inmate population growth and again was under funded in FY15. As a result, the Department requested and received a supplemental of \$7.0 million in FY15, primarily in the other costs category to support inmate population growth in our private prisons.

In fiscal year 2015, the probation and parole offender population increased by approximately 2.6 percent. Per the New Mexico Sentencing Commission, the Department's population in FY15 was at 7,340 or 4.6 percent increase in population from FY14. The Department experienced a decline in inmate population in fiscal years 2008 through 2009 after a high of 6,887 in fiscal year 2007, however the population growth returned in fiscal year 2010. The New Mexico Sentencing Commission estimates New Mexico's total inmate population will increase in FY16 and is projected to grow at an average rate of 1.4 percent per year from fiscal year 2016 to 2024. With the current rate of growth, the estimates show that New Mexico will have an offender population of 8,380 by the end of fiscal year 2025.

The Corrections Industries Program (CI) had a 69 percent increase in revenues from FY14 to FY15. CI was able to increase their sales by taking over canteen services for all of the Department's public facilities and the food services for the Penitentiary of New Mexico and for the Training Academy. CI is developing other types of enterprise programs as a means of growing their programs and revenues in the future.

For fiscal year 2015, the Department had a general fund base increase of \$9.9 million that partially covered inmate population growth of \$9.2 million, but did not cover the increase of \$1.9 million for General Services Department rate increases. With this increased expense, the Department continued to maintain strict budget measures and flat contracts (no inflation increases) and in some cases reduced contracts but was still unable to ensure the budget was balanced. The Department would have ended FY15 in a deficit but requested and received a \$7.0 million supplemental primarily in the other cost category to support inmate growth. In addition to the measures above, the Department transferred \$1.6 million from Program Support and the Community Offender Management Program to Inmate Management and Control to assist in balancing the budget for FY15.

The Department requested a total budget of \$324.9 million from all funding sources for fiscal year 2016, which is a 7.9 percent increase from FY15 operating budget. The general fund request was \$296.0 million. The request included an increase of \$9.9 million for inmate growth. The Department received an operating budget of \$318.4 million which included only \$8.5 million for inmate growth. The Department again did not receive sufficient funding to support inmate growth and did not request funding for the mandatory treatment of Hepatitis C. In July of 2015 the New Mexico Sentencing Commission found their inmate population projections to be off the mark making projecting cost difficult for FY16. Additionally, advancements in prescription medication for the treatment of Hepatitis C prompted NMCD to begin treatment for approximately 150 inmates in FY16. The cost of treatment is expected to be upward of \$100 thousand per inmate. With the ambiguity of inmate growth and the costs to treat Hepatitis C, NMCD will likely request supplemental funding again in FY16 and will continue to maintain strict budget measures.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators, and investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact:

New Mexico Corrections Department
Administrative Services Division
Attn: Paul Montoya, CFO, Acting Division Director
4337 NM 14
Post Office Box 27116
Santa Fe, New Mexico 87502-0116

**NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

	Governmental Activities (*)	Business-type Activities	Total
ASSETS			
Investments, State Treasurer	\$ 39,558,395	\$ 3,043,894	\$ 42,602,288
Petty Cash	2,075	2,250	4,325
Receivables, net of allowance for doubtful accounts	165,618	867,731	1,033,349
Federal Grants Receivable	67,319	-	67,319
Other Receivables	14,251	-	14,251
Interest Receivable	-	218	218
Due from Other State Agencies	3,432,388	-	3,432,388
Inventories	4,320,238	1,227,441	5,547,680
Prepaid Items	87,837	1,074	88,911
Total Current Assets	<u>47,648,120</u>	<u>5,142,608</u>	<u>52,790,728</u>
Capital Assets:			
Buildings	35,982,437	1,003,511	36,985,948
Improvements Other than Buildings	3,714,246	-	3,714,246
Machinery and Equipment	21,856,119	2,192,941	24,049,060
Automotive	2,917,225	963,135	3,880,360
Less Accumulated Depreciation	(37,174,448)	(3,570,632)	(40,745,080)
Total Capital Assets, net of depreciation	<u>27,295,579</u>	<u>588,954</u>	<u>27,884,533</u>
Total Assets	<u>74,943,699</u>	<u>5,731,562</u>	<u>80,675,261</u>
LIABILITIES			
Accounts Payable	\$ 14,564,177	\$ -	\$ 14,564,177
Vouchers Payable	8,098,077	403,247	8,501,324
Payroll Benefits Payable	1,340,987	14,587	1,355,574
Payroll Taxes Payable	454,462	6,014	460,477
Accrued Wages Payable	1,827,457	19,902	1,847,359
Compensated Absences Payable:			
Expected to be paid within one year	4,320,161	64,629	4,384,790
Due to State General Fund	6,454	-	6,454
Receipts Held in Suspense	-	-	-
Due to Other State Agencies	17,226	-	17,226
Unearned Revenue	-	10,000	10,000
Other Liabilities	10,400	1,250	11,650
Total Liabilities	<u>30,639,400</u>	<u>519,630</u>	<u>31,159,030</u>
NET POSITION			
Net Investment in Capital Assets	27,295,579	588,954	27,884,533
Restricted for:			
Subsequent Years Expenditures	14,225,958	4,622,977	18,848,935
Unrestricted	2,782,762	-	2,782,762
Total Net Position	<u>\$ 44,304,299</u>	<u>\$ 5,211,931</u>	<u>\$ 49,516,231</u>

(*) Inter-fund balances have been eliminated.

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, 2015**

	Governmental Activities	Business-Type Activities	Total
Expenses			
Public Safety - Corrections	\$ (304,656,771)	\$ -	\$ (304,656,771)
Corrections Industries	-	(7,769,927)	(7,769,927)
Program Revenues			
Charges for Services	4,353,027	7,854,019	12,207,046
Operating Grants & Contributions	387,966	-	387,966
Capital Grants & Contributions	-	-	-
Changes in Net Position:			
Net Program (Expense) / Revenue	(299,915,777)	84,092	(299,831,686)
General Revenues:			
General Fund Appropriation	289,709,600	-	289,709,600
Inter-Agency Transfer-In	3,647,029	-	3,647,029
Reversions to the State General Fund	-	-	-
Other Revenue	1,326,890	2,434	1,329,324
Unrestricted investment earnings	12,609,895	148,994	12,758,890
Loss on Disposition of Assets	-	-	-
Total General Revenues and Transfers	307,293,415	151,428	307,444,843
Change in Net Position	7,377,637	235,520	7,613,157
Net Position beginning	36,926,662	4,976,412	41,903,074
Net Position - Ending	<u>\$ 44,304,299</u>	<u>\$ 5,211,931</u>	<u>\$ 49,516,231</u>

The accompanying notes are an integral part of the financial statements

**NEW MEXICO CORRECTIONS DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	Total
ASSETS			
Investments, State Treasurer	\$ 36,747,636	\$ 2,810,759	\$ 39,558,395
Petty Cash	2,075	-	2,075
Receivables, net			
of allowance for doubtful accounts	165,618	-	165,618
Federal Grants Receivable	67,319	-	67,319
Other Receivables	14,251	-	14,251
Due from Other State Agencies	3,432,388	-	3,432,388
Due from Other Funds	-	109,396	109,396
Due from State General Fund	-	-	-
Inventories	4,320,238	-	4,320,238
Prepaid Items	87,837	-	87,837
Total Assets	\$ 44,837,361	\$ 2,920,155	\$ 47,757,516
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 14,564,177	\$ -	\$ 14,564,177
Vouchers Payable	8,074,903	23,174	8,098,077
Payroll Benefits Payable	1,333,113	7,873	1,340,987
Payroll Benefits & Taxes Payable	449,996	4,467	454,462
Accrued Wages Payable	1,816,462	10,995	1,827,457
Due to Other Funds	109,396	-	109,396
Due to State General Fund	6,138	-	6,138
State Dated Warrants - Due to SGF	316	-	316
Receipts Held in Suspense	-	-	-
Due to Other State Agencies	17,226	-	17,226
Other Liabilities	10,400	-	10,400
Total Liabilities	26,382,126	46,509	26,428,635
Fund Balances:			
Reserved for:			
Nonspendable	4,410,150	-	4,410,150
Restricted	11,352,312	2,873,646	14,225,958
Committed	-	-	-
Assigned	2,692,773	-	2,692,773
Unassigned	-	-	-
Designated for Future Expenditures	-	-	-
Total Fund Balance	18,455,235	2,873,646	21,328,881
Total Liabilities and Fund Balance	\$ 44,837,361	\$ 2,920,155	\$ 47,757,516

* 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 POSITION
 FOR THE YEAR ENDING JUNE 30, 2015

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

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

Total Fund Balances - Governmental Funds (Governmental Funds Balance Sheet)	\$ 21,328,881
----------------------------------------------------------------------------------------	---------------

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

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

Buildings	\$ 35,982,437	
Improvements other than buildings	3,714,246	
Machinery and Equipment	21,856,119	
Automotive	2,917,225	
Accumulated depreciation	<u>(37,174,448)</u>	
Total Capital Assets		27,295,579

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

Compensated Absences Payable	<u>(4,320,161)</u>
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Net Position of Governmental Activities (Total Net Position of Governmental Activities)	<u>\$ 44,304,299</u>
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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, 2015

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	Total
Revenues			
Charges for Services	\$ 2,304,084	\$ 38,317	\$ 2,342,402
Intergovernmental	1,123,359	-	1,123,359
Institutional Sales	887,267	-	887,267
Investment Earnings	12,609,895	-	12,609,895
Miscellaneous	789,875	537,015	1,326,890
Federal Grants and Contributions	387,966	-	387,966
Total Revenues	<u>18,102,447</u>	<u>575,332</u>	<u>18,677,779</u>
Expenditures, Current			
Personal Services & Employee Benefits	135,532,301	744,873	136,277,174
Contractual Services	44,252,078	-	44,252,078
Other	117,040,192	3,493,874	120,534,067
Expenditures, Capital Outlay	<u>2,405,340</u>	<u>-</u>	<u>2,405,340</u>
Total Expenditures	<u>299,229,912</u>	<u>4,238,748</u>	<u>303,468,660</u>
Excess (deficiency) Revenues over Expenditures	<u>(281,127,466)</u>	<u>(3,663,415)</u>	<u>(284,790,881)</u>
Other Financing Sources (uses)			
State General Fund Appropriations	285,440,000	4,269,600	289,709,600
Inter-Agency Transfers-In	3,634,529	12,500	3,647,029
Reversions to State General Fund	-	-	-
Net Other Financing Sources (uses)	<u>289,074,529</u>	<u>4,282,100</u>	<u>293,356,629</u>
Net Change in Fund Balance	7,947,064	618,685	8,565,748
Fund Balance, Beginning of Year	<u>10,508,172</u>	<u>2,254,961</u>	<u>12,763,133</u>
Fund Balance, End of Year	<u>\$ 18,455,235</u>	<u>\$ 2,873,646</u>	<u>\$ 21,328,881</u>

* Includes SHARE fund 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, 2015

Net Change in fund balances - Total Governmental Funds
(Statement of Revenue, Expenditures and Changes in Fund Balance) \$ 8,565,749

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) 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 (87,272)

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	\$ 2,398,684	
Depreciation Expense	(3,203,351)	
Excess of Depreciation Expense over Capital Outlay		(804,667)

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: (296,173)

Change in Net Position of Governmental Activities
(Statement of Activities) \$ 7,377,637

**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, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Other State Funds	\$ 16,397,500	\$ 15,930,570	\$ 17,714,480	\$ 1,783,910
Federal Funds	171,200	572,979	387,966	(185,013)
Total Revenues	<u>16,568,700</u>	<u>16,503,549</u>	<u>18,102,447</u>	<u>1,598,898</u>
Expenditures, Current				
Personal Services & Employee Benefits	136,336,400	135,549,422	135,532,301	17,121
Contractual Services	45,410,500	45,556,011	44,252,078	1,303,933
Other	110,543,400	119,405,286	117,040,193	2,365,093
Expenditures, Capital Outlay	1,189,400	1,189,400	2,405,340	(1,215,940) *
Total Expenditures	<u>293,479,700</u>	<u>301,700,119</u>	<u>299,229,912</u>	<u>2,470,207</u>
Excess (deficiency) Revenues over Expenditures	<u>(276,911,000)</u>	<u>(285,196,570)</u>	<u>(281,127,465)</u>	<u>4,069,105</u>
Other Financing Sources (uses)				
State General Fund Appropriation	273,616,000	285,440,000	285,440,000	-
Inter-Agency Transfers-In	3,295,000	3,710,570	3,634,529	(76,041)
Budgeted Fund Balance	-	820,000	-	(820,000)
Reversions to State General Fund	-	-	-	-
Net Other Financing Sources (uses)	<u>276,911,000</u>	<u>289,970,570</u>	<u>289,074,529</u>	<u>(896,041)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 4,774,000</u>	<u>\$ 7,947,064</u>	<u>\$ 3,173,064</u>
Fund Balance, Beginning of Year			<u>10,508,171</u>	
Fund Balance, End of Year			<u>\$ 18,455,235</u>	

* Amounts have been reclassified for financial statement purposes. The budget for capital outlay expenditures is included in the "Other" expenditure category budget.

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, 2015

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Other State Funds	\$ 37,800	\$ 37,800	\$ 575,332	\$ 537,532
Federal Funds	-	-	-	-
Total Revenues	37,800	37,800	575,332	537,532
Expenditures, Current				
Personal Services & Employee Benefits	876,300	876,300	744,873	131,427
Contractual Services	5,500	625,500	-	625,500
Other	3,550,800	3,600,800	3,493,874	106,926
Expenditures, Capital Outlay	-	-	-	-
Total Expenditures	4,432,600	5,102,600	4,238,748	863,852
Excess (deficiency) Revenues over Expenditures	(4,394,800)	(5,064,800)	(3,663,415)	1,401,385
Other Financing Sources (uses)				
State General Fund Appropriation	3,769,600	4,269,600	4,269,600	-
Transfers-In	12,500	12,500	12,500	-
Budgeted Fund Balance	612,700	782,700	-	(782,700)
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	-	-	-
Net Other Financing Sources (uses)	4,394,800	5,064,800	4,282,100	(782,700)
Net Change in Fund Balance	\$ -	\$ -	\$ 618,685	\$ 618,685
Net Change in Fund Balance			\$ 618,685	
Fund Balance, Beginning of Year			\$ 2,254,961	
Fund Balance, End of Year			\$ 2,873,646	

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

ASSETS

Current Assets:	
Investments, State Treasurer	\$ 3,043,894
Petty Cash	2,250
Receivables (net of allowance for doubtful accounts)	867,731
Interest Receivable	218
Inventories	1,227,441
Prepaid Items	1,074
Total Current Assets	<u>5,142,608</u>
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	2,192,941
Buildings and Improvements	1,003,511
Automotive	963,135
Less Accumulated Depreciation	<u>(3,570,632)</u>
Total Noncurrent Assets	<u>588,954</u>
Total Assets	<u>5,731,562</u>

LIABILITIES

Current Liabilities:	
Vouchers Payable	403,247
Accrued Wages Payable	19,902
Payroll Benefits Payable	14,587
Payroll Taxes & Benefits Payable	6,014
Compensated Absences Payable	64,629
Unearned Revenue	10,000
Other Liabilities	1,250
Total Liabilities	<u>519,630</u>

NET POSITION

Net Investment in Capital Assets	588,954
Restricted	<u>4,622,977</u>
Total Net Position	<u>\$ 5,211,931</u>

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

OPERATING REVENUES	
Sales	\$7,854,019
 OPERATING EXPENSES	
Cost of Goods Sold:	
Cost of Materials Used	5,599,965
Direct Labor (inmate payroll)	237,777
Manufacturing and Administrative Overhead	2,139,084
Change in Work in Process and Finished Goods Inventory, Net	(286,050)
Depreciation Expense	79,151
Total Operating Expenses	7,769,927
 OPERATING INCOME (LOSS)	 84,092
 Nonoperating revenue (expense):	
Interest on Deposits with State Treasurer	2,434
Miscellaneous Income	148,994
General Fund Subsidy	-
Total nonoperating revenue / (expense)	151,428
CHANGE IN NET POSITION	235,520
 Total Net Position, Beginning of Year	 4,976,412
 Total Net Position, End of Year	 \$5,211,931

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, 2015**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 8,104,996
Cash Payments to Suppliers for Goods and Services	(7,117,843)
Cash Payments to Employees for Services	(1,293,609)
Cash Payments to Inmates for Services	<u>(237,777)</u>
Net Cash Provided by for Operating Activities	(544,233)
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(282,914)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(282,914)</u>
Cash Flows from Investing Activities:	
Interest Income	2,434
Miscellaneous Income	<u>148,994</u>
Net Cash Provided by Investing Activities	<u>151,428</u>
Net Increase (Decrease) in Agency Interest in SGFIP	(675,719)
Investments, State Treasurer at Beginning of Year (including petty cash)	<u>3,721,863</u>
Investments, State Treasurer at End of Year (including petty cash)	<u>\$ 3,046,144</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 84,091
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	79,151
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	250,977
(Increase) Decrease in Prepaid Expenses	(508)
(Increase) Decrease in Interest Receivable	75
(Increase) Decrease in Inventory	(360,830)
Increase (Decrease) in Allowance for Uncollectible Receivables	-
Increase (Decrease) in Accounts Payable	(622,772)
Increase (Decrease) in Compensated Absences Payable	8,511
Increase (Decrease) in Accrued Wages Payable	8,091
Increase (Decrease) in Payroll Taxes & Benefits Payable	7,881
Increase (Decrease) in Other Liabilities	<u>1,100</u>
Total Adjustments and Changes	(628,324)
Net Cash Provided (Used) by Operating Activities	<u>\$ (544,233)</u>

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
AS OF JUNE 30, 2015

	<u>Inmate Trust Account</u>
ASSETS	
Cash	\$ 2,182,909
Due from Others	346,242
	<hr/>
Total Assets	<u>\$ 2,529,151</u>
LIABILITIES	
Due to Others	\$ 547,054
Deposits Held for Others	1,982,097
	<hr/>
Total Liabilities	<u>\$ 2,529,151</u>

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2015

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NOTE 1: HISTORY, OATH AND ORGANIZATION

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

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

Office of the Secretary

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

Adult Prisons Division

The Director of the Adult Prisons Division reports to the Deputy Secretary of Operations. The Adult Prisons Division is the largest division within the New Mexico Corrections Department, incarcerating approximately 6,800 inmates in six state-owned and operated prisons and five privately operated facilities. Ten of the eleven facilities house male inmates. All female offenders are housed in one facility. The Adult Prisons Division oversees the Health Services Bureau, which includes medical and mental health. The Classification Bureau, Records Bureau, Security Threat Intelligence Unit and Emergency Preparedness are also part of the division.

Administrative Services Division

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

Information Technology Division

The Chief Information Officer of the Information Technology Division is responsible to the Deputy Secretary of Administration for providing the highest quality technology-based tools and services to create and maintain strong information technology systems to support agency staff and promote agency efficiency and accountability. ITD is divided into five sections - Infrastructure, Applications, Project Management, Business Analysis and Database. This structure supports the alignment of Information Technology with the goals of the business.

Office of the General Counsel

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

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

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

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

Office of Recidivism Reduction

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

Probation and Parole Division

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

Training Academy Division

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

Corrections Industries Division

The Director of the Corrections Industries Division is responsible to the Deputy Secretary of Administration to enhance the rehabilitation, education and vocational skills of inmates through productive involvement in enterprises and public works of benefit to state agencies and local public bodies and to minimize inmate idleness. CID is administered without appropriated funds and is self-supporting. The Division is financed through a revolving fund, from which all operating expenses are paid. As the manufacturing and services arm of the Corrections Department, the Division employs 39 staff and supervisory personnel to manage an average of 375 inmates in 13 programs at eight different facilities around the state.

Corrections Industries Commission

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Department complies with GASB #34 and as 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.

The Department also implemented the provisions of GASB #54 effective July 1, 2010. In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation. See page 37, item 12 and Note 13 on page 48 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 # 61 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 Position, both the governmental and business-type activities columns are presented on a consolidated basis by column using the economic resources measurement focus and the accrual basis of accounting and incorporates long-term assets and receivables as well as long-term debt and obligations. Additionally internal activity has been eliminated at this level of presentation.

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

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc). 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 (§19-1-17) to which the Department is a beneficiary.

Probation and Parole Fees (§31-20-6 NMSA 1978 and §31-21-13.1 NMSA 1978).

Special Revenue Fund

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

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."

Proprietary Fund Types

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

Enterprise Fund

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

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

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

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

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

Fiduciary Fund Types

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

Agency Fund

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

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 Positions.

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

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

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

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

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

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

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 not have appropriations, which are multiple year appropriations that do not lapse at year-end.

G. ASSETS, LIABILITIES AND FUND BALANCE

1. Deposits and Investments

At year end, the carrying amount of the Department's deposits was \$2,182,909 and the bank balance was \$2,143,214. The difference represents outstanding checks, deposits, and other reconciling items. In addition, there was \$4,325 of petty cash.

The Department has defined Investments as Interest in the State General Fund Investment Pool (ISGFIP) with the New Mexico State Treasurer's Office (STO). State law requires the Department's cash investments to be managed by

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

The fair value of the investments maintained at the New Mexico State Treasurer's Office is as follows at June 30, 2015.

<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	\$ 42,602,288
Total Investments or Cash Equivalents		<u>\$ 42,602,288</u>

* Refer to Note 3 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. The New Mexico State Treasurer's Office does have an investment policy that limits investments maturities to five years and less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

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. The allowance amounts for the General and Enterprise funds at June 30, 2015 are \$300,296 and \$254,048, respectively. In fiscal year 2015, the amount of allowance 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	\$ 281,002	\$ 1,121,779	\$ 1,402,782
Less: Allowance for doubtful accounts	<u>(115,385)</u>	<u>(254,048)</u>	<u>(369,433)</u>
Net Accounts Receivable	<u>\$ 165,618</u>	<u>\$ 867,731</u>	<u>\$ 1,033,349</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:

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>
Community Corrections	90200	109,396	91500	109,396
Totals		<u>\$ 109,396</u>		<u>\$ 109,396</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>
Probation & Parole	91500	109,396	90200	109,396
Totals		<u>\$ 109,396</u>		<u>\$ 109,396</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, 2015 consist of the following:

Interagency Receivables

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due From Other Agencies</u>	<u>Due From SHARE Agency Number</u>	<u>Due From SHARE Fund Number</u>	<u>Amount</u>
General Fund	90700	\$ 3,432,388	33700 34100 79000 80500 52100	60100 76100 12802 20100 20010	955,638 2,288,395 53,389 123,061 11,906
Totals		<u>\$ 3,432,388</u>			<u>3,432,388</u>

Interest Receivable

Enterprise Fund	07700	<u>218</u>	39403	80100	<u>218</u>
Totals		<u>\$ 218</u>			<u>\$ 218</u>

Interagency Payables

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due to Other Agencies</u>	<u>Due to SHARE Agency Number</u>	<u>Due to SHARE Fund Number</u>	<u>Amount</u>
General Fund	90700	\$ 128	33300	82800	\$ 128
General Fund	91500	17,097	63000	05200	17,097
General Fund	90700	6,112	34100	85300	6,112
General Fund	91500	342	34100	85300	342
Totals		<u>\$ 23,679</u>			<u>\$ 23,679</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 \$4,320,238 consist of generic supplies and materials in the various department operated correctional facilities. Inventories are valued using the average cost method. A portion of the amount reported in non-spendable fund balance represents inventories and indicates that supplies inventories are not available expendable resources for Department programs.

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

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

Raw Materials	\$	326,946
Work in Process		72,181
Finished Goods		828,314
		<hr/>
Total Inventory	\$	<u>1,227,441</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, 2015. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used. A portion of the amount reported in non-spendable fund balance represents prepaid items.

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. Pursuant to §12-6-10 NMSA 1978, (effective June 17, 2005), 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 2015. 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.

Compensatory time may be granted by to individuals when overtime is needed. Employees not exempt from the FLSA may accrue up to 240 hours of compensatory leave. Employees exempt from the FLSA may accrue up to 160 hours of compensatory leave.

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

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

10. Due To State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the total actual revenue amount to the total expended amount at fiscal year-end less any amounts that are determined to be non-spendable, restricted or assigned.

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

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

- 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 P534. [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 P534 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, except for the State Criminal Alien Assistance Program (SCAAP) award, are in the form of a reimbursement basis, whereby reimbursement for grant costs is requested from the granting agency after the grant related expenditure has occurred. [Section 6-5-10 NMSA 1978]. When the funds pertaining to the SCAAP award are received, the funds are deferred until budgeted by the Department.

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

Current year reversions *Due to the State General Fund* as of June 30, 2015 were as follows:

	SHARE System Fund 90700	SHARE System Fund 91500	SHARE System Fund 89000	Total
General Fund				
Current Year:				
FY 15 Reversions	\$ 6,112	\$ 26	\$ -	\$ 6,138
Total FY 15 Reversions	6,112	26	-	6,138
State Dated Warrants	-	316	-	316
Total Reversions Due to General Fund	\$ 6,112	\$ 342	\$ -	\$ 6,454

11. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflows of resources (expenses/expenditures) until then. The department did not have any items that qualified for reporting in this category as of June 30, 2015.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2015.

12. Fund Balances

The Department has implemented GASB 54—Fund Balance Reporting and Governmental Fund Type Definitions. The 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 non-spendable items) that are either: (a) externally imposed by creditors (such as through debt covenants) grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

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 POSITION

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

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

Restricted Net Position – are 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 statement of net position reports \$49,516,231, of which \$18,848,935 is restricted by enabling legislation.

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

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, Institutional Sales, Payment for Care – Individuals, etc.

NOTE 3: CASH

A. Pledged Collateral

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Departments deposits may not be returned.

In accordance with Section 6-10-7 NMSA 1978, deposits of public monies are to be collateralized in an aggregate equal to 50% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance coverage. Deposits are exposed to custodial risks if they are not covered by depository insurance. FDIC insures the deposits of governmental accounts on a per Official Custodian basis as follows: the aggregate balance in demand deposits accounts are insured up to \$250,000 per Official Custodian and the aggregate balances in time and savings accounts are insured up to \$250,000 per Official Custodian.

On June 30, 2015, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total Amount on Deposit	\$ 2,143,214
Less: Amount covered by FDIC	(250,000)
Total Uninsured Funds	<u>1,893,214</u>
 Amount requiring collateral (50%) *	 <u>\$ 946,607</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 3: 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>
General Fund:		
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		
Special Revenue Funds:		
NM State Treasurer	General Operating	General
Total Special Revenue Fund		
Enterprise Funds:		
NM State Treasurer	Correction Industries	Enterprise
N/A	Various	Enterprise
Total Enterprise Funds		
Agency Fund:		
Wells Fargo Bank New Mexico	Inmate Master Trust Account	Agency Inmate Trust
Total Agency Fund Cash		

<u>SHARE System Fund No.</u>	<u>Type of Account</u>	<u>Interest Bearing</u>	<u>Bank/DFA Statement Balance at 06/30/15</u>	<u>Reconciled Book Balance at 06/30/15</u>
90700	State Treasury	No	\$ 28,536,457	\$ 28,536,457
89800	State Treasury	No	150,602	150,602
91500	State Treasury	No	8,060,576	8,060,576
N/A	Petty Cash	No	2,075	2,075
			<u>36,749,710</u>	<u>36,749,710</u>
90200	State Treasury	No	2,810,759	2,810,759
			<u>2,810,759</u>	<u>2,810,759</u>
07700	State Treasury	Yes	3,043,894	3,043,894
N/A	Petty Cash	No	2,250	2,250
			<u>3,046,144</u>	<u>3,046,144</u>
55700	Checking	No	2,143,214	2,182,909
			<u>2,143,214</u>	<u>2,182,909</u>

NOTE 4: CAPITAL ASSETS

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

	Beginning Balance 07/01/14	Additions	Deletions	Ending Balance 06/30/15
Governmental-type Activities:				
Buildings and Improvements	\$ 34,264,118	\$ 1,780,989	\$ (62,670)	\$ 35,982,437
Improvements other than Buildings	3,717,931		(3,685)	3,714,246
Machinery and Equipment	24,744,838	378,953	(3,267,672)	21,856,119
Automotive	2,706,793	238,742	(28,310)	2,917,225
Total Capital Assets at Historical Cost	65,433,680	2,398,684	(3,362,337)	64,470,028
Less: Accumulated Depreciation				
Buildings and Improvements	15,520,607	1,249,692	(55,619)	16,714,681
Improvements other than Buildings	1,172,957	164,977	(3,686)	1,334,247
Machinery and Equipment	17,919,364	1,692,428	(2,978,549)	16,633,242
Automotive	2,424,332	96,255	(28,310)	2,492,277
Total Accumulated Depreciation	37,037,260	3,203,352	(3,066,164)	37,174,448
Governmental Activities Capital Assets, Net	\$ 28,396,420	\$ (804,668)	\$ (296,173)	\$ 27,295,579
Business-type Activities:				
Buildings and Improvements	\$ 1,003,511	\$ -	\$ -	\$ 1,003,511
Machinery and Equipment	2,122,939	147,307	(77,305)	2,192,941
Automotive	820,872	142,263		963,135
Total Capital Assets at Historical Cost	3,947,321	289,570	(77,305)	4,159,586
Less: Accumulated Depreciation				
Machinery and Equipment	2,016,445	29,651	(77,305)	1,968,791
Buildings and Improvements	910,330	6,524		916,854
Automotive	635,354	49,632		684,987
Total Accumulated Depreciation	3,562,129	85,807	(77,305)	3,570,632
Enterprise Fund Capital Assets, Net	\$ 385,192	\$ 203,762	\$ -	\$ 588,954

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 \$2,398,684 and \$79,151 (plus a transfer of \$6,656 from the governmental fund 90700) 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 5: RETIREMENT PLANS (STATE PERA & ERB)

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015.

The New Mexico Corrections Department, as part of the primary government of the State of New Mexico, is a contributing employer to two cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA) and Educational Retirement Board (ERB). Overall, Total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE 6: RETIREE HEALTH CARE

RHCA Plan Description

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

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

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

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State

Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (correctional officers), during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's salary, and each participating employee was required to contribute 1.25% of their salary. For employees who are not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee is required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Corrections Department contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$1,786,135, \$1,625,907, and \$1,581,406, respectively, which equal the required contributions for each year.

NOTE 7: 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, 2015 the value of the Department's interest in the State Permanent Fund was \$284,625,914 at market. Income from the trust for the year then ended was \$11,555,819.

The value of the Department's interest in the State Charitable, Penal and Reformatory Institutions Fund was 1/7th of the fair market value, which was \$120,023,063 at June 30, 2015. Income from the trust for the year then ended was \$700,952.

NOTE 8: CONCENTRATIONS AND INTERFUND TRANSACTIONS

Inmates at various institutions are required to work for the institutions or provide direct labor in the Corrections Industries work programs reflected on pages 74 through 79. 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, 2015 the Enterprise Fund incurred \$237,777 in inmate wages expense.

NOTE 9: OPERATING LEASES

LESSEE:

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

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

Year Ended June 30,	
2016	\$ 2,724,908
2017	2,495,445
2018	2,294,304
2019	1,867,045
2020	1,479,211
2020-24	<u>2,111,375</u>
Total Minimum Lease Payments	<u>\$ 12,972,288</u>

During the year ended June 30, 2015, general fund operating lease expenditures for facilities, vehicles, and equipment totaled \$3,451,212.

LESSOR:

The Corrections Industries Division is a 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:

Year Ended June 30,	
2016	\$ 185,000
2017	185,000
2018	138,750
2019	-
2020	-
2019-2024	<u>-</u>
Total Minimum Lease Payments	<u>\$ 508,750</u>

NOTE 10: 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	\$ 3,629,053	\$ 3,748,529	\$ (3,751,471)	\$ 3,626,111
Compensatory Leave	530,932	2,276,035	(2,173,529)	633,438
Sick Leave	72,904	3,161,741	(3,174,033)	60,612
Total Short-Term Liabilities	<u>\$ 4,232,889</u>	<u>\$ 9,186,305</u>	<u>\$ (9,099,033)</u>	<u>\$ 4,320,161</u>

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

	Balance Beginning	Increase	(Decrease)	Balance Ending*
Compensated Absences:				
Annual Leave	\$ 52,839	\$ 46,147	\$ (39,684)	\$ 59,302
Compensatory Leave	2,595	4,747	(2,495)	4,847
Sick Leave	684	35,796	(36,000)	480
Total Short-Term Liabilities	<u>\$ 56,118</u>	<u>\$ 86,690</u>	<u>\$ (78,179)</u>	<u>\$ 64,629</u>

*The estimated amount expected to be paid for Compensated Absences within one year is \$4,320,161 which is listed on the Statement of Net Position on page 11. 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 \$64,629 for the business-type activities is expected to be paid for within one year.

NOTE 11: 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 civil actions or claims against the Department for money damages are referred to the Risk Management Division (RMD) for payment of any judgment or settlement and for some of these claims the Department and RMD could share the liability for any monetary judgment or settlement. The potential risk of loss to the Department in these pending legal cases is estimated to be \$329,000 and is deemed to be "slight to moderate" by the Department's counsel and management and the potential loss would not materially adversely affect the financial statements.

NOTE 12: OTHER FINANCING SOURCES AND OPERATING TRANSFERS

Transfer In/Out:

During the fiscal year, the Department received and transferred funds that were recorded as "Other Financing Sources/Uses". These amounts include: (1) \$289,709,600 of State General Fund Appropriations. (2) A total of \$3,647,029 was received from various state agencies. Detail of this amount is as follows: the agency's compensation package from DFA - \$2,079,500; Salary adjustment for staff from DFA - \$745,100; DFA Computer System Enhancement Fund - \$250,000; General Services Department for costs related to legal staff defending the Department in Pro Se cases - \$249,817; Higher Ed Department and Dept. of Public Safety - \$322,612. (3) The Department transferred to the State General Fund as part of its reversions \$6,454 (additional information regarding this amount can be found in Note 2-11 starting on page 37). The following is a breakdown of these transactions by fund:

	SHARE Agency / Fund	Transfer In	Transfer Out
State General Fund Appropriations			
SHARE System Fund 90200	34101-85300	\$ 4,269,600	\$ -
SHARE System Fund 90700	34101-85300	259,813,900	-
SHARE System Fund 91500	34101-85300	25,626,100	-
Total State General Fund Appropriations		<u>\$ 289,709,600</u>	<u>\$ -</u>
Other Financing Sources			
SHARE System Fund 90200	34100-62000	12,500	\$ -
SHARE System Fund 90700	34100-62000	1,767,500	-
SHARE System Fund 90700	34100-62000	596,080	
SHARE System Fund 91500	34100-62000	149,020	
SHARE System Fund 90700	34100-00900	250,000	
SHARE System Fund 90700	95000-10990	231,037	
SHARE System Fund 90700	79000-12802	91,575	
SHARE System Fund 90700	35000-35703	249,817	-
SHARE System Fund 91500	34100-62000	299,500	-
Total Operating Transfers - General Fund Appropriations		<u>\$ 3,647,029</u>	<u>\$ -</u>
State General Fund Reversions			
SHARE System Fund 90700	34100-85300	-	\$ 6,112
SHARE System Fund 91500	34100-85300	-	342
Total State General Fund Appropriation/Reversions		<u>\$ -</u>	<u>\$ 6,454</u>

NOTE 13: FUND BALANCE

Government Fund Balances – Restricted, Committed and Assigned

The Department's fund balances represent: (1) *Restricted Fund Balance*, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other government or imposed by law through constitutional provisions or enabling legislation; (2) *Committed Fund Balance*, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; (3) *Non-Spendable Fund Balance*, which includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact; (4) *Assigned Fund Balance*, which includes a portion of the fund balance that represents the remaining amount that is not restricted or committed and are intended to be used by the government for specific purposes, (5) *Unassigned Fund Balance*, which includes a portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Committed, assigned, or unassigned amounts are considered to have been spent when expenditures are incurred for purposes for which amount in any of the unrestricted fund balance classification could be used.

The following is a summary of the Restricted Fund Balance amounts by fund type at June 30, 2014:

Governmental Funds	
General Operating Fund (90700)	\$ 5,705,333
Probation and Parole Fund (91500)	5,496,377
Community Corrections Special Revenue Fund (90200)	2,873,646
Building Fund (89800)	150,602
	<hr/>
	\$ 14,225,958

The Community Corrections Special Revenue Fund statutorily does not revert to the State General Fund. The Department has requested to use \$612,700 in its fiscal year 2016 budget request and \$612,700 in its fiscal year 2017 budget request, thereby reducing the amount of the appropriation request.

The Department has a portion of fund balance in the amount of \$4,410,150 that is Non-spendable and another portion of the fund balance in the amount of \$2,692,773 that is in the Assigned portion. The Non-spendable amount includes prepaid expenses, inventories, and petty cash. The Assigned balance includes amounts that will be used to cover the department's projected FY 16 shortfall. There is no balance in the Unassigned Fund Balance portion of the fund balance in the Governmental Funds.

NOTE 14: JPA AND MOU DISCLOSURE

The Department was a party to the following Joint Power Agreements (JPA) and Memorandums of Understanding (MOU) during fiscal year 2015:

NM Tort Claims Act - JPA #13-001J Between NMCD and General Services Department, Risk Management Division (GSD/RMD) to provide legal representation of NMCD employees pursuant to the NM Tort Claims Act (Pro Se Cases). Yearly allotment made to NMCD Office of General Counsel.

- Responsible Party for Operations: GSD
- Time Period: July 1, 2012 to June 30, 2016
- Total Estimated Amount of Project - \$249,817
- Portion Applicable to NMCD: Income
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: GSD

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

- Responsible Party for Operations: City of Grants
- Time Period: December 5, 2008 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: City of Grants

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

- Responsible Party for Operations: EMNRD
- Time Period: June 19, 2014 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: EMNRD

NOTE 14: JPA and MOU Disclosure (Continued)

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

- Responsible Party for Operations: EMNRD
- Time Period: July 20, 2001 to Indefinite
- Total Estimated Amount of Project: \$149,000.00
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: EMNRD
- Revenue: \$127,275.11

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

- Responsible Party for Operations: SFSWMA
- Time Period: September 1, 2001 to Indefinite
- Total Estimated Amount of Project: \$90,000.00
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: SFSWMA
- Revenue: \$25,660.18

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

- Responsible Party for Operations: City of Las Cruces
- Time Period: July 28, 1998 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: City of Las Cruces
- Revenue: \$190,935.29

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

- Responsible Party for Operations: City of Santa Fe
- Time Period: July 21, 2009- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: City of Santa Fe

NOTE 14: JPA and MOU Disclosure (Continued)

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

- Responsible Party for Operations: NMCD
- Time Period: September 21, 2000- Indefinite
- Total Estimated Amount of Project: As Needed
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

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

- Responsible Party for Operations: NMCD
- Time Period: September 15, 2010- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

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

- Responsible Party for Operations: NMCD
- Time Period: July 22, 2013- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

Legal Representation – MOU between NMCD and the NM Attorney General's Office for legal representation of NMCD and its employees in federal and habeas corpus proceedings.

- Responsible Party for Operations: NMCD
- Time Period: July 1, 2008 - Indefinite
- Total Estimated Amount of Project: \$25,000.00+
- Portion Applicable to NMCD: \$25,000.00+
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

NOTE 14: JPA and MOU Disclosure (Continued)

Inmate Tracking – MOU between NMCD and the NM Human Services Department (HSD) for the tracking of all inmates and parolees named as non-custodial parents in HSD Child Support Enforcement Cases.

- Responsible Party for Operations: HSD/NMCD
- Time Period: June 4, 2003 - Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: HSD/NMCD

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

- Responsible Party for Operations: NMCD/INL
- Time Period: February 3, 2012– January 31, 2015
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/INL
- Revenue: \$76,095.20

Collective Bargaining Negotiations – MOU between NMCD and the State Personnel Office for the representation during collective bargaining negotiations.

- Responsible Party for Operations: NMCD
- Time Period: May 4, 2005 - Indefinite
- Total Estimated Amount of Project: \$11,067.78
- Portion Applicable to NMCD: \$11,067.78
- Amount Agency Contributed in Fiscal Year 2015: \$7,581.72
- Audit Responsibility: NMCD

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

- Responsible Party for Operations: NMDMA
- Time Period: April 25, 2005 - Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMDMA

NOTE 14: JPA and MOU Disclosure (Continued)

Hepatitis C Medication and Pharmaceutical Consulting – MOU between NMCD, and Department of Health to provide Hepatitis C medication and consulting to NMCD inmates with HCV Disease.

- Responsible Party for Operations: NMCD
- Time Period: June 21, 2007 - Indefinite
- Total Estimated Amount of Project: Actual Costs
- Portion Applicable to NMCD: Actual Costs
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

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

- Responsible Party for Operations: NMCD/FBI
- Time Period: January 8, 2004 – Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: FBI

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

- Responsible Party for Operations: NMCD
- Time Period: September 26, 2011 – Indefinite
- Total Estimated Amount of Project: \$22,000.00
- Portion Applicable to NMCD: \$22,000.00
- Amount Agency Contributed in Fiscal Year 2015: \$24,563.33
- Audit Responsibility: NMCD

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

- Responsible Party for Operations: NMCD
- Time Period: Indefinite
- Total Estimated Amount of Project: Actual Cost/Reimbursement
- Portion Applicable to NMCD: Actual Cost/Reimbursement
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/US Marshal's Service

NOTE 14: 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 Costs/Reimbursement
- Portion Applicable to NMCD: Actual Costs/Reimbursement
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/FBI

2015 Financial Audit – MOU between NMCD and the Office of the State Auditor (OSA) to conduct the Fiscal Year 2015 Financial Audit.

- Responsible Party for Operations: NMCD/OSA
- Time Period: June 29, 2015 – December 01, 2015
- Total Estimated Amount of Project: \$110,000.00
- Portion Applicable to NMCD: Actual Costs
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/OSA

Representation for Collective Bargaining – MOU between NMCD, the Office of the Governor et al for cooperative funding and representation for collective bargaining negotiations.

- Responsible Party for Operations: NM State Personnel
- Time Period: June 10, 2015 - Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: \$7,894.57
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

Probation Supervision – MOU between NMCD and the Magistrate Courts of NM for NMCD to accept probation supervision.

- Responsible Party for Operations: NMCD
- Time Period: June 14, 2013 – Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

NOTE 14: JPA and MOU Disclosure (Continued)

Probation Supervision – MOU between NMCD and the Department of Veterans Affairs (VA) to promote cooperation between NMCD and VA regarding the supervision of probationers and parolees residing at a VA facility with a residential rehabilitation treatment program in NM.

- Responsible Party for Operations: NMCD
- Time Period: December 1, 2012-July 30, 2015
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

Family Reunification Services – MOU between NMCD, Corrections Corporation of America and PB&J Family Services to provide pre and post release family reunification services for female inmates who are mothers.

- Responsible Party for Operations: NMCD
- Time Period: March 28, 2013-September 30, 2015
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

Wheelchair Restoration – MOU between NMCD and Joni and Friends (JAF) for the restoration of wheelchairs to be distributed through JAF's *Wheels for the World* program beyond U.S. boundaries.

- Responsible Party for Operations: NMCD
- Time Period: December 4, 2013-Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

Legal Services-Cooperative Funding- MOU between NMCD and the Office of the Governor et al for cooperative funding and legal services in connection to the pending lawsuit titled State of New Mexico v. American Federation of State, County and Municipal Employees Council 18, AFL-CIO, CLC and Communication Workers of America, AFL-CIO, New Mexico Supreme Court, Docket Number 33,792.

- Responsible Party for Operations: NM State Personnel
- Time Period: February 18, 2013-Indefinite
- Total Estimated Amount of Project: \$7,684.90
- Portion Applicable to NMCD:
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

NOTE 14: JPA and MOU Disclosure (Continued)

Legal Services-Cooperative Funding - MOU between NMCD and the Office of the Governor et al for cooperative funding and legal services in connection to State of New Mexico, Movant v. American Federation of State, County and Municipal Employees Council 18, AFL-CIO, CLC and Communication Workers of America, AFL-CIO, CLC, Respondent, D-202-CV-2009-09756 (Consolidated).

- Responsible Party for Operations: NM State Personnel
- Time Period: September 16, 2013-Indefinite
- Total Estimated Amount of Project: \$4,673.76
- Portion Applicable to NMCD: \$4,673.76
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

Legal Services-Cooperative Funding - MOU between NMCD and the Office of the Governor et al for cooperative funding of implementation costs/fees and attorneys' fee award plus gross receipts tax, in connection with State of New Mexico vs. American Federation of State, County and Municipal Employees, Council 18, AFL-CIO, CLC and Communications Workers of America, AFL-CIO, CLC, D-202-CV-2009-09756 (Consolidated), and underlying arbitration awards.

- Responsible Party for Operations: NM State Personnel
- Time Period: March 27, 2014-Indefinite
- Total Estimated Amount of Project: \$
- Portion Applicable to NMCD: \$255,882.76
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD

Region III Drug Task Force - MOU between NMCD and the Region III Drug Task Force for cooperation between several law enforcement agencies for drug interdiction and intelligence.

- Responsible Party for Operations: NMCD Et Al
- Time Period: July 1, 2013 – Indefinite
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD Et Al

Transport of State Inmates - MOU between NMCD and the County of Bernalillo to resolve disputes between the parties and set forth the parties' resolution regarding the placement and removal of technical parole violators from the Metropolitan Detention Center (MDC).

- Responsible Party for Operations: NMCD/MCD
- Time Period: March 6, 2008 – Indefinite
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/MDC

NOTE 14: JPA and MOU Disclosure (Continued)

Litter Control - MOU # 15-017 between NMCD and the New Mexico Transportation Department (NMDOT) to provide inmates to perform minor maintenance and beautification on highways.

- Responsible Party for Operations: NMCD/NMDOT
- Time Period: June 26, 2014 – June 30, 2018
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/MDC

Prison Rape Elimination Act (PREA) - MOU between NMCD and the Colorado Department of Corrections (CDOC) to conduct PREA audits to insure compliance with PREA standards.

- Responsible Party for Operations: NMCD/CDOC
- Time Period: October 2, 2014 – October 1, 2019
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/CDOC

Prison Rape Elimination Act (PREA) - MOU between NMCD and the Hawaii Department of Public Safety (HDPS) to conduct PREA audits to insure compliance with PREA standards.

- Responsible Party for Operations: NMCD/CDOC
- Time Period: October 2, 2014 – October 1, 2019
- Total Estimated Amount of Project:
- Portion Applicable to NMCD: Actual Costs for Travel
- Amount Agency Contributed in Fiscal Year 2015: -0-
- Audit Responsibility: NMCD/HDPS

NOTE 15: SHARE CASH BALANCES

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

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point-forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation. The claims to resources reconciliation process has been successfully applied to fiscal year-end 2014 and the months from January 2015 through June 2015. While work remains, the results are encouraging and the following assertion can be made:

1. The difference between statewide agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims has remained within a relatively narrow range over the periods in which the reconciliation process has been used;
2. Agency claims on the SGFIP will be honored in their entirety. Any adjustment necessary to the claims balance will be applied against the General Operating Reserve. No portion of the adjustment shall be allocated to any specific agency that participates in the SGFIP.

NOTE 16: SUBSEQUENT EVENTS

The New Mexico Corrections Department (NMCD) has evaluated subsequent events through November 30, 2015 which is the date the financial statements have been issued and has determined no events require disclosure or adjustment to the financial statements.

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

GENERAL OPERATING FUND
SHARE FUND 90700

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
State General Fund	\$ 247,140,800	\$ 259,813,900	\$ 259,813,900	\$ -
Other State Funds	14,397,500	13,930,570	15,021,454	1,090,884
Inter-Agency Transfers	2,846,480	3,262,050	3,186,009	(76,041)
Federal Funds	171,200	572,979	387,966	(185,013)
Total Revenues	\$ 264,555,980	277,579,499	278,409,330	829,831
Budgeted Fund Balance	-	-	-	-
Total Budgeted Revenues	\$ 264,555,980	\$ 277,579,499	\$ 278,409,330	\$ 829,831
EXPENDITURES				
Personal Services & Employee Benefits	\$ 117,159,280	\$ 116,774,302	\$ 116,757,181	\$ 17,121
Contractual Services	45,356,800	45,393,511	44,090,927	1,302,584
Other	102,039,900	110,637,686	109,757,169	880,517
Total Budgeted Expenditures	\$ 264,555,980	\$ 272,805,499	\$ 270,605,277	\$ 2,200,222

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

PROBATION AND PAROLE GENERAL OPERATING FUND
SHARE FUND 91500

	<u>Budgeted Amounts</u>		Actual	Variance
	<u>Original</u>	<u>Final</u>	Amounts Modified Accrual Basis	Favorable (Unfavorable)
REVENUES				
State General Fund	\$ 26,475,200	\$ 25,626,100	\$ 25,626,100	\$ -
Other State Funds	2,000,000	2,000,000	2,693,027	693,027
Inter-Agency Transfers	448,520	448,520	448,520	-
Miscellaneous Revenue	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	<u>28,923,720</u>	<u>28,074,620</u>	<u>28,767,647</u>	<u>693,027</u>
Budgeted Fund Balance	<u>-</u>	<u>820,000</u>	<u>-</u>	<u>(820,000)</u>
Total Budgeted Revenues	<u><u>\$ 28,923,720</u></u>	<u><u>\$ 28,894,620</u></u>	<u><u>\$ 28,767,647</u></u>	<u><u>\$ (126,973)</u></u>
EXPENDITURES				
Personal Services & Employee Benefits	\$ 19,177,120	\$ 18,775,120	\$ 18,775,120	\$ -
Contractual Services	53,700	162,500	161,151	1,349
Other	9,692,900	9,957,000	9,688,363	268,637
Total Budgeted Expenditures	<u><u>\$ 28,923,720</u></u>	<u><u>\$ 28,894,620</u></u>	<u><u>\$ 28,624,634</u></u>	<u><u>\$ 269,986</u></u>

* \$820,000 was budgeted fund balance.

**NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING BALANCE SHEET GENERAL FUND TYPES
AS OF JUNE 30, 2015**

ASSETS	Building Fund SHARE System Fund 89800	General Operating Fund SHARE System Fund 90700	Probation & Parole Fund SHARE System Fund 91500	Total *
Investments	\$ 150,602	\$ 28,536,457	\$ 8,060,576	\$ 36,747,636
Petty Cash	-	2,075	-	2,075
Receivables net				
of allowance for doubtful accounts	-	165,474	144	165,618
Federal Grants Receivable	-	67,319	-	67,319
Other Receivables	-	13,363	888	14,251
Due from Other State Agencies	-	3,432,388	-	3,432,388
Due from State General Fund	-	-	-	-
Inventories	-	4,280,023	40,215	4,320,238
Prepaid Items	-	61,002	26,835	87,837
Total Assets	\$ 150,602	\$ 36,558,101	\$ 8,128,659	\$ 44,837,361
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ -	\$ 13,533,216	\$ 1,030,961	\$ 14,564,177
Vouchers Payable	-	7,240,123	834,780	8,074,903
Warrants Payable - Clearing	-	-	-	-
Payroll Benefits Payable	-	1,363,278	(30,165)	1,333,113
Payroll Taxes Payable	-	183,579	266,417	449,996
Accrued Wages Payable	-	1,560,300	256,161	1,816,462
Compensated Absences Payable	-	-	-	-
Due to Other Funds	-	-	109,396	109,396
Due to State General Fund	-	6,112	26	6,138
State Dated Warrants - Due to SGF	-	-	316	316
Receipts Held in Suspense	-	-	-	-
Due to Other State Agencies	-	128	17,097	17,226
Other Liabilities	-	3,730	6,671	10,400
Total Liabilities	-	23,890,466	2,491,660	26,382,126
Fund Balances:				
Restricted for:				
Nonspendable	-	4,343,100	67,050	4,410,149
Restricted	150,602	5,705,333	5,496,377	11,352,313
Committed	-	-	-	-
Assigned	-	2,619,201	73,572	2,692,773
Unassigned	-	-	-	-
Total Fund Balance	150,602	12,667,635	5,636,999	18,455,235
Total Liabilities and Fund Balance	\$ 150,602	\$ 36,558,101	\$ 8,128,659	\$ 44,837,361

NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND TYPES
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

	Building Fund SHARE System Fund 89800	General Operating Fund SHARE System Fund 90700	Probation & Parole Fund SHARE System Fund 91500	Total *
Revenues				
Other State Funds	\$ -	\$ 15,021,454	\$ 2,693,027	\$ 17,714,480
Federal Grants	-	387,966	-	387,966
Total Revenues	<u>-</u>	<u>15,409,420</u>	<u>2,693,027</u>	<u>18,102,447</u>
Expenditures, Current				
Personal Services & Employee Benefits	-	116,757,181	18,775,120	135,532,301
Contractual Services	-	44,090,927	161,151	44,252,078
Other	-	107,380,806	9,659,386	117,040,192
Expenditures, Capital Outlay	-	2,376,363	28,977	2,405,340
Total Expenditures	<u>-</u>	<u>270,605,277</u>	<u>28,624,634</u>	<u>299,229,912</u>
Excess (deficiency) Revenues over Expenditures	<u>-</u>	<u>(255,195,857)</u>	<u>(25,931,608)</u>	<u>(281,127,465)</u>
Other Financing Sources (uses)				
General Fund Appropriation	-	259,813,900	25,626,100	285,440,000
Operating Transfers-In	-	3,186,009	448,520	3,634,529
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	-	-	-
Net Other Financing Sources (uses)	<u>-</u>	<u>262,999,909</u>	<u>26,074,620</u>	<u>289,074,529</u>
Excess Revenues and Other Financing Sources over (under) Expenditures & Other Financing Uses	<u>-</u>	<u>7,804,052</u>	<u>143,012</u>	<u>7,947,065</u>
Fund Balance, Beginning of Year	<u>150,602</u>	<u>4,863,582</u>	<u>5,493,987</u>	<u>10,508,171</u>
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>150,602</u>	<u>4,863,582</u>	<u>5,493,987</u>	<u>10,508,171</u>
Fund Balance, End of Year	<u>\$ 150,602</u>	<u>\$ 12,667,634</u>	<u>\$ 5,636,999</u>	<u>\$ 18,455,236</u>

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

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

PROGRAM SUPPORT – P530

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final	Modified Accrual Basis	
REVENUES				
State General Fund	\$ 12,985,900	\$ 12,132,000	\$ 12,132,000	\$ -
Other State Funds	766,600	466,600	460,277	(6,323)
Inter-Agency Transfers	478,500	478,500	478,517	17
Federal Funds	-	48,168	-	(48,168)
Total Budgeted Revenues	\$ 14,231,000	\$ 13,125,268	\$ 13,070,794	\$ (54,474)
EXPENDITURES				
Personal Services & Employee Benefits	\$ 10,587,800	\$ 10,397,800	\$ 10,384,672	\$ 13,128
Contractual Services	1,062,900	661,450	614,317	47,133
Other	2,580,300	2,066,018	2,059,728	6,290
Total Budgeted Expenditures	\$ 14,231,000	\$ 13,125,268	\$ 13,058,718	\$ 66,550

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

INMATE MANAGEMENT and CONTROL – P531

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
State General Fund	\$ 234,154,900	\$ 235,857,900	\$ 235,857,900	\$ -
Other State Funds	13,630,900	13,463,970	14,561,177	1,097,207
Inter-Agency Transfers	2,367,980	2,533,550	2,457,492	(76,058)
Federal Funds	171,200	524,811	387,966	(136,845)
Total Revenues	<u>250,324,980</u>	<u>252,380,231</u>	<u>253,264,536</u>	<u>884,305</u>
Budgeted Fund Balance	-	-	-	-
Total Budgeted Revenues	<u>\$ 250,324,980</u>	<u>\$ 252,380,231</u>	<u>\$ 253,264,536</u>	<u>\$ 884,305</u>
EXPENDITURES				
Personal Services & Employee Benefits	\$ 106,571,480	\$ 106,376,502	\$ 106,372,509	\$ 3,993
Contractual Services	44,293,900	44,532,061	43,476,610	1,055,451
Other	99,459,600	101,471,668	101,254,967	216,701
Total Budgeted Expenditures	<u>\$ 250,324,980</u>	<u>\$ 252,380,231</u>	<u>\$ 251,104,087</u>	<u>\$ 1,276,145</u>

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

SPECIAL APPROPRIATIONS – Fund 90700

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
State General Fund	\$ -	\$ 11,824,000	\$ 11,824,000	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	250,000	250,000	-
Federal Funds	-	-	-	-
Total Revenues	-	12,074,000	12,074,000	-
Budgeted Fund Balance	-	-	-	-
Total Budgeted Revenues	\$ -	\$ 12,074,000	\$ 12,074,000	\$ -
EXPENDITURES				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	200,000	-	200,000
Other	-	7,100,000	6,442,473	657,527
Total Budgeted Expenditures	\$ -	\$ 7,300,000	\$ 6,442,473	\$ 857,527
FY 15 Reversions	-	-	-	-
Total Expenditures - Special Appr.	-	7,300,000	6,442,473	857,527

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

COMMUNITY OFFENDER MANAGEMENT – P534

	Budgeted Amounts		Actual Amounts	Variance Favorable (Unfavorable)
	Original	Final	Modified Accrual Basis	
REVENUES				
State General Fund	\$ 26,475,200	\$ 25,626,100	\$ 25,626,100	\$ -
Other State Funds	2,000,000	2,000,000	2,693,027	693,027
Inter-Agency Transfers	448,520	448,520	448,520	-
Miscellaneous Revenue	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	28,923,720	28,074,620	28,767,647	693,027
Budgeted Fund Balance	-	820,000	-	(820,000)
Total Budgeted Revenues	\$ 28,923,720	\$ 28,894,620	\$ 28,767,647	\$ (126,973)
EXPENDITURES				
Personal Services & Employee Benefits	\$ 19,177,120	\$ 18,775,120	\$ 18,775,120	\$ -
Contractual Services	53,700	162,500	161,151	1,349
Other	9,692,900	9,957,000	9,688,363	268,637
Total Budgeted Expenditures	\$ 28,923,720	\$ 28,894,620	\$ 28,624,634	\$ 269,986

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

COMMUNITY CORRECTIONS – VENDOR OPERATED – P534

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
State General Fund	\$ 3,769,600	\$ 3,769,600	\$ 3,769,600	\$ -
Other State Funds	37,800	37,800	575,332	537,532
Inter-Agency Transfers	12,500	12,500	12,500	-
Federal Funds	-	-	-	-
Total Revenues	3,819,900	3,819,900	4,357,432	537,532
Budgeted Fund Bal.	612,700	782,700	-	(782,700) *
Total Budgeted Revenues	<u>\$ 4,432,600</u>	<u>\$ 4,602,600</u>	<u>\$ 4,357,432</u>	<u>\$ (245,168)</u>
EXPENDITURES				
Personal Services & Employee Benefits	\$ 876,300	\$ 876,300	\$ 744,873	\$ 131,427
Contractual Services	5,500	125,500	-	125,500
Other	3,550,800	3,600,800	3,493,874	106,926
Total Budgeted Expenditures	<u>\$ 4,432,600</u>	<u>\$ 4,602,600</u>	<u>\$ 4,238,748</u>	<u>\$ 363,852</u>

* \$782,700 was budgeted fund balance

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL, BY PROGRAM
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

SPECIAL APPROPRIATIONS – Fund 90200

	Budgeted Amounts		Actual Amounts Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
REVENUES				
State General Fund	\$ -	\$ 500,000	\$ 500,000	\$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	-	500,000	500,000	-
Budgeted Fund Bal.	-	-	-	-
Total Budgeted Revenues	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>
EXPENDITURES				
Personal Services & Employee Benefits	\$ -	\$ -	\$ -	\$ -
Contractual Services	-	500,000	-	500,000
Other	-	-	-	-
Total Budgeted Expenditures	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 500,000</u>

**NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION - BUDGETARY SCHEDULES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

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

	Revenue	Expenses	Net Change in Fund Balance
Net Changes in fund balance per statement of revenues, expenditures and changes in fund balance			
General Fund (90700 & 91500)	307,176,976	299,229,912	7,947,064
Special Revenue (90200)	4,857,433	4,238,748	618,685
TOTAL	312,034,409	303,468,660	8,565,749
 Net Changes in Fund Balance per Budget Schedules			
General Appropriations:			
Program Support (P530)	13,070,794	13,058,718	12,077
Inmate Management and Control (P531)	253,264,536	251,104,087	2,160,449
Special Appropriations (Z Codes - 90700)	12,074,000	6,442,473	5,631,527
Probation and Parole (P534)	28,767,647	28,624,634	143,012
Community Corrections (P534)	4,357,432	4,238,748	118,685
Special Appropriations (Z Codes - 90200)	500,000	-	500,000
TOTAL	312,034,409	303,468,660	8,565,749

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2015

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations	Prior Year Expenditures
For deferred maintenance at Corrections facilities statewide	Laws of 2014, Ch 63, Sect 5, Item 67	2014-2015	90700	\$ 2,000,000	169,181
Unexpended balance from FY 14 received by the NMCD from USDOJ shall remain with the department	Laws of 2014, Ch 63, Sect 5, Item 68	2014-2015	90700	\$ 497,869	-
For inmate population growth & overtime in high-level custody prison facilities	Laws of 2015, Ch 101, Sect 5, Item 48	2015-2016	90700	\$ 7,000,000	-
To address deferred maintenance at Corrections facilities statewide	Laws of 2015, Ch 101, Sect 5, Item 49	2015-2016	90700	\$ 2,000,000	-
To document & archive materials from the NM penitentiary riot of 1980	Laws of 2015, Ch 101, Sect 5, Item 50	2015-2016	90700	\$ 50,000	-
For a shortfall in the personal svcs & emp benefits category in the Inmate Mgmt & Control program in FY 2014	Laws of 2015, Ch 101, Sect 6, Item 10	2015-2015	90700	\$ 4,774,000	-
For the planning phase to implement a commercial off the shelf offender mgmt program	Laws of 2015, Ch 101, Sect 7, Item 22	2015-2017	90700	\$ 500,000	-
For a transitional living pilot program	Laws of 2015, Ch 101, Sect 5, Item 47	2015-2016	90200	\$ 500,000	-
				<u>\$ 17,321,869</u>	<u>\$ 169,181</u>

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF SPECIAL APPROPRIATIONS
 FOR THE FISCAL YEAR ENDING JUNE 30, 2015

<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Current Year Reversion Amount</u>	<u>Reserved Fund Balance</u>	<u>Outstanding Encumbrances</u>	<u>Unencumbered Balance</u>
1,830,737	-	-	82	-	-
425,147	-	-	72,722	-	-
4,186,589	-	-	2,813,411	-	-
-	-	-	2,000,000	-	-
-	-	-	50,000	-	-
-	-	-	-	-	4,774,000.00
-	-	-	500,000	-	-
-	-	-	500,000	-	-
<u>\$ 6,442,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,936,215</u>	<u>\$ -</u>	<u>\$ 4,774,000</u>

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

	Furniture	Tele- marketing	Cleaning Products*	SCF Horse Rescue	Textiles*	PNM Canteen
Revenue from Sales	\$ 244,306	\$ 26,693	\$ 514,480	\$ 6,760	\$ 933,906	\$ 3,459,887
Manufacturing Costs:						
Costs of Materials Used:						
Beginning Inventory - Materials	86,466	1,328	29,139	-	105,372	-
Materials Purchases	112,536	(140)	323,249	1,396	606,718	2,651,528
Net Material Transfers	-	-	-	-	-	-
Materials Available	199,002	1,188	352,388	1,396	712,090	2,651,528
Less Ending Inventory	(80,654)	(895)	(27,679)	-	(142,402)	-
Cost of Materials Used	118,348	293	324,709	1,396	569,688	2,651,528
Direct Labor - Inmate Pay	29,395	5,112	6,302	6,434	22,071	51,913
Manufacturing Overhead:						
Salaries	123,010	39,355	40,033	-	50,830	29,392
Benefits	64,688	13,927	21,053	-	22,137	8,148
In-State Travel	3,257	-	-	1,373	38	155
Maintenance & Repairs	10,349	-	349	226	550	2,505
Supplies	11,061	-	2,860	1,302	7,860	13,105
Contractual Services	-	-	-	1,261	-	-
Other Costs	2,381	1,079	675	205	3,369	3,340
Out-of-State Travel	-	-	-	-	-	-
Irrigation Fees	-	-	-	-	-	-
Depreciation	1,672	-	4,518	1,185	3,562	738
Miscellaneous	107	-	-	-	-	36
Total Manufacturing Overhead	216,525	54,361	69,488	5,552	88,346	57,419
Total Manufacturing Costs	364,268	59,766	400,499	13,382	680,105	2,760,860
Add Beginning Work in Process	96,656	-	-	-	-	-
Less Ending Work in Process	(72,181)	-	-	-	-	-
Total Cost of Goods Manufactured	388,743	59,766	400,499	13,382	680,105	2,760,860
Add Beginning Finished Goods	78,012	-	42,756	-	394,006	-
Less Ending Finished Goods	(116,866)	-	(81,880)	-	(389,588)	-
Net Finished goods Transfers	-	-	-	-	-	-
Total Cost of Goods Sold	349,889	59,766	361,375	13,382	684,523	2,760,860
Gross Profit	(105,584)	(33,073)	153,105	(6,622)	249,383	699,027
Allocated Overhead:						
Facility Overhead	-	-	-	-	-	-
Sales & Marketing	(845)	(92)	(1,781)	(23)	(3,232)	(11,973)
Distribution Center	(4,619)	(505)	(9,728)	(128)	(17,658)	(65,419)
Central Office	(67,663)	(11,767)	(14,507)	(14,810)	(50,804)	(119,499)
Capital Contribution (Transfer)	-	-	-	-	-	-
Other Income (Expense)	79	-	-	-	4	114,583
Net Income (Loss)	\$ (178,632)	\$ (45,437)	\$ 127,089	\$ (21,583)	\$ 177,693	\$ 616,719

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

PNM Old Main	Santa Rosa Print	LLCC Farm	Sales & Marketing	Distribution Center	Central Office	Food Svcs Program
\$ 193,165	\$ 210,682	\$ 204,091	\$ -	\$ 118,652	\$ 6,065	\$ 1,142,510
-	26,177	3,684	-	-	-	-
21,002	75,457	-	-	59,368	10,133	977,271
-	-	-	-	-	-	-
21,002	101,634	3,684	-	59,368	10,133	977,271
-	(32,517)	(3,684)	-	-	-	(39,115)
21,002	69,117	-	-	59,368	10,133	938,156
6,042	18,305	38,592	-	9,243	4,943	6,106
149,727	40,206	-	19,387	91,538	319,310	9,312
28,599	16,767	-	6,769	52,613	109,603	2,397
2,534	-	-	144	38,355	12,064	889
21,810	7,405	-	-	2,359	17,280	14,582
8,470	5,911	-	258	3,971	16,639	18,869
8,547	1,465	-	-	-	11,095	385,445
2,849	29,216	-	600	7,478	26,131	15,495
-	-	-	-	-	6,472	-
-	-	-	-	-	-	-
11,302	827	2,449	-	2,230	36,916	7,243
-	-	-	-	-	-	-
233,838	101,797	2,449	27,158	198,544	555,510	454,232
260,882	189,219	41,041	27,158	267,155	570,586	1,398,494
-	-	-	-	-	-	-
-	-	-	-	-	-	-
260,882	189,219	41,041	27,158	267,155	570,586	1,398,494
-	3,015	-	-	-	-	-
(19,580)	(1,650)	-	-	-	-	-
-	-	-	-	-	-	-
241,302	190,584	41,041	27,158	267,155	570,586	1,398,494
(48,137)	20,098	163,050	(27,158)	(148,503)	(564,521)	(255,985)
-	-	-	-	-	-	-
(668)	(729)	(706)	27,158	(411)	-	(3,954)
(3,652)	(3,983)	(3,859)	-	146,260	(115)	(21,602)
(13,908)	(42,136)	(88,835)	-	(21,276)	480,738	(14,055)
-	-	-	-	-	-	-
15,845	3,731	-	-	-	17,186	-
\$ (50,520)	\$ (23,019)	\$ 69,650	\$ -	\$ (23,930)	\$ (66,712)	\$ (295,596)

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

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE
FOR THE FISCAL YEAR ENDING JUNE 30, 2015**

Drug Screening	PNM Livestock	PNM Bakery	Roswell Dairy Goat	Roswell Dairy Cow	PNM Landscaping	PNM Hoop House	Total Industries
\$ 623,371	\$ 6,010	\$ -	-	35,941	127,294	\$ 207	\$ 7,854,019
-	-	-	-	-	-	-	\$ 252,166
834,595	-	44	1,420	-	-	168	\$ 5,674,745
-	-	-	-	-	-	-	-
834,595	-	44	1,420	-	-	168	5,926,911
-	-	-	-	-	-	-	\$ (326,946)
834,595	-	44	1,420	-	-	168	5,599,965
-	-	-	-	4,286	23,988	5,045	\$ 237,777
-	-	-	-	-	41,382	-	953,482
-	-	-	-	-	17,909	-	364,610
-	-	-	-	-	3,998	198	63,005
-	-	-	-	-	-	14,254	91,669
-	-	14,497	-	-	1,269	6,478	112,550
-	-	2,005	-	-	-	40,164	449,982
-	-	-	-	-	850	3,502	97,170
-	-	-	-	-	-	-	6,472
-	-	-	-	-	-	-	-
2,180	759	314	3,256	-	-	-	79,151
-	-	-	-	-	-	-	143
2,180	759	16,816	3,256	-	65,408	64,596	2,218,235
836,775	759	16,860	4,676	4,286	89,396	69,809	8,055,977
-	-	-	-	-	-	-	96,656
-	-	-	-	-	-	-	(72,181)
836,775	759	16,860	4,676	4,286	89,396	69,809	8,080,452
-	-	-	-	-	-	-	517,789
(218,750)	-	-	-	-	-	-	(828,314)
-	-	-	-	-	-	-	-
618,025	759	16,860	4,676	4,286	89,396	69,809	7,769,927
5,346	5,251	(16,860)	(4,676)	31,655	37,898	(69,602)	84,092
-	-	-	-	-	-	-	-
(2,157)	(21)	-	-	(124)	(441)	(1)	-
(11,787)	(114)	-	-	(680)	(2,407)	(4)	-
-	-	-	-	(9,865)	-	(11,613)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	151,428
\$ (8,598)	\$ 5,116	\$ (16,860)	(4,676)	20,986	35,050	\$ (81,220)	\$ 235,520

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES,
FOR CLEANING PRODUCTS BY FACILITY
For the Fiscal Year Ending June 30, 2015

	WNMCF Cleaning Prod	WNMCF Plastics	Total Cleaning Products
Revenue from Sales	\$ 327,310	\$ 187,170	\$ 514,480
Manufacturing Costs:			
Costs of Materials Used:			
Beginning Inventory - Materials	12,105	17,034	29,139
Materials Purchases	238,413	84,836	323,249
Net Material Transfers	-	-	-
Materials Available	<u>250,518</u>	<u>101,870</u>	<u>352,388</u>
Less Ending Inventory	<u>(11,867)</u>	<u>(15,812)</u>	<u>(27,679)</u>
Cost of Materials Used	<u>238,651</u>	<u>86,058</u>	<u>324,709</u>
Direct Labor - Inmate Pay	<u>3,100</u>	<u>3,202</u>	<u>6,302</u>
Manufacturing Overhead:			
Salaries	28,959	11,074	40,033
Benefits	14,962	6,091	21,053
In-State Travel	-	-	-
Maintenance & Repairs	-	349	349
Supplies	-	2,860	2,860
Contractual Services	-	-	-
Other Costs	675	-	675
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	677	3,841	4,518
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	<u>45,273</u>	<u>24,215</u>	<u>69,488</u>
Total Manufacturing Costs	287,024	113,475	400,499
Add Beginning Work in Process	-	-	-
Less Ending Work in Process	-	-	-
Total Cost of Goods Manufactured	<u>287,024</u>	<u>113,475</u>	<u>400,499</u>
Add Beginning Finished Goods	37,213	5,543	42,756
Less Ending Finished Goods	<u>(74,881)</u>	<u>(6,999)</u>	<u>(81,880)</u>
Net Finished goods Transfers	-	-	-
Total Cost of Goods Sold	<u>249,356</u>	<u>112,019</u>	<u>361,375</u>
Gross Profit	77,954	75,151	153,105
Allocated Overhead:			
Facility Overhead	-	-	-
Sales & Marketing	(1,133)	(648)	(1,781)
Distribution Center	(6,189)	(3,539)	(9,728)
Central Office	(7,136)	(7,371)	(14,507)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	<u>\$ 63,496</u>	<u>\$ 63,593</u>	<u>\$ 127,089</u>

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES,
FOR TEXTILES BY FACILITY
For the Fiscal Year Ending June 30, 2015**

	CCA Textiles	Santa Rosa Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 331,476	\$ -	\$ 602,430	\$ 933,906
Manufacturing Costs:				
Costs of Materials Used:				
Beginning Inventory - Materials	68,291	37,081	-	105,372
Materials Purchases	177,432	-	429,286	606,718
Net Material Transfers	-	-	-	-
Materials Available	245,723	37,081	429,286	712,090
Less Ending Inventory	(106,181)	(36,221)	-	(142,402)
Cost of Materials Used	139,542	860	429,286	569,688
Direct Labor - Inmate Pay	17,927	-	4,144	22,071
Manufacturing Overhead:				
Salaries	39,756	-	11,074	50,830
Benefits	16,046	-	6,091	22,137
In-State Travel	38	-	-	38
Maintenance & Repairs	550	-	-	550
Supplies	5,369	-	2,491	7,860
Contractual Services	-	-	-	-
Other Costs	3,369	-	-	3,369
Out-of-State Travel	-	-	-	-
Irrigation Fees	-	-	-	-
Depreciation	3,562	-	-	3,562
Loss on Disposal of Equipment	-	-	-	-
Miscellaneous	-	-	-	-
Total Manufacturing Overhead	68,690	-	19,656	88,346
Total Manufacturing Costs	226,159	860	453,086	680,105
Add Beginning Work in Process	-	-	-	-
Less Ending Work in Process	-	-	-	-
Total Cost of Goods Manufactured	226,159	860	453,086	680,105
Add Beginning Finished Goods	85,387	97,491	211,128	394,006
Less Ending Finished Goods	(98,196)	(95,692)	(195,700)	(389,588)
Net Finished goods Transfers	-	-	-	-
Total Cost of Goods Sold	213,350	2,659	468,514	684,523
Gross Profit	118,126	(2,659)	133,916	249,383
Allocated Overhead:				
Facility Overhead	-	-	-	-
Sales & Marketing	(1,147)	-	(2,085)	(3,232)
Distribution Center	(6,267)	-	(11,391)	(17,658)
Central Office	(41,266)	-	(9,538)	(50,804)
General Fund Subsidy	-	-	-	-
Other Income (Expense)	4	-	-	4
Net Income (Loss)	\$ 69,450	\$ (2,659)	\$ 110,902	\$ 177,693

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENSES -- BUDGET AND ACTUAL
 For the Fiscal Year Ending June 30, 2015

CORRECTIONS INDUSTRIES DIVISION

Revenues	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts GAAP Basis	Favorable (Unfavorable)
Printing and Reproduction	\$ 714,700	\$ 714,700	\$ -	\$ (714,700)
Sales	498,800	5,559,800	7,854,019	2,294,219
Other	1,347,900	1,347,900	-	(1,347,900)
Farm Products	243,700	243,700	-	(243,700)
Micrographic, Data Entry & Telemarketing Services	-	-	-	-
Interest on Deposits	4,200	4,200	2,434	(1,766)
Capital Contribution (Transfer from General Fund)	-	-	-	-
Other Revenue	207,200	207,200	148,994	(58,206)
Total Revenues	<u>3,016,500</u>	<u>8,077,500</u>	<u>8,005,447</u>	<u>(72,053)</u>
Budgeted Fund Balance	<u>988,300</u>	<u>1,523,300</u>	<u>-</u>	<u>(1,523,300)</u>
Total Budgeted Revenues	<u>\$ 4,004,800</u>	<u>\$ 9,600,800</u>	<u>\$ 8,005,447</u>	<u>\$ (1,595,353)</u>
Expenditures				
Personal Services & Employee Benefits	\$ 1,573,700	\$ 1,573,700	\$ 1,318,092	\$ 255,608
Contractual Services	25,400	665,400	449,982	215,418
Other	<u>2,405,700</u>	<u>7,361,700</u>	<u>5,922,702</u>	<u>1,438,998</u>
Total Budgeted Expenditures	<u>4,004,800</u>	<u>9,600,800</u>	<u>7,690,776</u>	<u>1,910,024</u>
Non-Budgeted Expenditures				
Depreciation Expense	<u>-</u>	<u>-</u>	<u>79,151</u>	<u>(79,151)</u>
Total Budgeted and Non-Budgeted Expenditures	<u>\$ 4,004,800</u>	<u>\$ 9,600,800</u>	<u>\$ 7,769,927</u>	<u>\$ 1,830,873</u>

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
For the Fiscal Year Ending June 30, 2015

	Balance as of June 30, 2014	Additions	Deletions	Balance as of June 30, 2015
ASSETS				
Cash	\$ 2,520,732	\$ -	\$ (337,823)	\$ 2,182,909
Due from Others	398,350	-	(52,108)	346,242
Total Assets	<u>2,919,082</u>	<u>-</u>	<u>(389,931)</u>	<u>2,529,151</u>
LIABILITIES				
Due to Others	801,692	-	(254,638)	547,054
Deposits Held for Others	2,117,390	-	(135,293)	1,982,097
Total Liabilities	<u>2,919,083</u>	<u>\$ -</u>	<u>\$ (389,931)</u>	<u>\$ 2,529,151</u>

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF VENDORS
For the Fiscal Year Ending June 30, 2015

RFB#/RFP#/State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Addresses of ALL Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Brief Description of the Scope of Work
400001300004AE	SWPA	3M ELECTRONIC MONITORING INC	\$961,023.49	NA	NA	N	N	Encumbering estimated charges for the amounts for lease of equipment January 1, 2015 through June 30, 2015 - 6 months
207701304202	SWPA	AC DISPOSAL SERVICES INC	\$103,390.00	NA	NA	Y	N	Encumber Estimated Amount for Solid Waste Removal.
15-770-1100-0007	Agency PA	ACCOUNTING & CONSULTING GROUP LLP	\$67,677.50	NA	NA	Y	N	Contract to conduct a financial and compliance audit of the financial statements for FY14
400001300004AA	SWPA	ALCOHOL MONITORING SYSTEMS INC	\$159,000.00	NA	NA	N	N	Encumbering for Monitoring Services/Unit (When in Use) includes receiver (home unit) and cellular communication connection for FY15
	Lease	ASHBAUGH CONSTRUCTION CO INC	\$70,864.56	NA	NA	Y	N	Monthly rent for Las Cruces Probation Parole Office, Year 12, July 1, 2014 through December 31, 2014 (\$11,810.76 / Month x 6 = \$70,864.56)
	Lease	ASHBAUGH CONSTRUCTION CO INC	\$70,864.56	NA	NA	Y	N	Monthly rent for Las Cruces Probation Parole Office \$11,810.76 / Month x 6 = \$70,864.56 July 1, 2014 through December 31, 2014 - Year 12
	Lease	ASHBAUGH CONSTRUCTION CO INC	\$72,813.30	NA	NA	Y	N	Monthly rent for Las Cruces Probation Parole Office \$12,135.55 / Month x 6 = \$72,813.30 January 01, 2015 through June 30, 2015 - Year 13
	Exempt	BERNALILLO, COUNTY OF	\$172,000.00	NA	NA	Y	N	Estimated Detention Costs for Probation and Parolees for FY15
	Exempt	BERNALILLO, COUNTY OF	\$195,000.00	NA	NA	Y	N	Estimated Detention Costs for Probation and Parolees for FY15
	Exempt	BIOTECH SCREENING LLC	\$112,000.00	NA	NA	N	N	Drug Screening Test, 12 Panel
	Exempt	BIOTECH SCREENING LLC	\$112,000.00	NA	NA	N	N	Drug Screening Test, 12 Panel
	Exempt	BIOTECH SCREENING LLC	\$442,695.75	NA	NA	N	N	Estimated encumbrance for drug screening collection from 7/1/2014 through 12/31/2014
	Exempt	BP ENERGY COMPANY	\$63,629.69	NA	NA	N	N	Encumber estimated funds for natural gas utilities
	Exempt	BP ENERGY COMPANY	\$172,127.58	NA	NA	N	N	Encumbering funds to pay for Natural Gas. Estimated \$99,500 from July 1 thru December 31, 2014.
	Exempt	BP ENERGY COMPANY	\$183,258.22	NA	NA	N	N	Encumber Estimated Amount for Natural Gas Utility Service.
	Exempt	CENTRAL NM CORRECTIONAL FACILITY	\$523,767.19	NA	NA	Y	N	Encumber Estimated Amount for Inmate Incentive Pay.
	Exempt	CENTRAL VALLEY ELECTRIC CO-OP	\$91,596.40	NA	NA	Y	N	Encumber Estimated Amount for electricity expenses for Fiscal Year 2015.
200000000106AC	SWPA	CENTRIC GROUP LLC, THE	\$2,585,648.91	NA	NA	N	N	Estimated encumbrance for various commodities purchased by inmates through the Canteen Program.
	Exempt	CLAYTON, TOWN OF	\$8,714,002.72	NA	NA	Y	N	Estimated Encumbrance on funds for housing for NMCD male inmates, housed at the Town of Clayton NENMDF
	Exempt	CLAYTON, TOWN OF	\$16,493,344.68	NA	NA	Y	N	Estimated Encumbrance on funds for housing for NMCD male inmates, housed at the Town of Clayton NENMDF
	Exempt	CONTINENTAL DIVIDE ELECTRIC COOP INC	\$285,980.87	NA	NA	Y	N	Encumber Estimated funds to pay for Electricity Utilities including tax for FY15
20-770-00-02011	Agency PA	CORIZON INC	\$36,394,470.76	NA	NA	N	N	Encumber Estimated Amount for Inmate Medical Services
14-770-1300-0010	Agency PA	CORRECTIONS CORPORATION OF AMERICA	\$1,279,984.87	NA	NA	N	N	Estimated encumbrance for funds for Professional Services Agreement 14-770-1300-0010, to provide inmate management services for female inmates in Grants, New Mexico from July 1, 2014 through April 30, 2014
14-770-1300-0010	Agency PA	CORRECTIONS CORPORATION OF AMERICA	\$13,090,683.00	NA	NA	N	N	Estimated encumbrance for funds for Professional Services Agreement 14-770-1300-0010, to provide inmate management services for female inmates in Grants, New Mexico from July 1, 2014 through December 31, 2014.
000000000014AQ	SWPA	DELL MARKETING LP	\$140,869.50	NA	NA	N	N	Computer hardware, Optiplex 3020 Minitower BTX base (210-ABDW) 8 gExemptbyte, Dell 23" Monitor to include all components accessories listed - QUOTE# 688192667
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$63,400.00	NA	NA	Y	N	Western New Mexico Correctional Facility portion
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$67,045.44	NA	NA	Y	N	Estimated Encumbrance For Facility Radio Communication Service and Equipment 6 Months @ 5587.11/Month
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$69,292.74	NA	NA	Y	N	Encumbering estimated amount for all division telecommunication desk phone services, cell phone and blackberry services, basic, enhanced, PDA, Aircard and PDA data charges, wireless equipment
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$78,717.49	NA	NA	Y	N	Estimated encumbrance for funds for all telemedicine for Health Services

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF VENDORS
For the Fiscal Year Ending June 30, 2015

RFB#/RFP#/State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Addresses of ALL Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Brief Description of the Scope of Work
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$84,118.32	NA	NA	Y	N	Encumber funds for radio communication charges. Estimated from October 1, 2014 thru December 31, 2014.
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$85,587.00	NA	NA	Y	N	Estimated Encumbrance For All Facility Telecommunication Desk Phone Services, Cell Phones and Blackberry Service, Basic, Enhanced, PDA, Air Card and PDA Data Charges, Wireless Equipment, Purchase Included But Not Limited To New and Replacement Phones.
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$110,600.00	NA	NA	Y	N	Southern New Mexico Correctional Facility portion
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$121,709.00	NA	NA	Y	N	Victim Notification (phone line/phone service)
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$125,600.00	NA	NA	Y	N	Probation & Parole portion
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$143,183.09	NA	NA	Y	N	Encumber funds for telecommunications charges. Estimated from October 1, 2014 thru December 31, 2014.
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$155,813.68	NA	NA	Y	N	Encumber Estimated Amount for Division Telecommunication Charges
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$157,500.00	NA	NA	Y	N	Penitentiary of New Mexico Correctional Facility portion
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$163,800.00	NA	NA	Y	N	Central New Mexico Correctional Facility portion
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$175,259.40	NA	NA	Y	N	Encumber estimated funds for all Department of Information Technology service fees to include rack fees, email boxes, extended email storage, enterprise licensing fees, etc. 7-1-2014 through 12-31-2014.
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$368,145.58	NA	NA	Y	N	Encumber funds telecommunications for Probation and Parole offices statewide for FY15
	Exempt	DEPARTMENT OF INFORMATION TECHNOLOGY	\$458,415.41	NA	NA	Y	N	Encumber estimated funds for Department of Information Technology FY15 7/01/14 through 12/31/2014 for recurring costs as follows:
	Exempt	DONA ANA COUNTY	\$104,681.13	NA	NA	Y	N	Estimated funds to cover Overcharges till June 30, 2015 for Detention Costs for FY15
	Exempt	EASTERN NEW MEXICO UNIVERSITY-ROSWELL	\$113,335.83	NA	NA	Y	N	Encumbering funds for Intergovernmental service agreement 15-770-1700-0009 to provide postsecondary and vocational education to inmates/students in NM Correctional Centers, from July 1, 2014 through June 30, 2015
	Exempt	EL PASO CNTY HOSP DIST	\$405,971.64	NA	NA	N	N	Estimated Amount to Cover Outside Medical Care for Inmates Housed at Otero County Correctional Facility
	Exempt	EL PASO ELECTRIC CO	\$475,772.05	NA	NA	N	N	Encumber Estimated Amount for Electricity.
	Exempt	GRANTS, CITY OF	\$128,238.95	NA	NA	Y	N	Encumber Estimated funds to pay for Water utilities for First Half of FY15 including tax
	Exempt	GRANTS, CITY OF	\$187,251.92	NA	NA	Y	N	Encumber Estimated funds to pay for Sewer and Refuse for First Half of FY15 to include tax
	Exempt	GUADALUPE COUNTY	\$204,401.28	NA	NA	Y	N	Estimated Encumbrance for funds for housing NMCD male inmates at the GCCF for June 2015
	Exempt	GUADALUPE COUNTY	\$282,936.11	NA	NA	Y	N	Estimated Encumbrance for funds for housing NMCD male inmates at the GCCF for June 2015
	Exempt	GUADALUPE COUNTY	\$642,674.86	NA	NA	Y	N	Estimated Encumbrance for funds for housing NMCD male inmates at the GCCF for June 2015
	Exempt	GUADALUPE COUNTY	\$12,422,927.35	NA	NA	Y	N	Estimated Encumbrance for funds for housing NMCD male inmates at the GCCF July 1, 2014 through December 31, 2014
	Exempt	LABATT INSTITUTIONAL SUPPLY COMPANY	\$112,216.92	NA	NA	N	N	Encumber Estimated Amount for various food and non food commodities used to prepare meals to be sold to the Training Academy and Corrections employees through the Corrections Industry Program.
	Exempt	LABATT INSTITUTIONAL SUPPLY COMPANY	\$813,946.79	NA	NA	N	N	Encumber Estimated Amount for various food and non food commodities used to prepare inmate meals to be sold to the Adult Prisons Division through the Corrections Industry Program.
	Exempt	LAS CRUCES, CITY OF	\$80,100.00	NA	NA	Y	N	Encumber Estimated Amount For Water, Estimated
	Exempt	LAS CRUCES, CITY OF	\$138,200.00	NA	NA	Y	N	Encumber Estimated Amount For Natural Gas, Estimated
	Exempt	LAS CRUCES, CITY OF	\$158,771.94	NA	NA	Y	N	Encumber Estimated Amount For Sewage/Garbage, Estimated
	Exempt	LEA COUNTY	\$24,598,734.27	NA	NA	Y	N	Estimated encumbrance for funds for NMCD male inmates at the LCCF. July 1, 2014 through December 31, 2014
	Exempt	LOS LUNAS, VILLAGE OF	\$208,507.98	NA	NA	Y	N	Encumber Estimated Amount for Utility Service Sewage Usage.

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF VENDORS
For the Fiscal Year Ending June 30, 2015

RFB#/RFP#/State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Addresses of ALL Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Brief Description of the Scope of Work
	Exempt	LOS LUNAS, VILLAGE OF	\$228,937.61	NA	NA	Y	N	Encumber Estimated Amount for Utility Service Water Usage.
	Exempt	NM CORRECTIONS INDUSTRIES	\$82,500.00	NA	NA	Y	N	MAPS VIOLATION LETTER Encumbering estimated amount to cover Cafeteria catering and meals for the New Mexico Training Academy cadets and International meals - Coverage for November and December 2014
	Exempt	NM CORRECTIONS INDUSTRIES	\$440,041.00	NA	NA	Y	N	Vendor to conduct open services for Probation and Parole office: Urinalysis test collection (\$12.95 x 8700= \$112,665)
	Exempt	NM CORRECTIONS INDUSTRIES	\$952,483.77	NA	NA	Y	N	Encumbering Estimated funds for inmate meals. Estimated Price: \$100,000.00 X 3 months = \$300,000.00 (\$1.46 per meal).
	Exempt	OTERO COUNTY	\$9,989,400.36	NA	NA	Y	N	Estimated encumbrance for funds for housing NMCD male inmates housed at OCPF July 1, 2014 through December 31, 2014
	Lease	OTERO, SONNY	\$165,679.70	NA	NA	Y	N	Monthly rent for the Albuquerque Gold Probation and Parole office, Year 5, July 1, 2014 through November 30, 2014 (\$33,135.94 x 5 = \$165,679.70)
	Lease	OTERO, SONNY	\$165,679.70	NA	NA	Y	N	Monthly rent for the Albuquerque Gold Probation and Parole Office July 1, 2014 through November 30, 2014 (\$33,135.94 x 5 = \$165,679.70) Year 10
	Lease	OTERO, SONNY	\$257,247.00	NA	NA	Y	N	Monthly rent for the Albuquerque Gold Probation and Parole Office January 01, 2015 through June 30, 2015. \$42,874.50/month x 6 months = \$257,247.00 - Year 11
	Exempt	PENITENTIARY OF NEW MEXICO	\$172,316.12	NA	NA	Y	N	Encumbering funds for inmate incentive pay. \$88,750.00 from July 1 thru December 31, 2014.
	Exempt	PUBLIC SERVICE COMPANY OF NM	\$166,600.00	NA	NA	Y	N	Estimated amount for electric services for NM Corrections Department Central Office
	Exempt	PUBLIC SERVICE COMPANY OF NM	\$462,475.98	NA	NA	Y	N	Encumbering funds for electrical utilities: \$44,370.83 average per month X 6 months = \$266,224.98.
	Exempt	PUBLIC SERVICE COMPANY OF NM	\$645,350.71	NA	NA	Y	N	Encumber Estimated Amount for Electrical Utility Service.
	Exempt	ROSWELL CORRECTIONAL CENTER	\$110,886.30	NA	NA	Y	N	Encumbrance for Inmate Pay for Fiscal Year 2015. Initial encumbrance is for the period from 1/1/15 through 6/30/15.
20000000075AM	SWPA	SANDIA LIGHTWAVE INC	\$72,427.77	NA	NA	Y	N	Vendor to re-cable Install voice/data wiring and cabling to the Plaza Maya building: Material to include but not limited to cable, hooks, fire barrier, post, racks, telecom ground bar, support brackets, cords and wire.
20000000075AM	SWPA	SANDIA LIGHTWAVE INC	\$73,150.00	NA	NA	Y	N	Encumber Estimated Amount for Labor to include but not limited to: Project Manager, Journeyman, Foreman, Installer, and Master Electrician. Wage Rate Decision attached to Purchase Document.
	Exempt	SANTA FE, COUNTY OF	\$123,776.26	NA	NA	Y	N	Wastewater disposal service, estimated from July 1 through December 31, 2014. Sewer usage rate is \$3.50 X 50% of gallons used = \$10,297.00 X 6 = 61,782.00.
	Exempt	SANTA FE, COUNTY OF	\$165,876.90	NA	NA	Y	N	Water utilities through Santa Fe County. Estimated Water usage rate: \$21,097.86 X 6 Months = \$126,587.16
20-000-00-00103AK	SWPA	SECURITAS SECURITY SVCS USA	\$67,718.41	NA	NA	Y	N	Two Security Officers (Level 3- Armed) needed for Albuquerque Gold Office to ensure safety to property and employees located at this office. Service for 1 month charge. Starting January 5, 2015 to January 31, 2015
	Exempt	SOUTHERN NM CORRECTIONAL FACILITY	\$100,050.00	NA	NA	Y	N	Encumber Estimated Amount For Inmate Incentive Pay - Joe R. Silva Unit
	Exempt	SOUTHERN NM CORRECTIONAL FACILITY	\$132,736.60	NA	NA	Y	N	Encumber Estimated Amount for Inmate Incentive Pay - Paul Oliver Unit
	Exempt	SPRINGER CORRECTIONAL CENTER	\$140,000.00	NA	NA	Y	N	Encumber approximate amount for reimbursement to inmate trust for inmate labor (inmate incentive pay) for July 1, 2014 through December 31, 2014.
	Exempt	SPRINGER ELECTRIC COOP INC	\$172,200.00	NA	NA	Y	N	Encumbering approximate amount for electric utility service at Springer Correctional Center for July 1, 2014 through December 31, 2014.
	Exempt	SPRINGER, TOWN OF	\$64,624.90	NA	NA	Y	N	Encumber approximate amount for water usage for July 1, 2014 through December 31, 2014.
400001400063	SWPA	STEELCASE INC	\$180,095.57	NA	NA	N	N	Furniture Parts and Materials
20-000-00-00070AD	SWPA	SUMMIT FOOD SERVICE MANAGEMENT LLC	\$255,519.31	NA	NA	N	N	Encumber approximate amount for inmate meals @ \$1.49/meal.
20-000-00-00070AD	SWPA	SUMMIT FOOD SERVICE MANAGEMENT LLC	\$258,776.67	NA	NA	N	N	Encumber estimated amount for inmate meals @ \$1.49/meal.

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF VENDORS
For the Fiscal Year Ending June 30, 2015

RFB#/RFP#/State-Wide Price Agreement #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Addresses of ALL Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Brief Description of the Scope of Work
20-000-00-00070AD	SWPA	SUMMIT FOOD SERVICE MANAGEMENT LLC	\$316,327.35	NA	NA	N	N	Encumber estimated amount for inmate meals. \$1.49 per meal. Estimated meals @ 6,321 per week X \$1.49 = \$9,418.29 x 9 weeks = \$84,764.61.
20-000-00-00070AD		SUMMIT FOOD SERVICE MANAGEMENT LLC	\$713,885.18	NA	NA	N	N	Encumber estimated amount for inmate meals @ \$1.49/meal. 13,573 meals per week x \$1.49 = \$20,223.77 x 9 weeks = \$182,013.93
20-000-00-00070AD	SWPA	SUMMIT FOOD SERVICE MANAGEMENT LLC	\$1,126,205.05	NA	NA	N	N	Encumber Estimated Amount for Inmate Meals @ \$1.49/meal. 21,105 Meals per week X \$1.49= \$31,446.45/week X 9 weeks= 283,018.05, which includes extended meals.
500001400027	SWPA	TASER INTERNATIONAL INC	\$79,195.60	NA	NA	N	N	Item#11003-Handle, Yellow, Class III, X26P
20-000-00-00034	SWPA	TECHNICAL RESOURCE MANAGEMENT	\$211,458.21	NA	NA	N	N	Estimated encumbrance amount for drug testing for Probation and Parole clients.
200000000034	SWPA	TECHNICAL RESOURCE MANAGEMENT LLC	\$67,527.73	NA	NA	N	N	Estimated encumbrance amount for drug testing for Probation and Parole clients.
20-350-00-05117	FMD PA	TRANE US INC AN INGERSOLL RAND COMPANY	\$66,341.20	NA	NA	N	N	Laborer 1560 hours @ \$52.27/hour = \$89,341.20
20-350-00-05117	FMD PA	TRANE US INC AN INGERSOLL RAND COMPANY	\$80,904.47	NA	NA	N	N	Estimated 7% tax
20-350-00-05117	FMD PA	TRANE US INC AN INGERSOLL RAND COMPANY	\$148,003.71	NA	NA	N	N	Trane Chiller series RTWD
20-350-00-05117	FMD PA	TRANE US INC AN INGERSOLL RAND COMPANY	\$161,860.00	NA	NA	N	N	Sheet metal worker 3400 hours @ \$67.90= \$230,860.00
20-350-00-05117	FMD PA	TRANE US INC AN INGERSOLL RAND COMPANY	\$244,704.00	NA	NA	N	N	Blower coils controls
20-350-00-05117	FMD PA	TRANE US INC AN INGERSOLL RAND COMPANY	\$264,172.85	NA	NA	N	N	Plumbers & Pipe fitters 2147 hours @ \$136.55/hour = \$293,172.85
200000000070 AC	SWPA	TRINITY SERVICES I LLC	\$138,989.08	NA	NA	N	N	Meals - Inmate Population for July, August, September and October, 2014. (The current contract expires on October 31, 2014.)
200000000070 AC	SWPA	TRINITY SERVICES I LLC	\$143,995.42	NA	NA	N	N	Estimated encumbrance for inmate meals at Western New Mexico Correctional facility. \$1.46 per meal .
200000000070 AC	SWPA	TRINITY SERVICES I LLC	\$144,531.24	NA	NA	N	N	Encumber estimated amount for inmate meals for July 1, 2014 through October 31, 2014.
200000000070 AC	SWPA	TRINITY SERVICES I LLC	\$304,464.02	NA	NA	N	N	Encumbering funds for inmate meals, estimated from July 01 2014 through December 31, 2014. Estimate is based on the number of meals consumed; \$100,000 per month X 6 months = \$600,000. (\$1.46 per meal)
200000000070 AC	SWPA	TRINITY SERVICES I LLC	\$345,572.51	NA	NA	N	N	Encumbering Estimated Amount for Food Service Meals @ \$1.51 Each, 753,000 Meals
200000000070 AC	SWPA	TRINITY SERVICES I LLC	\$547,630.51	NA	NA	N	N	Encumber Estimated Amount for Inmate Meals.
	Collaborative	UNITED BEHAVIORAL HEALTH	\$3,009,831.00	NA	NA	N	N	Encumbering approximate amount per Professional Service Contract (PSC) Services are for Probation and Parolee offenders
	Collaborative	UNITED BEHAVIORAL HEALTH	\$3,335,323.01	NA	NA	N	N	Encumbering approximate amount per Professional Service Contract (PSC) - Services are for Community Corrections offenders
	Lease	VISTA PLAZA LLC	\$192,124.98	NA	NA	Y	N	Monthly rent for the Albuquerque Monte Vista Probation and Parole Office July 1, 2014 through December 31, 2014 (\$32,020.83 x 6 = \$192,124.98)
	Lease	WARNER PLAZA LLC	\$63,929.70	NA	NA	Y	N	Monthly rent for the Santa Fe Probation and Parole Office January 01, 2015 through June 30, 2015 (\$10,654.95 x 6 = \$63,929.70) Year 10
	Exempt	WESTERN NM CORRECTIONAL FACILITY	\$95,671.10	NA	NA	Y	N	Encumber estimated funds to pay for inmate incentive pay at Western New Mexico Correctional Facility
200000000058	SWPA	WEX BANK	\$91,517.56	NA	NA	N	N	Encumber Estimated Amount for Fuel and Oil Credit Card Charges
200000000058	SWPA	WEX BANK	\$101,850.00	NA	NA	N	N	Encumber estimated charges for electronic fuel purchases for Probation and Parole vehicles
200000000058	SWPA	WEX BANK	\$168,540.00	NA	NA	N	N	Encumber estimated charges for electronic fuel purchases for Probation and Parole vehicles
200000000058	SWPA	WEX BANK	\$260,000.00	NA	NA	N	N	ghg
	Exempt	ZIA NATURAL GAS COMPANY	\$155,589.56	NA	NA	Y	N	Encumbering approximate amount for Natural Gas use at Springer Correctional Center for July 1, 2014 through December 31, 2014.

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY15 Target	FY15 Result	Met Target	Year-End Results Narrative
Agency: 77000 Corrections Department					
Program: P530 Program Support					
The purpose of program support is to provide quality administrative support and oversight to the department operating units to ensure a clean audit, effective budget, personnel management and cost-effective management information system services.					
Outcome	Percent turnover of probation and parole officers	10%	12.5%	<input type="checkbox"/>	As part of the Department's strategic plan on accountability, staff continues to be held to a higher standard to ensure meaningful supervision of offenders. The Academy curriculum is strengthening the workforce for the betterment of the offender base to provide supervision which will have a positive effect on recidivism reduction. Turnover has primarily been from promotion and retirement. The promotions are due in part to the PPO I to PPO II ladder of opportunity as part of retention efforts. PPD continues to work toward higher incoming salaries to compete with other similar workforce positions.
Outcome	Percent turnover of correctional officers in public facilities	10%	14.2%	<input type="checkbox"/>	NMCD is unable to meet the target for Correctional Officer turnover. Low and non-competitive pay is the primary reason for the turnover. Reviews of exit surveys show officers resign due to low pay, excessive overtime that keeps them from their families and unsafe work conditions. The unsafe conditions include lack of staff, aging facilities and policy directive to house fewer inmates in restrictive housing.
Output	Graduation rate of correctional officer cadets from the corrections department training academy	90%	82.3%	<input type="checkbox"/>	Increased standards were introduced to hold cadets accountable for their performance. This has resulted in the missed target. The academy has been running back to back classes and satellite academies to try and raise staffing levels.
Output	Percent of institutional programming staff, probation and parole officers and supervisors, classification and behavioral health bureau staff trained in motivational interviewing techniques	100%	100%	<input checked="" type="checkbox"/>	
Outcome	Percent of employee union grievances resolved prior to arbitration	98%	100%	<input checked="" type="checkbox"/>	
Quality	Percent of audit findings resolved from prior year	75%	40%	<input type="checkbox"/>	NMCD has addressed the findings that have been reported through the audit. Each finding has resulted in a corrective action plan with associated monitoring plan.

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY15 Target	FY15 Result	Met Target	Year-End Results Narrative
Program: P531	Inmate Management and Control The purpose of the inmate management and control program is to incarcerate in a humane, professionally sound manner offenders sentenced to prison and to provide safe and secure prison operations. This includes quality hiring and in-service training of correctional officers, protecting the public from escape risks and protecting prison staff, contractors and inmates from violence exposure to the extent possible within budgetary resources.				
Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations	20%	17.31%	<input checked="" type="checkbox"/>	
Outcome	Recidivism rate of the success for offenders after release program by thirty-six months	25%		<input type="checkbox"/>	This program has been reduced dramatically and is in the process of being phased out. As a result, the SOAR data was not being entered in the CMIS system as a way of official tracking during the time period. Any measurements would be inaccurate.
Outcome	Percent of female offenders successfully released in accordance with their scheduled release dates	90%	86.93	<input type="checkbox"/>	Lack of female programs in the community is the primary reason female offenders were not released in accordance with their scheduled release date. NMCD is expanding the number of beds it has available in gender specific transitional living facilities and halfway houses.
Output	Percent of eligible inmates who earn a general equivalency diploma	95%	64%	<input type="checkbox"/>	In FY13, the target percentage of 95% was set after an inaccurate reading from a GED report caused the measures facilitator at that time to believe this was an achievable goal. The primary reason NMCD was not able to meet the percent of eligible inmates who earn a general equivalency diploma in FY15 is the new computerized 2014 GED Test. This testing changed from a written based test to computerized testing. Students must have some form of computer and keyboarding skills in order to maneuver through the actual test. A lack of GED computers, inmate computer literacy and a change in preparation for the test set back the department and caused a decline in offenders being tested. For FY16 the definition of eligible inmates is redefined as passers who are individuals who have taken and passed the complete battery of four GED subject area exams, meaning they have fulfilled all requirements and completed GED. Under this definition the department would have achieved a mark of 70% for the 4th quarter of FY15.

**NEW MEXICO CORRECTIONS DEPARTMENT
PERFORMANCE MEASURES
For the Fiscal Year Ending June 30, 2015**

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY15 Target	FY15 Result	Met Target	Year-End Results Narrative
Output	Percent of participating inmates who have completed adult basic education	50%	34.3%	<input type="checkbox"/>	The department failed to meet the target because of a variety of factors. The most common being that inmates either discharged and left prison or transferred to a new prison before they could complete the Adult Basic Education program. The department finds that out of the population that don't have a GED or diploma, most students fall into an elementary grade level. Helping those students advance may take longer for some than others to see a level gain in their education. The department continues to strengthen our education standards and focus on educating inmates in our custody towards their GED or high school equivalency credential.
Outcome	Percent of male offenders successfully released in accordance with their scheduled release dates	90%	90%	<input checked="" type="checkbox"/>	
Outcome	Percent of prisoners reincarcerated back into the corrections department system within thirty-six months due to new charges or pending charges	20%	22.8%	<input type="checkbox"/>	This measure reflects the percentage of individuals reincarcerated back into the corrections department due to new or pending charges, this measure captures data on inmates released during FY11. From FY09 to FY12 (the years prior to the release of these inmates) New Mexico was in an economic downturn that impacted the state's General Fund. Over this period, the NMCD budget was reduced by 12.6%, or \$40.04 million. These budget cuts severely impacted NMCD's capacity to sustain re-entry programs vital to an inmate's success outside of prison. NMCD remains committed to reducing recidivism in New Mexico, as a matter of public safety and as a cost-saving mechanism for our state. To this end, NMCD has made significant efforts in reducing recidivism and is moving towards investments in evidence based programming.
Outcome	Percent of residential drug abuse program graduates reincarcerated within thirty-six months of release	35%	1.9%	<input checked="" type="checkbox"/>	
Output	Percent of inmates testing positive for drug use or refusing to be tested in a random monthly drug test	≤2%	1.99%	<input checked="" type="checkbox"/>	
Output	Number of inmate-on-inmate assaults with serious injury	15	13	<input checked="" type="checkbox"/>	
Output	Number of inmate-on-staff assaults with serious injury	4	2	<input checked="" type="checkbox"/>	
Output	Number of escapes from a publicly run corrections department facility	0	0	<input checked="" type="checkbox"/>	
Output	Number of escapes from a secure, privately operated corrections department facility	0	0	<input checked="" type="checkbox"/>	

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY15 Target	FY15 Result	Met Target	Year-End Results Narrative
Outcome	Percent of standard healthcare requirements met by medical contract vendor	100%	90.5%	<input type="checkbox"/>	Staffing and continuity of data entry are the primary reasons that two of the standard healthcare requirements were not met by the medical contract vendor.
Outcome	Percent of eligible sex offenders who are receiving treatment within three years of release	75%	31.5%	<input type="checkbox"/>	The sex offender population is growing rapidly and is one of the fastest growing populations for the department. In trying to keep up we have opened Otero County Prison Facility and have been increasing capacity to ensure treatment of offenders serving on a current sex offense and are closest to release. We are also focusing efforts on other sex offender populations in the state to ensure they are prioritized for treatment.
Output	Percent of inmate grievances resolved informally	85%	47.4%	<input type="checkbox"/>	In reviewing the target issues and factors involved in not meeting the estimated target are the following: 1) NMCD has a very active litigious population, which is 10-15% of the inmates who do not wish to choose to resolve the grievances informally. 2) There appears to be a lack of a concerted effort on the part of the Unit manager / Chief of Security and or facility designee to use the informal process to resolve and document the process to include resolution of the grievances informally. 3) The newly implemented CD policies have only been in effect since 3/31/15 and should be given more time to meet the projected percentage numbers. Recommendations for FY17: 1) Increased emphasis and oversight from Wardens and Deputy Wardens to the respective unit managers, chief of security and/or facility designee for grievance issues follow-up and informal resolution, with informal / formal training and documentation retention in the respective grievance database as needed. 2) Continued audit oversight and findings follow-up by the Disciplinary / Grievance appeals manager as to compliance with CD policy.
Outcome	Percent of sex offenders reincarcerated back into the corrections department within thirty-six months	25%	34.7	<input type="checkbox"/>	The data used to calculate this measure is inaccurate and a more precise measure has been created for FY16.
Program: P533 Corrections Industries					
The purpose of the corrections industries program is to provide training and work experience opportunities for inmates to instill a quality work ethic and to prepare them to perform effectively in an employment position and to reduce idle time of inmates while in prison.					
Outcome	Percent of inmates receiving vocational or educational training assigned to corrections industries	>20%	21.7%	<input checked="" type="checkbox"/>	

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY15 Target	FY15 Result	Met Target	Year-End Results Narrative
Outcome	Percent of inmate hours lost due to security issues	<10%	11.4%	<input type="checkbox"/>	During FY15 we did struggle with some programs where inmates work out in the community. Safety and security of the institution is first and foremost and anytime there is concern that a work crew could compromise the safety of the facility, those programs are put on hold. On top of concerns, we also ran into a problem having enough inmates who qualified to take part in outside work details. We also had to suspend the Equine Rescue Program due to a personnel issue which we expect to have corrected by the second quarter of FY16.
<p>Program: P534 Community Offender Management The purpose of the community offender management program is to provide programming and supervision to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, to protect the public from undue risk and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration.</p>					
Outcome	Percent of out-of-office contacts per month with offenders on high and extreme supervision on standard caseloads	92%	92.9%	<input checked="" type="checkbox"/>	
Quality	Average standard caseload per probation and parole officer	90	99	<input type="checkbox"/>	There have been several measures the department has utilized, such as open recruitment, in order to hire staff in a more efficient manner to bring down vacancy rates, thus positively affecting the average caseload for PPOs. As noted in the Sentencing Commission's reports, there has been an increase in the offender population base over the past several fiscal years. Without the measures put in place by the department in hiring practices and appropriate supervision placement, the measure would be increasing rather than showing a decrease and stability.
Output	Average community corrections program caseload per probation and parole officer	28	22	<input checked="" type="checkbox"/>	
Output	Percent of absconders apprehended	26%	27.7%	<input checked="" type="checkbox"/>	
Output	Percent of male offenders who complete the residential treatment center program	80%	81.8%	<input checked="" type="checkbox"/>	
Output	Percent of female offenders who complete the residential treatment center program	90%	89%	<input type="checkbox"/>	We make every effort to provide treatment services appropriate for offender success, however, if an offender absconds from the program, we are unable to provide those services.
Output	Number of offenders on the waiting list for intensive or high-risk supervision	<50	33	<input checked="" type="checkbox"/>	

**DFA Performance Based Budgeting Data System
Annual Performance Report**

Type	Measure	FY15 Target	FY15 Result	Met Target	Year-End Results Narrative
Output	Percent of female offenders who complete the halfway house program	100%	94.5%	<input type="checkbox"/>	Similar to the treatment program we are able to provide life skills and services to offenders who are in the program, however, we cannot provide the services if a female decides to abscond. 100% is an unattainable goal.

NEW MEXICO CORRECTIONS DEPARTMENT
PERFORMANCE MEASURES
For the Fiscal Year Ending June 30, 2015

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ending June 30, 2015

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Pass-through programs from the New Mexico Higher Education Department			
Adult Basic Education	84.002	None	<u>183,333</u>
Total U.S. Department of Education Programs			<u>183,333</u>
U.S. Department of Justice			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	None	655,614
Prisoner Reentry Initiative	16.753	2010-DD-BX-0622	43,299
Organized Crime Drug Enforcement Task Forces	16.579	245D-AO-63435	16,390
United States Marshal	16.738	JLEOTFS4	-
United States Marshal	16.738	JLEOTFS4	7,853
Total Direct Programs			<u>723,156</u>
Pass-through programs from the State Department of Public Safety			
Residential Substance Abuse for State Prisoners	16.593	2010-RT-BX-0034	-
Residential Substance Abuse for State Prisoners	16.593	2011-RT-BX-0022	<u>91,575</u>
Total Pass-through Programs			91,575
Total U.S. Department of Justice Programs			<u>814,731</u>
Corporation for National and Community Service			
Pass-through program from the Children, Youth and Families Department			
AmeriCorps Program-Opportunities with AmeriCorps for Reentry Success	94.006	12FHNM001	<u>-</u>
Total Corporation for National Community Programs			<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 998,063</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.

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

INDEPENDENT AUDITOR'S 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, Corrections Department
New Mexico Corrections Department

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds, of the State of New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Department presented as supplemental information, and have issued our report thereon dated November 30, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency as item 2011-006, and 2015-001.

Compliance and Other Matters

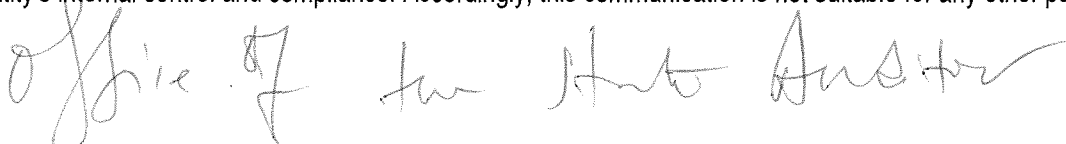
As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-002, 2011-003, 2011-004, 2011-007, 2012-001, 2012-003, 2014-001, 2015-002, and 2015-003.

Department's Responses to the Findings

The Department's responses to the findings identified in our audit are described in the accompanying *schedule of findings and questioned costs*. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in cursive script, appearing to read "Office of the State Auditor".

Office of the State Auditor
Santa Fe, New Mexico
November 30, 2015

Timothy M. Keller
State Auditor



Sanjay Bhakta, CPA, CGFM, CFE, CGMA
Deputy State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Corrections Department's (the Department) compliance with the types of compliance requirements described in the *OMB 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, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Department's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on the Major Federal Program

In our opinion, the Department, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA2015-004. Our opinion on each major federal program is not modified with respect to these matters.

The Department's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance


Management of the Department, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items FA-2015-004 that we consider to be a significant deficiency.

The Department's responses to the internal control over compliance identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Office of the State Auditor
Santa Fe, New Mexico
November 30, 2015

STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Summary Schedule of Prior Audit Findings

2011-002	Contract Billing and Rates Applied	Repeat and Modified
2011-003	Lack of maintaining a tracking log for receiving money order, checks, or cash to ensure properly making deposits within the required time periods	Repeat and Modified
2011-004	Domicile to duty Vehicle	Repeat and Modified
2011-006	Medical Services Contract	Repeat and Modified
2011-007	Missing Capital Assets	Repeat and Modified
2012-001	Residential Housing/Trailer Court Benefits at Facilities	Repeat and Modified
2012-002	Use of State Issued Gasoline Credit Cards	Resolved
2012-003	Compensated Absences	Repeat and Modified
2013-005	Lack of proper approval for travel reimbursement	Resolved
2014-001	Payroll - Lack of supporting documentation	Repeat and Modified
2014-002	Deficiencies over Inventory Management	Resolved
2014-003	Budgetary Compliance	Resolved

STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2015

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|---------------------------------------------------------------------|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal Control over Financial Reporting | |
| a. Material Weakness Identified? | No |
| b. Significant Deficiencies not considered to be material weakness? | Yes |
| c. Noncompliance Material to the financial statements noted? | No |

Federal Programs:

- | | |
|-----------------------------------------------------------------------------------------------------------------------|--------------------|
| 1. Internal Control over major programs: | |
| a. Material Weakness Identified? | No |
| b. Significant Deficiencies not considered to be material weakness? | Yes |
| 2. Type of auditor's report issued on compliance for major program | |
| | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | |
| | No |
| 4. Identification of Major Programs: | |
| <u>Program Name</u> | <u>CFDA Number</u> |
| State Criminal Alien Assistance Program | 16.606 |
| 5. The threshold for distinguishing Types A & B programs: | |
| | \$300,000 |
| 6. The Department was determined to be a low-risk auditee? | |
| | No |

STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Finding 2011-002 Contract Billing and Rates Applied – Repeated and Modified- (Other Matter)

Condition:

We identified three instances, out of six tested totaling \$2,780,978, in which the annual rates used as the basis for invoices from a municipality to provide housing and medical services for inmates did not clearly agree to the contracted schedule. The contract terms used a schedule to determine the annual rate which was 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 provided clear guidance as to how the Department should apply the schedule rates to a definite time period.

The department working on addressing the issue they are waiting for an amendment on the medical contract that affects the resolution of this issue. Once the medical contract is amended the municipality will sign the amendment to the issue above which should correct the contract noted.

Criteria:

Effective accounting and internal controls require adherence to contract requirements. Where contractual terms are unclear they should be clarified, in writing, in order to reduce the risk of fraud, waste or abuse.

Effect:

Invoices totaling \$2,780,978 may be computed incorrectly with the effect that the Department may either overpay or have an increased risk of litigation.

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.

Auditors' Recommendation:

The Department needs to have clear and unambiguous contracts, amended where necessary, in place. The Department, in the event that the contractual issues remain unresolved, needs to consider a new Request for Proposal.

Management Response:

Adult Prison Division Director and Administrative Services Division Chief Procurement Office, and NMCD General Counsel will work together to address any potentially unclear terms. A request for proposal (RFP) has been prepared and will be completed prior to the end of FY16 and will not allow for any ambiguity such as in the prior RFP process. The contract with the awarded vendor also will be more detailed and will not have any language this is unclear to the reader. With this more specific language, there should be no further billing issues between the department and the vendor who is awarded the contract.

2011-003 Lack of Maintaining a Tracking Log for Receiving Money Orders, Checks, or Cash to Ensure Tracking of Deposits within the Required Time Periods-Repeated and Modified– (Other Matter)

Condition:

We noted one deposit, out of forty tested, of \$329 which was not deposited within the required period.

Per results of testwork, it appears that NMCD has made progress towards implementing the corrective action plan from prior year, however, the department needs to continue to work with staff to ensure they are following policies and procedures.

STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Criteria:

According to Section 6-10-3 NMSA 1978, all public money in the custody or under the control of any state official or agency obtained or received by any official or agency from any source, except as in Section 6-10-54 NMSA 1978 provided, shall be paid into the state treasury, before the close of the next succeeding business day after the receipt of the money.

Effect:

The Department is not maintaining adequate controls over cash receipts, which increases the risk of theft or embezzlement.

Cause:

Responsible individuals were not properly following procedures and there was a lack of enforcement of Department policies.

Auditors' Recommendation:

The Department should ensure staff is properly trained and deposits monies in a timely manner.

Management Response:

The department will commence bi-weekly business manager trainings to include the cash receipts process and review all business processes. ASD – Financial Management Bureau staff will conduct periodic on-site reviews to ensure the cash receipts process is being adhered to as per NMCD policies and procedures. The department conducted the first training on November 25, 2015

2011-004 Domicile to Duty Vehicle-Repeated and Modified-(Other Matter)

Condition:

We noted, out of six items tested, instances of non-compliance with policies and procedures related to domicile to duty usage of vehicles:

- In three instances, department could not provide vehicle logs for personnel.
- In six instances a Policy/Procedure Acknowledgement Form was not signed before vehicle use.
- In three instances, the signed Policy/Procedure Acknowledgement Form was not fully completed.

Per results of the testwork, it appears that NMCD has made progress towards implementing the corrective action plan from prior year as NMCD is no longer allocating a fringe benefit for commuting for those employees who are in qualified positions and assigned a domicile to duty vehicle. However, NMCD did not make progress in ensuring that employees maintained vehicle logs and required forms were maintained as per the Department policy.

Criteria:

Department's Use of State and Privately Owned Motor Vehicles Policy #CD-022000 establishes the guidelines for maintaining a car log, submission and recording of usage in employee timesheet, earnings reporting on an employee's paycheck, employee positions qualified for domicile-to-duty, and the required documents acknowledging the policy.

Effect:

The Department is in violation of their policies related to domicile to duty usage of vehicles.

STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Cause:

Department's monitoring system that is in place to review domicile to duty vehicle usage is not being followed. In addition, some individual employees are not following the policy related to the use of state vehicles by not completing mileage logs and/or the required forms.

Auditors' Recommendation:

The Department should maintain and review an updated roster or listing of domicile to duty employees and ensure that those employees are in compliance with Department policy by completing the required forms and monthly mileage logs.

Management Response:

The department will work with the Security Threat Intelligent Unit Director and Probation & Parole Division Director to ensure this is being done as per NMCD policies and procedures. The ASD – General Services Bureau Chief will maintain the required forms and conduct periodic on-site inspections of the vehicles to ensure the required documents are in the vehicles. A directive was send out to all NMCD staff on September 29, 2015 regarding the use of State Vehicles.

Finding 2011-006 Medical and Behavioral Health Services Contracts-Repeated and Modified-(Significant Deficiency)

Condition:

We noted three instances, out of five, where the Department paid for medical services prior to verifying the fixed cost portion of invoices totaling \$4,972,969. Furthermore, the vendor reports do not agree to the fixed cost portions of the amounts charged in the invoice and there is no evidence that the Department verified the vendor assertions about staffing levels or other costs.

We noted two instances, out of five, where the Department paid for pharmaceutical costs, included in the medical services invoices and totaling \$288,456, prior to verifying that the services were rendered.

We noted four instances out of four where the Department prepaid behavioral health services totaling \$1,056,927. The Department did not receive, prior to our audit's completion, any vendor report which would show how the monies were spent.

The department working on addressing the issue currently working on an amendment to the medical contract.

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]." The Department 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.

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Cause:

The Department is lacking the resources to adequately monitor services rendered prior to disbursing payment of invoices related to the medical health services. Also, the Department is a part of the Behavioral Health Collaborative which requires payment of a set amount or "allotment" on a monthly basis to Optum for future behavioral health services.

Effect:

With the lack of resources to adequately monitor the services rendered prior to disbursement, lack of support for a portion of the invoice prior to payment and the pre-payment of services, there is potential for payments made for services that are not rendered. Further, the behavioral health collaborative agreement appears to require the Department to pay for services prior to those services being rendered and prior to the Department being able to certify and verify the services provided.

Recommendation:

The Department should consider a monitoring and payment system which is based on verifiable performance measures such as the health and well-being of the target populations. 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. The Department 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. The Department should review vendor timesheets to ensure that staffing was provided by the vendor and the Department should also do random "head counts" at the various prison infirmaries. The Department should also review the Behavioral Health Collaborative contract/agreement and determine what other options can be considered regarding potential conflict with procurement code and the potential for paying for services prior to being rendered.

Management Response:

The Department implemented a monitoring system, in May 2015, to control and research payments that have unsupported costs. The Health Services Administrator will ensure invoices contain enough detailed information prior to payment. She will verify the reports submitted by the vendor on a monthly basis and will not rely on the vendor's information. The vendor's timesheets will be reviewed to ensure that staffing is being provided as asserted by the vendor. NMCD will be issuing an RFP for inmate medical services in FY16, and will ensure that the solicitation has a clear cost proposal for all components, and that these transfer over to the resultant contract, so that the costs for these services can be clearly demonstrated and verified.

NMCD has since withdrawn from the Behavioral Services Collaborative. As such, monthly allotment payments to the Collaborative's Contractor are no longer paid in advance. Individual providers were selected through a competitive RFP and are now providing these services. Invoices are reviewed on a monthly basis for accuracy prior to payment.

2011-007 Capital Assets - Unable to Locate/Not Sanitized -Repeated and Modified-(Other Matter)

Condition:

The Department did not properly maintain or track capital assets to ensure an accurate capital asset listing. The department was unable to locate capital assets on their capital asset listing during a 2015 fiscal year internal audit.

The Department performed a clean-up of their capital asset listing to address the finding, however, this completed during the fiscal year and also caused an improper disposal of the capital assets in question.

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In addition, during our test work of Capital Assets, we noted following exceptions:

Corrections Industries

In FY15, Corrections Industries disposals included "unable to locate" assets in which 53 of 53 assets totaled \$77,305.

- 6 items were non-computer related assets totaling \$8,454.
- 47 items were computer related assets totaling \$68,851.

The Department was unable to provide evidence of sanitization of disposed software or electronic media for the 47 Corrections Industries computer related assets.

Governmental Funds

In FY15 Corrections disposals included unable to locate assets in which 680 of a total of 958 assets disposed of totaled \$1,726,709.

- 208 items were non-computer related assets totaling \$777,071.
- 472 items were computer related assets totaling \$949,638.
- The Department was unable to provide evidence of sanitization of disposed software or electronic media for the 472 Corrections Department computer related assets.

Criteria:

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 bring 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."

Per NM State Audit Rule 2.2.2.10 T, Disposition of Property. In the event a computer is disposed of the agency shall "sanitize" all licensed software and any electronic media pertaining to the agency. Hard drive erasure certification is still required even if the asset originally cost less than \$5,000 and was not included in the capital asset inventory. According to the May 5, 2002 memorandum from the Chief Information Technology Security and Privacy Office on this subject, "ordinary file deletion procedures do not erase the information stored on hard drive disks or other magnetic media." Sanitizing erases or overwrites totally and unequivocally, all information stored on the media.

Cause:

Lack of consistent adherence to the Department's capital asset policies and procedures. Capital asset disposals for Corrections and Corrections Industries are not being properly monitored and the results reported back to the accounting department on a yearly basis.

For the FY15 fiscal year management did not have the available evidence of the sanitizing process for computers, software, or other electronic media.

Effect:

The capital asset listing is not being consistently maintained which could cause capital asset balances to be misstated. A lack of adherence to established policies and procedures may subject assets to misappropriation.

Confidential information stored on missing computers or other equipment may be stolen and abused.

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Auditors' Recommendation:

To maintain adequate accountability, the Department 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. In addition, it would benefit the Department to conduct the physical inventory as close to fiscal year end as possible in order to facilitate the preparation of the capital asset listing for financial reporting purposes. We recommend that policies for proper accounting of capital assets be conveyed to all employees with the responsibility of accounting for capital asset deletions. Additional training may be necessary to ensure proper procedures are understood and followed. The Department should ensure that they keep a form of evidence that computers, software, or other electronic media are sanitized prior to disposition.

Management's Response:

In an attempt to address this issue, ASD staff performed on-site visits in FY15 to all facilities. During these visits, it was determined assets were missing. Therefore, these assets were taken off the capital asset listing. ASD – Financial Management Bureau Capital Asset Coordinator has implemented a process that will address this issue going forward. A new form has been created for the disposal of assets. In addition, inventory containing electronic media will be routed through the Information Technology Division for certification of erasure. These records will be maintained in a permanent file in the accounting section for reference in future periods. The accounting staff will also conduct periodic on site visits to review and ensure compliance with department policy and procedures. Business Manager training will also include a review of policies related to the proper disposal and yearly inventory.

2012-001 Residential Housing/Trailer Court Benefits at Facilities– Repeated and Modified– (Other Matter)

Condition:

During our audit procedures regarding housing/trailer court benefits, we noted the following:

- Five of seven CD-024901.1 forms reviewed were not signed or approved prior to the date of occupancy,
- One of seven CD-024901.1 forms reviewed was not signed by the Secretary or Designee,
- One of seven CD-024901.1 forms reviewed did not contain the information required regarding type of pet, and
- For one of the seven housing samples reviewed, a date of occupancy was not listed, therefore the auditors were unable to determine whether the forms were signed prior to occupancy or not.

Per review of documentation provided, it appears that NMCD housing/trailer court benefits documentation and compliance with Department policy is the same as in prior years and no corrective action appeared to have been taken during the year.

Criteria:

Department's Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services Policy # CD-024900 Section A establishes the criteria for assignment of residential housing/trailer court facilities to department personnel. Sections 3 and 6 of Part A require pre-approval be submitted in writing prior to assignment of housing. Section 3 also requires a review of assigned housing to be conducted by the Approving Authority on an annual basis. Additionally Section C. establishes rules governing all occupants of residential housing or trailer court facilities. Section 4 of Part A requires employees to provide information regarding any household pets prior to occupancy.

Effect:

Without adhering to the policies and procedures in place, employees may be incorrectly assigned residential housing/trailer court facilities. Furthermore, fringe benefit calculations, or the lack thereof, may be incorrect or not in compliance with IRS regulations.

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Cause:

Department's Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services Policy is not being followed.

Auditors' Recommendation:

The Department should strictly adhere to the policies and procedures regarding assignment of housing

Management Response:

The department implemented a review process in the latter part of fiscal year 2015. It anticipates this issue will be resolved in the current fiscal year. The Executive Assistant for the Adult Prison Division (APD) will continue to perform follow up to ensure NMCD policies and procedures are being followed. ASD – Financial Management Bureau staff will conduct periodic reviews to ensure adherence.

Findings #2012-003 Compensated Absences – Repeated and Modified – (Other Matter)

Condition:

During our audit procedures regarding compensated absences we noted the following out of twenty balances tested:

Per review of documentation provided, it appears that the department's compliance with policies is the same as in prior years and it appeared that no correction action was taken during the year to mitigate prior year's finding condition.

Two instances where employees exceeded the 160 hour maximum compensatory time balances, and the ending compensated absence liability was not adjusted to cap the balances at 160 hours per employee. The total overage was 216.25 hours, amounting to \$6,358.41.

There does not appear to be any mechanisms in place to cap the balances at 160, there is potential that more overages exist and no corrective action appeared to have been taken during the year.

Criteria:

NMAC 1.7.4.14 Section J establishes Agencies shall pay Fair Labor Standards Act covered, non-exempt employees for overtime worked unless the employee, in advance, agrees in writing to compensatory time off. Employees may accrue a maximum of 160 hours of compensatory time, unless otherwise authorized by statute and shall be paid for accrued compensatory time upon separation.

Cause:

NMAC 1.7.4.14 & 1.7.7.8 and NMCD's Overtime and Extra Hours Worked Compensation Policy #CD-035100 is not being followed. Additionally, there does not appear to be a mechanism in place at NMCD control level to identify the unallowed overages. Also, there does not appear to be proper review of employees' liability amounts related the year-end compensated absence liability.

Effect:

Without a monitoring process in place employees are accruing balances of compensatory time that exceed set policy amounts and statutory requirements.

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Recommendation:

NMCD should implement a monitoring process to ensure employees are not accruing balances of compensatory time that exceed policy limits and statutory requirements.

Management Response:

The Human Resources (HR) Bureau of the department will run a query each pay cycle to verify employees leave balances and then take corrective action within a month to ensure compliance with the NMCD policies and procedures as well as train and educate them on these policies and procedures. An acknowledgement form will also be developed that will inform the department's staff of their responsibilities of knowing and understanding the policies and any waivers to the policies. The acknowledgement will have to be signed by every department employee.

Finding 2014-001 Lack of supporting documentation in Personnel Files-- Modified and Repeated – (Other Matter)

Condition:

During our internal control test work we noted the following exceptions:

Ten of the twenty-six employee files were missing the required background check documentation.

The department worked on implementing a log to track background checks during the fiscal year, however, controls are still deficient in light of the prior year's finding condition.

Criteria:

Subpart 1.15.6.103 NMAC, Background Investigation Records, requires the Department to retain in employee personnel files documents such as the background check and final investigation report for three years after employee is terminated or retired.

Cause:

When the background check information was completed it was not properly maintained in the personnel files.

Effect:

The Department has not maintained complete personnel files, in which background check information has not been completed and/or maintained properly and it violates 1.15.6.103 NMAC.

Recommendation:

The department should ensure that all required background check documentation is completed as required and properly maintained for the required period.

Management Response:

The Department concurs with the finding. The Department kept the background release form in the personnel file and made notations as to the results of the NCIC findings. The Department failed to keep the results of the background investigation in the personnel file. Upon learning of the 1.15.6.103 NMAC requirement, NMCD agrees with Office of State Auditors that the Department will need to keep the background check results on file for the duration of time that records retention guidelines outline, which may be subject to change as a new retention schedule came out October 2015. In order to remedy the audit finding the Department has decided to take active action to ensure going forward NMCD keeps background information on file.

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The HR Bureau Chief will reach out to Department of Public Safety and receive clearance for all NCIC results to be kept in the confidential section of the personnel file. Department of Public Safety grants clearance and access to the NCIC database. Upon receiving approval to do so NMCD upper management will send out an email directive to all personnel whom conduct background checks advising to print two sets of copies of the NCIC results. One copy will be kept by HR in the personnel file in the confidential section and the second copy will be maintained by individual who runs the NCIC report as supporting backup documentation.

To ensure that every employee has a background check in their personnel file, the Department will ensure a background check is on file for all current employees who are missing the background check and place a copy in the personnel file prior the close of the current fiscal year.

As a quality assurance measure to ensure background checks are being ran and the results are being kept in accordance with 1.15.6.103 NMAC, the Department will send staff from Central Office Human Resource to the facilities to ensure that files are being maintained and up to date.

2015-001 Internal Controls over Disbursements (Significant Deficiency)

Condition:

During our review of the Emergency Procurements activity for the fiscal year we tested five emergency procurements, we noted one instance out of five totaling \$4,500,000 in which an emergency procurement has continued to be issued for two consecutive years to run a facility. The original contract to run this facility expired in June 2013 and the Department did not issue a new contract through a Request for Proposal method. The department has continued to issue emergency contracts to run the facility instead of procuring a contract using appropriate procurement methods.

Criteria:

Per NMSA 13-1-127, A. The state purchasing agent or a central purchasing office may make emergency procurements when there exists a threat to public health, welfare, safety or property requiring procurement under emergency conditions; provided that emergency procurements shall be made with competition as is practicable under circumstances.

An emergency condition is a situation that creates a threat to public health, welfare or safety such as may arise by reason of floods, fires, epidemics, riots, acts of terrorism, equipment failures or similar events and includes the planning and preparing for an emergency response. The existence of the emergency condition creates an immediate and serious need for services, construction or items of tangible personal property that cannot be met through normal procurement methods and the lack of which would seriously threaten:

- (1) the functioning of government;
- (2) the preservation or protection of property; or
- (3) the health or safety of any person.

Money expended for planning and preparing for an emergency response shall be accounted for and reported to the legislative finance committee and the department of finance and administration within sixty days after the end of each fiscal year.

Effect:

Inadequate internal control oversight and accounting practices can heighten the potential for fraud or misappropriation of public funds. In addition, the department may not have obtained the best prices to run the facility. The department is not in compliance with NMSA 13-1-127.

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Cause:

The department did not plan to ensure a new contract was in place once the old contract had expired.

Recommendation:

We recommend that the Department implement a process to ensure all RFPs and new contracts are in place before the old contract expires.

Management Response:

The department's Chief Procurement Officer (CPO) will develop a contract tracking mechanism that will provide him information when a contract is due to expire. This will also serve to provide information regarding when Request for Proposal (RFP) process needs to commence. It will be a requirement of the CPO to track all contracts and RFP's on a weekly basis to avoid a repetition of this occurrence.

2015-002 Payroll-Lack of supporting documentation – (Other Matter)

Condition:

During our test work of payroll we noted the following exceptions:

- Four of the twenty-six employee files were missing a completed I-9 form;

Criteria:

The Immigration Reform Act of 1986 (IRCA) requires that a properly completed Form I-9 be on file for any employees hired after November 6, 1986. 8 USC § 1324b - Unlawful Employment of Aliens requires the hiring entity to retain the properly completed I-9 Form for either three years after the hire date or one year after the individual has been terminated, whichever is longer.

In addition, the personnel files should contain proper documentation to support payroll transactions.

Cause:

The Department is not following federal regulation Immigration Reform Corrections Act or 8 USC § 1324b Code. The Department did not maintain proper documentation in the personnel files to support payroll transactions.

Effect:

The Department may not be in compliance with federal law.

Recommendation:

The department should maintain proper documentation in the personnel files to support payroll transactions.

Management Response:

The Department concurs with the finding. After researching the matter the Payroll Manager found a former HR Analyst failed to ensure a complete I-9 was on file. NMCD HR failed to have a new I-9 form filled out within three days of hire. NMCD is recommending that immediate active action be taken to rectify and enforce compliance with Immigration Reform Corrections Act or 8 USC § 1324b Code.

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The HR Bureau Chief will send out an email to all NMCD staff informing them of the need to complete an I-9 form along with supporting documentation within a three-day period from the hire date. The I-9 form and supporting documentation will need to be submitted to HR. HR Staff will certify the form is filled out correctly.

As a quality assurance measure the Department will send staff from Central Office Human Resource office to the facilities to ensure that files are being maintained and up to date.

2015-003 Lack of Supporting Documentation to Support Performance Measures (Other Matter)

Condition

During our testwork of performance measures, we noted the following:

Inmate-on-Inmate Assaults with Serious Injury:

Based on review, it was noted that there were several instances where a facility did not provide data to support the 13 cases reported. In addition, we noted that of the population of data provided, the reported cases appear to be higher than the actual results reported.

Criteria

In accordance with the Accountability in Government Act (Sections 6-3A-1 to 6-3A-9 NMSA 1978) it requires, "agencies to develop, in consultation with the division, a plan for monitoring and reviewing the agency's programs to ensure that performance data are maintained and supported by agency records."

Cause

The Department did not monitor agency programs or require that personnel to keep accurate records to support the performance measure data reported.

Effect

The Department reported the performance measure data which were incorrect in light of the supporting documents. The Department is not in compliance with Sections 6-3A-1 to 6-3A-9 NMSA 1978.

Recommendation

We recommend that the Department ensures the reported performance measure results are supported by appropriate supporting documentation.

Management Response

The Department concurs with the finding. The Director of Adult Prison Division will ensure that the supporting documentation is maintained to support the performance measure results by the end of the fiscal year.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA 2015-004 No Inventory of Equipment and Real Property (Significant Deficiency, Other Matters)

Federal Agency: U.S. Department of Justice

Program Name: State Criminal Alien Assistance Program (SCAAP)

CFDA No. and Program Expenditures: 16.606 (\$655,614)

Compliance Requirement: Equipment and Real Property Management

Type of Finding: Compliance

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Questioned Costs: None

Condition:

The Department did not maintain a separate listing of equipment and real property acquired with SCAAP grant funds and therefore the Department was not able to perform a required physical inventory of these items.

Criteria:

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The Department is required to take a physical inventory of equipment acquired under federal awards within the last two years.

Cause:

The Department was unaware that the SCAAP equipment and real property were required to be maintained in a separate listing and perform a physical inventory.

Effect:

The Department was not in compliance with their physical inventory federal requirements.

Recommendation:

We recommend that the Department create and maintain a new listing of equipment and real property acquired with SCAAP grant funds and perform a bi-annual physical inventory.

Management Response:

The department concurs that the SCAAP assets were not on a separate asset listing. The listing has been separated and will be maintained separately in compliance with the requirements. However, the Department does not concur that the assets were not included in the physical inventory. The SCAAP assets were identified as such within the description and by the facilities they are physically located at. They were also certified by the Business Manager on the Certification of Capital Assets Inventory form conducted for FY15. Observations were performed by the auditors at the Penitentiary of New Mexico and the Central New Mexico Correctional Facility.

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Exit Conference
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An exit conference was held on November 24, 2015 and attended by the following:

Representing the Department:

Gregg Marcantel, Secretary of Corrections
Mark Myers, Acting Deputy Secretary of Administration
Joe W. Booker, Jr., Deputy Secretary of Operations
Paul Montoya, CPA, Acting ASD Director, Administrative Services Division
Phillipe Rodriguez, Budget Director, Administrative Services Division
Blanca Sena, Financial Management Bureau Chief
Lori Vigil, General Services Bureau Chief
Joseph Rael, Procurement Manager, Financial Management Bureau
Antoinette Solano, Accounting Manager, Financial Management Bureau
Celina Padilla, Accountant/Auditor, Financial Management Bureau

Representing the State Auditor's Office:

Sanjay Bhakta, CPA, CGFM, CFE, CGMA, Deputy State Auditor
Anna Williams, CPA, Financial Audit Director
Chan Kim, CPA, Audit Manager
Andrew Gallegos, CFE, CGFM, Audit Supervisor