

**NEW MEXICO
CORRECTIONS
DEPARTMENT
FINANCIAL
STATEMENTS
JUNE 30, 2017**

**ANNUAL FINANCIAL REPORT
OF THE NEW MEXICO CORRECTIONS DEPARTMENT
FOR THE FISCAL YEAR ENDING JUNE 30, 2017**

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**NEW MEXICO CORRECTIONS DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2017**

Administrative Officials

David Jablonski	Secretary of Corrections
Jerry Roark	Deputy Secretary of Operations
Paul Pacheco	Deputy Secretary
Mark Myers	Chief of Staff
Phillipe Rodriguez	Acting Director of Administrative Services
German Franco	Director of Adult Prisons Division
Anna Martinez	Acting Director of Corrections Industries Division
James Brewster	General Counsel
Tim Oakeley	Director of Information Technology Division
Rose Bobchak	Director of Probation and Parole Division
Mike Nunley	Acting Director of Training Academy

Corrections Industries Commission

John Ian Serrano	Chair
Jay Armijo	Vice Chairman
Nick H. Brown	Member
Harold Foreman	Member
Paul Robert Alexander	Member

NEW MEXICO CORRECTIONS DEPARTMENT
List of Abbreviations
JUNE 30, 2017

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

Independent Auditor's Report

Mr. Timothy M. Keller
State Auditor
Mr. David Jablonski, Secretary, Corrections Department
New Mexico Corrections Department

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the budgetary comparisons for general fund of the State of New Mexico Corrections Department (the Department), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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, 2017, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Emphasis of Matters

As discussed in Note 2, the financial statements of the Department intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 and the budgetary comparisons for general fund of the Department as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In Addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the individual SHARE funds and the fiduciary fund as of June 30, 2017 and the budgetary comparison for the enterprise fund for the year then ended in accordance 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 4-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The general fund schedule of revenues & expenditures budget and actual by fund, combining fund financial statements, schedule of revenues & expenditures by program budget and actual, schedule of special appropriations, schedule of revenues & expenses by enterprise, schedule of revenues and expenses budget and actual Correction Industries Division and agency fund schedule of changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules 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 auditing standards generally accepted in the United States of America. In our opinion, schedules listed as "other supplemental information" is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017 on our consideration of the State of New Mexico Corrections Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of New Mexico Corrections Department's control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico

October 27, 2017

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 decreased by \$6,267,139 for FY17: governmental net position decreased by \$5,384,015 and the business-type net position decreased \$883,124.

The Corrections Industries Division is classified as a business-type activity. For fiscal year (FY) 2017, the Corrections Industries Division had a decrease in net position of \$883,124. Operating revenues increased by \$3,058,429 and operating expenses also increased by \$3,476,204 over the prior period. The Corrections Industries Division implemented several new programs in FY 17. These new programs account for the much of the increases in the operating revenues and expenses.

Total costs for all Department Programs were \$331,984,319. This consists of \$319,721,020 for the governmental activities and \$12,263,299 for the enterprise activities.

Accomplishments.

The Administrative Services Division (ASD) has been successful in providing training to office and field staff in areas such as travel, procurement, and budget. ASD has worked with all areas of the Department to address audit findings and prevent future findings.

The Training Academy held 11 classes that graduated 201 cadets bringing on new corrections and probation and parole officers to NMCD.

The Information Technology Division went out to RFP to replace the current and unsupported offender management system.

NMCD experienced steady inmate population without significant increases as previously projected.

In FY17, NMCD experienced a drop in the price of Hepatitis C medication, and with the introduction of new drugs on the market prices are likely to continue falling.

The Community Offender Management Program opened the first state sponsored gender specific Transitional Living Center in NM, which incorporates the Results First premise of utilizing evidence based practices.

The Department invested in purchasing body scanner technology to help interdict the introduction of drugs and contraband into the prison facilities.

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 25.

Infrastructure Assets

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

Budgetary Comparisons

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

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
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	2016-2017
Current and Other Assets	\$ 58,632,696	\$ 57,867,963	\$ 5,098,191	\$ 4,528,255	\$ 63,730,887	\$ 62,396,218	-2.09%
Capital and							
Non-Current Assets	26,400,446	25,842,433	860,935	825,894	27,261,381	26,668,327	-2.18%
Total Assets	85,033,142	83,710,396	5,959,126	5,354,149	90,992,268	89,064,545	-2.12%
Current Liabilities	39,097,183	43,158,452	1,184,723	1,462,870	40,281,906	44,621,322	10.77%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
Total Liabilities	39,097,183	43,158,452	1,184,723	1,462,870	40,281,906	44,621,322	10.77%
Net Position							
Investment in Capital Assets	26,400,446	25,842,433	860,935	825,894	27,261,381	26,668,327	-2.18%
Restricted	20,198,780	17,012,494	3,913,468	3,065,385	24,112,248	20,077,879	-16.73%
Unrestricted	(663,267)	(2,302,983)	-	-	(663,267)	(2,302,983)	247.22%
Total Net Position	\$ 45,935,959	\$ 40,551,944	\$ 4,774,403	\$ 3,891,279	\$ 50,710,362	\$ 44,443,223	-12.36%

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

Net Position: Table A-1 summarizes the Department's net position for the fiscal year ending June 30, 2017. Net position for Governmental Activities and Business-type Activities were \$40,551,944 and \$3,891,279 respectively. Total Department net position for fiscal year 2017 is \$44,443,223. 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 (\$2,302,983) at the end of the fiscal year.

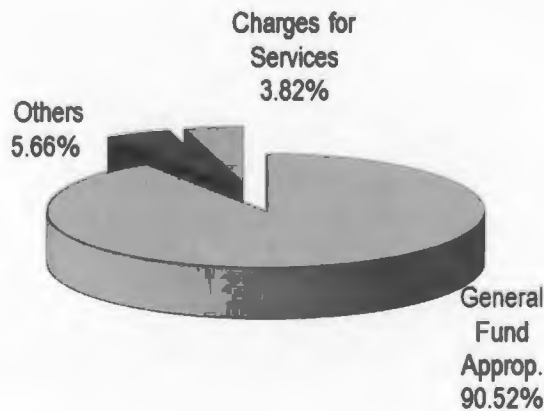
In the Business-type activities, the restricted amount of \$3,065,385 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	2016-2017
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 4,111,109	\$ 2,955,996	\$ 8,180,691	\$ 11,239,120	\$ 12,291,800	\$ 14,195,116	15.48%
Operating Grants & Contributions	345,024	1,341,286	-	-	345,024	1,341,286	288.75%
<u>General Revenues</u>							
State General Fund Appropriations, net of reversions	300,887,000	295,676,900	-	-	300,887,000	295,676,900	-1.73%
Others	12,549,852	14,362,823	168,877	141,055	12,718,729	14,503,878	
Transfers - Internal Activities	-	-	-	-	-	-	0.00%
Total Revenues	317,892,985	314,337,005	8,349,568	11,380,175	326,242,553	325,717,180	-0.16%
Expenses							
Public Safety - Corrections	316,261,326	319,721,020	8,787,096	12,263,299	325,048,422	331,984,319	2.13%
Increase (Decrease) in Net Position	1,631,659	(5,384,015)	(437,528)	(883,124)	1,194,131	(6,267,139)	-624.83%
Beginning Net Position	44,304,299	45,935,959	5,211,931	4,774,403	49,516,230	50,710,362	2.41%
Prior Period Adjustment	-	-	-	-	-	-	
Beginning Net Position Restated	44,304,299	45,935,959	5,211,931	4,774,403	49,516,230	50,710,362	
Ending Net Position	\$ 45,935,958	\$ 40,551,944	\$ 4,774,403	\$ 3,891,279	\$ 50,710,361	\$ 44,443,223	-12.36%

Changes in Net Position: The Department's change in net position for the governmental activities in fiscal year 2017 decreased by \$5,384,015. (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).

**Figure A-1
Sources of Revenues for Fiscal Year 2017**



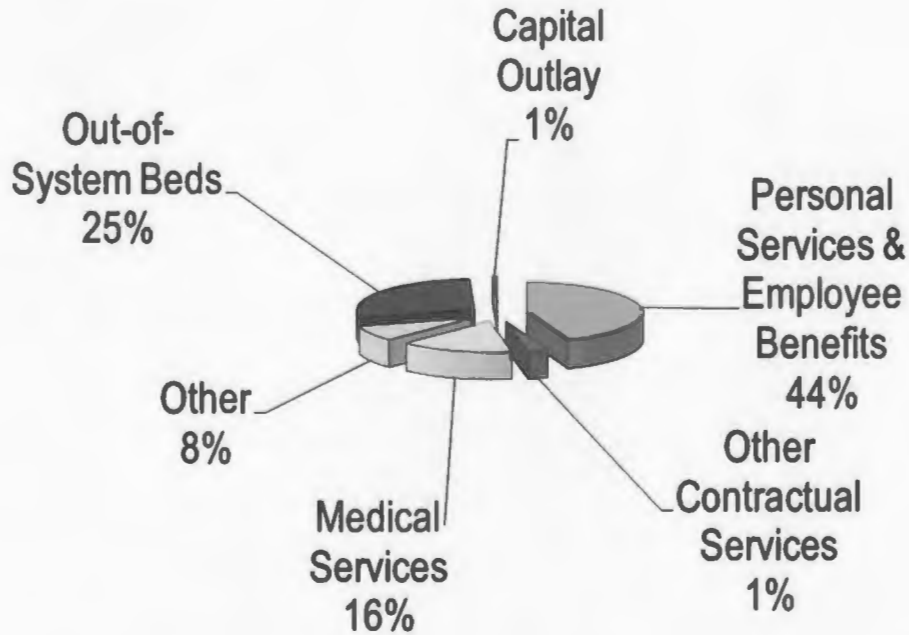
Functional Expenses for Fiscal Year 2017

Business-Type Activities

Program revenues of the Department's business-type activity (Corrections Industries) increased from \$8,180,691 to \$11,239,120 and expenses increased by approximately 72% percent from \$8,787,096 to \$12,263,299.

Governmental Funds

Figure A-2



The Department's total expenditures for government-type funds during the fiscal year were \$318.8 million. Approximately half (44%) 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 (33%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 2017 approximately 25% was for the housing male and female inmates in contract prisons, and the remaining 8% was for the other operating costs.

Expenditures in the contractual services category accounted for 17% of the Department's expenditures, with approximately 16% 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 \$3,459,694 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 \$19.5 million, approximately \$4.5 million less 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 2017, the Department invested a total of \$25.8 million in governmental-type activities and \$0.9 million in business-type activities for a total amount of \$26.7 million in a variety of capital assets. This amount represents an overall net decrease (including additions and deletions) of \$0.6 million (2.20%) from the prior fiscal year. Accumulated depreciation increased by \$2.6 million (6.03%) over the prior period.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	2016 - 2017
Buildings and Improvements	36.0	36.0	1.0	1.0	37.0	37.0	0.00%
Improvements other than Buildings	3.7	3.7	-	-	3.7	3.7	0.00%
Machinery and Equipment	22.8	24.7	2.5	2.6	25.3	27.3	7.91%
Automotive	3.3	3.3	1.1	1.1	4.4	4.4	0.00%
Depreciation	(39.4)	(41.9)	(3.7)	(3.8)	(43.1)	(45.7)	6.03%
	<u>26.4</u>	<u>25.8</u>	<u>0.9</u>	<u>0.9</u>	<u>27.3</u>	<u>26.7</u>	-2.20%

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 short-term debt other than compensated absences associated in fiscal year 2017. More detailed information regarding the Department's short-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) fiscal year (FY) 18 operating budget was increased by 1.4 percent or \$4.4 million to \$327.7 million, from the FY17 operating budget. The increase is to support the Department's inmate population growth as well as medical and pharmaceutical cost increases. The Department is experiencing increasing inmate population growth and again was under funded in FY17 and FY18. As a result, the Department requested and received a special appropriation of \$13.0 million in FY16, primarily in the other costs category to support inmate population growth in our private prisons and increased medical costs. This was fully expended over FY16 and FY17. In addition, the Department received a \$7.0 million special appropriation during the 2017 legislative session for the same basic purposes in FY18.

In FY17, the New Mexico prison population decreased by approximately 1.5 percent. Per the New Mexico Sentencing Commission, the Department's high population in FY17 was 7,403, which was a decrease in population of 115 from the FY16 high count of 7,518. The New Mexico Sentencing Commission estimates New Mexico's total inmate population will increase in FY18 to 7,663 and is projected to grow at an average rate of two to three percent per year from FY18 to FY27. With the current rate of growth, the estimates show that New Mexico will have an inmate population of 8,526 by the end of FY27, which is a 15.2 percent increase over the current level.

For FY17, the Department had an actual general fund base increase of \$4.1 million, or 1.4% which only covered a portion of inmate population growth and medical cost increases. With this increased expense, the Department continued to maintain strict budget measures and flat contracts and in some cases reduced contracts but was still able to ensure the budget was balanced. The Department would have ended FY16 and FY17 in a deficit, but the above mentioned \$13.0 million special appropriation was sufficient to support inmate growth and increases in medical and pharmaceutical costs.

The Department requested a total budget of \$332.4 million from all funding sources for FY18, which is a 3.0 percent increase from FY17 operating budget. The general fund request was \$302.5 million. The request included an increase for inmate growth and increased medical costs. The Department received an operating budget of \$327.7 million. The Department again did not receive sufficient funding to support inmate growth and did not receive sufficient funding for the mandatory treatment of Hepatitis C and other medical costs. Advancements in prescription medication for the treatment of Hepatitis C prompted NMCD to begin treatment for infected inmates in FY16, and this effort has continued in FY17 as well as FY18. The current cost of treatment can run anywhere from \$45 thousand per inmate for the least complicated cases, but can exceed \$200 thousand per inmate for the most serious cases. Treatment has been made possible by agency cost cutting measures in many areas and funding from special appropriations in the 2016 and 2017 legislative sessions.

An item of concern to the Department is the depletion of available fund balances. It is estimated that the amount of fund balance in Department accounts will be reduced by approximately \$14.0 million from the end of FY16 to the end of FY18. Fund balance is not only used to supplement the agency's operating budget in the Community Offender Management Program and Corrections Industries, but in most recent years has been appropriated by the legislature to cover items like the new offender management system and operating costs in the Inmate Management and Control Program. The agency estimates available balances of less than \$3.0 million by the end of FY18.

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: Blanca Sena, FMB Bureau Chief/CFO
4337 NM 14
Post Office Box 27116
Santa Fe, New Mexico 87502-0116

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Investment, State Treasurer	\$ 52,762,873	\$ 1,638,526	\$ 54,401,399
Petty cash	1,850	2,250	4,100
Receivables, net of allowance for doubtful accounts	470,990	1,801,482	2,272,472
Federal grants receivable	-	-	-
Other receivables	20,366	-	20,366
Due from other agencies	1,211,867	-	1,211,867
Inventories	3,358,453	1,085,431	4,443,885
Prepaid expenses	41,563	566	42,129
Total current assets	57,867,963	4,528,255	62,396,218
Capital Assets			
Buildings	35,982,436	1,003,511	36,985,947
Improvements other than buildings	3,714,246	-	3,714,246
Machinery and equipment	24,700,355	2,585,119	27,285,474
Automotive	3,330,298	1,065,464	4,395,762
Less accumulated depreciation	(41,884,902)	(3,828,200)	(45,713,102)
	25,842,433	825,894	26,668,327
Total assets	\$ 83,710,396	\$ 5,354,149	\$ 89,064,545
LIABILITIES			
Accounts payable	\$ 6,951,893	\$ 1,261,563	\$ 8,213,457
Vouchers payable	22,026,108	-	22,026,108
Payroll benefits payable	1,912,875	25,821	1,938,696
Payroll taxes payable	663,047	9,089	672,136
Accrued wages payable	2,614,654	30,675	2,645,330
Compensated absences payable:			
Expected to be paid within one year	4,793,933	86,729	4,880,662
Due to state general fund	-	-	-
Stale dated Warrants- Due to SGF	211	-	211
Receipts held in suspense	3,064	-	3,064
Due to other state agencies	29,269	-	29,269
Due to local government	4,152,910	-	4,152,910
Unearned revenue	-	10,000	10,000
Other liabilities	10,487	38,993	49,480
Total Liabilities	43,158,452	1,462,870	44,621,322
NET POSITION			
Investment in capital assets	25,842,433	825,894	26,668,327
Restricted for			
Subsequent years expenditures	17,012,494	3,065,385	20,077,879
Unrestricted (deficit)	(2,302,983)	-	(2,302,983)
Total net position	\$ 40,551,944	\$ 3,891,279	\$ 44,443,223

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

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF ACTIVITIES
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Expenses			
Public Safety - Corrections	\$ 319,721,020	\$ -	\$ 319,721,020
Corrections Industries	-	12,263,299	12,263,299
Program Revenues			
Charges for Services	2,955,996	11,239,120	14,195,117
Operating Grants & Contributions	1,341,286	-	1,341,286
	4,297,283	11,239,120	15,536,403
Changes in Net Position			
Net Program (Expenses)	(315,423,738)	(1,024,179)	(316,447,917)
General Revenues			
General Fund Appropriation	295,676,900	-	295,676,900
Inter-Agency Transfer-in	230,424	-	230,424
STB Proceeds	155,000	-	155,000
Reversions to the State General Fund	(9,193)	-	(9,193)
Other Revenue	78,585	9,334	87,918
Unrestricted investment earnings	13,908,007	131,722	14,039,728
Capital transfers in	-	-	-
Total General Revenue and Transfers	310,039,723	141,055	310,180,778
			-
Change in Net Position	(5,384,015)	(883,124)	(6,267,139)
Net Position Beginning	45,935,959	4,774,403	50,710,362
Net Position Ending	<u>\$ 40,551,944</u>	<u>\$ 3,891,279</u>	<u>\$ 44,443,223</u>

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

**NEW MEXICO CORRECTIONS DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund	Other Governmental Funds	Total
ASSETS			
Investment, State Treasurer	\$ 49,190,923	\$ 3,571,950	\$ 52,762,873
Petty cash	1,850	-	1,850
Receivables, net of allowance for doubtful accounts	470,990	-	470,990
Federal grants receivable	-	-	-
Other receivables	20,366	-	20,366
Due from other agencies	1,211,867	-	1,211,867
Due from other funds	-	-	-
Due from state general fund	-	-	-
Inventories	3,358,453	-	3,358,453
Prepaid expenses	41,563	-	41,563
Total assets	\$ 54,296,013	\$ 3,571,950	\$ 57,867,963
LIABILITIES			
Accounts payable	\$ 6,932,338	\$ 19,555	\$ 6,951,893
Vouchers payable	20,756,991	1,269,116	22,026,108
Payroll benefits payable	1,901,949	10,926	1,912,875
Payroll taxes payable	655,683	7,364	663,047
Accrued wages payable	2,597,929	16,725	2,614,654
Due to state general fund	-	-	-
Stale dated warrants- due to SGF	211	-	211
Receipts held in suspense	3,064	-	3,064
Due to other state agencies	29,269	-	29,269
Due to Local Government	4,152,910	-	4,152,910
Other Liabilities	10,487	-	10,487
Total Liabilities	37,040,832	1,323,687	38,364,519
FUND BALANCES			
Reserved for:			
Nonspendable	3,396,407	-	3,396,407
Restricted	14,764,231	2,248,263	17,012,493
Unassigned	(905,456)	-	(905,456)
Total Fund Balance	17,255,182	2,248,263	19,503,444
Total Liabilities and Fund Balance	\$ 54,296,013	\$ 3,571,950	\$ 57,867,963

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

**NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET- GOERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2017**

Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet)	\$ 19,503,444
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Amounts reported for government 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	\$ 35,982,436	
Improvements other than buildings	3,714,246	
Machinery and Equipment	24,700,355	
Automotive	3,330,298	
Accumulated depreciation	<u>(41,884,902)</u>	
Total capital assets		25,842,433

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

Compensated Absences Payable	<u>(4,793,933)</u>
Net Position of Government Activities (Total Net Position of Government Activities)	<u><u>\$ 40,551,944</u></u>

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

**NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund	Other Governmental Funds	Total
Revenue			
Charges for Services	\$ 2,263,809	\$ 43,536	\$ 2,307,345
Intergovernmental	641,706	-	641,706
Institutional Sales	648,653	-	648,653
Investment Earning	13,908,007	-	13,908,007
Miscellaneous	40,267	224	40,492
Federal Grants and Contributions	699,580	-	699,580
Total Revenue	18,202,022	43,760	18,245,782
Expenditures, Current			
Personal Services & Employee Benefits	140,048,443	861,719	140,910,162
Contractual Services	52,473,810	5,898,387	58,372,196
Other	117,175,302	172,760	117,348,062
Expenditures, Capital Outlay	2,019,557	155,000	2,174,557
Total Expenditures	311,717,111	7,087,866	318,804,977
Excess (deficiency) Revenues over Expenditures	(293,515,089)	(7,044,106)	(300,559,195)
Other Financing Sources (Uses)			
State General Fund Appropriations	288,956,400	6,720,500	295,676,900
Inter-Agency Transfer-in	230,424	-	230,424
STB proceeds	-	155,000	155,000
Reversions to State General Fund	(9,193)	-	(9,193)
Net Other Financing Sources(Uses)	289,177,631	6,875,500	296,053,131
Net Changes in Fund Balance	(4,337,458)	(168,606)	(4,506,063)
Fund Balance, Beginning of Year	21,592,639	2,416,869	24,009,508
Fund Balance, End of Year	\$ 17,255,181	\$ 2,248,263	\$ 19,503,445

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

**NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
June 30, 2017**

Net change in fund balances - Total Government Funds
(Statement of Revenue, Expenditures and Changes in Fund Balance) \$ (4,506,063)

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

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

Compensated Absences \$ (319,938)

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

Capital Outlay	2,174,557	
In kind donation - vehicles	38,092	
Net transfers	-	
Depreciation Expense	(2,741,881)	
Excess of depreciation expense over capital outlay	(529,233)	(529,233)

The Statement of Activities reports the loss on the sale of Capital Assets, while the Statement of Revenue, Expenditures and Changes and changes in fund Balance The Statement of Activities reports the loss on the sale of Capital Assets, while the reports the proceeds. The reconciling is the difference:

(28,781)

Change in net position of governmental activities (statement of activities) \$ (5,384,015)

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

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Other State Funds	\$ 15,838,100	\$ 16,588,100	\$ 17,516,280	\$ 928,180
Federal Funds	-	-	58,488	58,488
Total Revenue	15,838,100	16,588,100	17,574,768	986,668
Expenditures, Current				
Personal Services & Employee Benefits	138,586,100	139,630,639	140,048,443	(417,804)
Contractual Services	49,111,100	54,627,934	52,473,810	2,154,124
Other	120,481,400	125,869,851	118,024,758	7,845,093
Expenditures, Capital Outlay	-	-	1,170,101	(1,170,101)
Total Expenditures	308,178,600	320,128,424	311,717,112	8,411,312
Excess (deficiency) Revenues over Expenditures	(292,340,500)	(303,540,324)	(294,142,345)	9,397,979
Other Financing Sources (Uses)				
State General Fund Appropriations	291,325,200	301,956,400	288,956,400	(13,000,000)
Inter-Agency Transfer-in	515,300	1,073,957	857,677	(216,280)
Budgeted Fund Balance	500,000	503,967	7,442,471	6,938,504
Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	-	-	(9,193)	(9,193)
Net Other Financing Sources (Uses)	292,340,500	303,534,324	297,247,355	(6,286,969)
Net Changes in Fund Balance	-	(6,000)	3,105,010	3,111,010
Fund Balance, Beginning of Year			21,592,639	
Fund Balance, End of Year			<u>\$ 24,697,649</u>	

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

**NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017**

ASSETS

Investment, State Treasurer	\$	1,638,526
Petty Cash		2,250
Receivables, net of allowance for doubtful accounts		1,801,482
Inventories		1,085,431
Prepaid Items		566
Total current assets		<u>4,528,255</u>
Capital Assets		
Machinery and Equipment		2,585,119
Buildings and Improvements		1,003,511
Automotive		1,065,464
Less Accumulated Depreciation		<u>(3,828,200)</u>
Total noncurrent assets		825,894
Total assets	\$	<u><u>5,354,149</u></u>

LIABILITIES

Vouchers and Accounts payable	\$	1,261,563
Payroll benefits payable		25,821
Payroll taxes payable		9,089
Accrued wages payable		30,675
Compensated absences payable		86,729
Unearned Revenue		10,000
Other Liabilities		38,993
Total Liabilities		<u>1,462,870</u>

NET POSITION

Net investment in Capital Assets		825,894
Restricted Net Position		<u>3,065,385</u>
		<u>3,891,279</u>
Total Liabilities and Fund Balance	\$	<u><u>5,354,149</u></u>

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

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
June 30, 2017

OPERATING REVENUES	
Sales	\$ 11,239,120
OPERATING EXPENSES	
Costs of Goods Sold:	
Cost of Materials Used	8,661,560
Direct Labor (Inmate Payroll)	182,323
Manufacturing and Administrative Overhead	3,110,795
Change in Work in Process and Finished Goods Inventory, Net	165,561
Depreciation Expense	143,061
Total Operating Expenses	<u>12,263,300</u>
OPERATING INCOME (LOSS)	(1,024,180)
NONOPERATING REVENUE (EXPENSE)	
Interest on Deposits with State Treasurer	9,334
Miscellaneous Income	131,722
Total Nonoperating revenue (expense)	<u>141,056</u>
CHANGE IN NET POSITION	(883,124)
Total Net Position, beginning of year	<u>4,774,403</u>
Total Net Position, end of year	<u><u>\$ 3,891,279</u></u>

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

**NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
June 30, 2017**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 10,748,126
Cash Payments to Suppliers for Goods and Services	(9,762,156)
Cash Payments to Employees and Inmates	(1,605,669)
Cash Payments to Inmates for Services	<u>(182,323)</u>
Net Cash Used by for Operating Activities	(802,022)
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	<u>(108,020)</u>
Net Cash Used by Capital and Related Financing Activities	(108,020)
Cash Flows from Investing Activities	
Interest income	9,334
Miscellaneous Income	<u>131,721</u>
Net Cash Provided by Investing Activities	<u>141,055</u>
Net Increase (decrease) in Agency Interest in SGFIP	(768,987)
Investments, State Treasurer at Beginning of Year	<u>2,407,513</u>
Investments, State Treasurer at End of Year	<u>\$ 1,638,526</u>
Reconciliation of Operating Income to Net Cash Provided by (Used by) Operating Activities:	
Operating Income (Loss)	(1,024,180)
Adjustments to Reconciliation Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	143,061
Changes in Assets and Liabilities:	
Accounts Receivable	(349,938)
Inventory	150,887
Accounts Payable	238,705
Compensated Absences Payable	6,019
Accrued Wages Payable	6,067
Payroll Taxes & Benefits Payable	6,598
Other Liabilities	<u>20,759</u>
Total Adjustments and Changes	<u>222,158</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (802,022)</u>

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

**NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2017**

	<u>Inmate Trust Account</u>
ASSETS	
Cash	\$ 2,197,342
Due from Others	<u>580,113</u>
Total assets	<u><u>\$ 2,777,455</u></u>
LIABILITIES	
	\$
Due to Others	718,736
Deposits Held for Others	<u>2,058,719</u>
Total Liabilities	<u><u>\$ 2,777,455</u></u>

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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

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.

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)

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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)

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.

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.

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.

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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). 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 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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION (CONTINUED)

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

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

The Department uses the following fund types:

Governmental Fund Types

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

General Fund:

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

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

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

Special Revenue Fund:

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

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

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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION (CONTINUED)

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

Capital Projects Fund

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

Statutory Creation and Use of Funds:

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

Chapter 5, Laws 2016, Section 3, Paragraph

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

Chapter 3, Laws 2015, Section 7, Paragraph

Proprietary Fund Types

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

Enterprise Fund

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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION (CONTINUED)

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.

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.,

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF ACCOUNTING (CONTINUED)

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."

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

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

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

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

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

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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$2,197,342 and the bank balance was \$2,742,649. The difference represents outstanding checks, deposits, and other reconciling items. In addition, there was \$4,100 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, 2017.

	Fair Value
New Mexico State Treasurer's Office:	
General Fund Investment Pool	\$ 54,401,399

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.

**NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES AND FUND BALANCE

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. As of June 30, 2017, the Department has a receivable in the amount of \$572,514 owed from Corizon which is not considered collectible. The allowance amounts for the General and Enterprise funds at June 30, 2017 are \$661,708 and \$254,048, respectively. In fiscal year 2017, the amount of allowance for financial statement purposes is listed below.

Accounts Receivable consists of the following:

	General Fund	Enterprise Fund	Total
Accounts receivable	\$ 1,132,698	2,055,530	3,188,228
Less: Allowance for doubtful accounts	<u>(661,708)</u>	<u>(254,048)</u>	<u>(915,756)</u>
Net accounts receivable	\$ 470,990	1,801,482	2,272,472

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 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.

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)

Inter-agency receivables and payables as of June 30, 2017 consist of the following:

Interagency Receivables:

<u>Fund Type</u>	<u>SHARE Fund Number</u>	<u>Due From Other Agencies</u>	<u>Due From SHARE Agency Number</u>	<u>Due From SHARE Fund Number</u>	<u>Amount</u>
General Fund	90700	\$ 1,211,867	34100	76100	\$ 11,949
			34100	76100	\$ 59,105
			52100	21300	\$ 8,829
			52100	20010	\$ 3,961
			52100	20010	\$ 2,186
			33700	60100	\$ 999,151
			95000	12150	\$ 89,066
			80500	20100	\$ 37,620
Totals		<u>\$ 1,211,867</u>			<u>\$ 1,211,867</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	\$ (211)	34100	85300	\$ (211)
General Fund	91500	\$ (20,513)	66500	6104	\$ (20,513)
General Fund	90700	\$ (8,756)	52100	95600	\$ (8,756)
Totals		<u>\$ (29,480)</u>			<u>\$ (29,480)</u>

5. 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 \$3,358,453 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	\$ 363,778
Work in Progress	77,314
Finished Goods	<u>644,339</u>

**NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)

Total inventory \$ 1,085,431

6. Prepaid Items

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

7. 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	Software	3 to 7 years
Improvements other than Buildings	20 years	Furniture and Fixtures	10 years
Machinery and Equipment & Other Personal Property	12 years	Automotive	5 years

The Department does not own any infrastructure assets. Construction period interest, if any, is capitalized in the proprietary fund. There was no construction period interest capitalized in 2017. The Department has one internally generated intangible asset (software), which is capitalized.

8. 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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)

month of service. There is no limit to the amount of sick leave that an employee may

8. Compensated Absences (continued)

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.

9. 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 this specific organization. Budget is established in Corrections Industries, program code

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)

Non-Reverting Funds. (continued)

9. Due To State General Fund (Reversions)(continued)

- non-revertible funds, except for any appropriated General Fund or grant funds awarded to
- 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]. There was no legally established budget for this fund in FY 2017 and thus it is not presented in these financial statements.
 - 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 sand 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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)

9. Due To State General Fund (Reversions)(continued)

identified in the grant contract or appropriation law. In some cases, any over drawn grant funds may be reverted to the State General Fund or be reverted to the granting agency. Currently, all grants in operation by the Department, except for the State Criminal Alien Assistance Program (SCAAP) award, are in the form of a reimbursement basis, whereby reimbursement for grant costs is requested from the granting agency after the grant related expenditure has occurred. [Section 6-5-10 NMSA 1978]. When the funds pertaining to the SCAAP award are received, the funds are deferred until budgeted by the Department.

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

There were no amounts due to the State General fund as a result of reverting funds in FY 2017.

10. 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, 2017.

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, 2017.

11. Fund Balances

The definition of each classification is summarized below:

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

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

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES AND FUND BALANCE (CONTINUED)

11. Fund Balances (continued)

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

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

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

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.

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I NET POSITION (CONTINUED)

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 \$44,443,223, of which \$20,077,879 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.

**NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2017**

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, 2017, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total amount on Deposit	\$ 2,742,649
Less: Amount covered by FDIC	<u>(250,000)</u>
Total uninsured funds	2,492,649
Amount requiring collateral (50%)	<u>\$ 1,246,325</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.

**NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2017**

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>	<u>Fund No. of Account</u>		<u>Interest Bearing</u>	<u>Book Balance 6/30/16</u>	<u>Bank Balance at 6/30/16</u>
General Fund:							
NM State Treasurer	General Operating	General	90700	State Treasury	No	\$ 41,921,733	41,921,733
NM State Treasurer	Probation and Parole	General	91500	State Treasury	No	7,269,190	7,269,190
N/A Various	General		N/A	Petty Cash	No	1,850	1,850
Total General Fund						<u>\$ 49,192,773</u>	<u>49,192,773</u>
Special Revenue Funds:							
NM State Treasurer	General Operating	General	90200	State Treasury	No	\$ 3,444,837	3,444,837
Enterprise Funds:							
NM State Treasurer	Correction Industries	Enterprise	07700	State Treasury	Yes	\$ 1,638,526	1,638,526
N/A	Various	Enterprise	N/A	Petty Cash	No	2,250	2,250
Total Enterprise Fund						<u>\$ 1,640,776</u>	<u>1,640,776</u>
Agency Fund							
Wells Fargo Bank NM	Inmate Trust Account	Agency	55700	Checking	No	\$ 2,197,342	2,197,342

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 4. CAPITAL ASSETS

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

	Balance, June 30, 2016	Additions	Deletions	Transfers	Balance, June 30, 2017
Governmental-Type Activities:					
Buildings and improvements	\$ 35,982,436	-	-	-	35,982,437
Improvements other than Buildings	3,714,246	-	-	-	3,714,246
Machinery and equipment	22,860,429	2,174,556	334,631	-	24,700,355
Automotive	3,316,074	-	23,868	38,093	3,330,298
Total Capital Assets at Historical Cost	65,873,186	2,174,556	358,499	38,093	67,727,336
Less: Accumulated Depreciation					
Buildings and improvements	17,997,718	1,282,380	-	-	19,280,098
Improvements other than Buildings	1,498,399	163,891	-	-	1,662,290
Machinery and equipment	17,664,976	1,065,705	305,850	-	18,424,833
Automotive	2,311,645	229,906	23,868	-	2,517,682
Total Accumulated Depreciation	39,472,739	2,741,881	329,718	-	41,884,903
Governmental Activities Capital Assets, Net	\$ 26,400,447	(567,325)	28,781	38,093	25,842,433
Business-Type Activities:					
Buildings and improvements	\$ 1,003,511	-	-	-	1,003,511
Machinery and equipment	2,477,100	108,019	-	-	2,585,119
Automotive	1,065,464	-	-	-	1,065,464
Total Capital Assets at Historical Cost	4,546,075	108,019	-	-	4,654,094
Less: Accumulated Depreciation					
Buildings and improvements	1,999,637	48,556	-	-	2,048,193
Machinery and equipment	922,695	4,712	-	-	927,406
Automotive	762,807	89,793	-	-	852,600
Total Accumulated Depreciation	3,685,139	143,061	-	-	3,828,200
Business-Type Activities Capital Assets, Net	\$ 860,936	(35,042)	-	-	825,894

Depreciation expense for the current year is \$2,741,881 and \$143,061 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.

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 5. RETIREMENT PLANS (STATE PERA & ERB)

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.

The Corrections Department contributions to the retirement plans for the years ended June 30, 2017, 2016, and 2015 were \$18,140,450, \$15,273,192, and \$16,098,427, respectively.

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.

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 6. RETIREE HEALTH CARE (CONTINUED)

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, 2017, 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, 2017, 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, 2017, 2016, and 2015 were \$1,985,895, \$1,686,696, and \$1,786,135, 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.

**NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 7. FUNDS HELD IN TRUST BY OTHERS (CONTINUED)

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, 2017 the value of the State Permanent Fund investments held for the benefit of the Department was \$305,241,922 at market. Related investment income for the year then ended was \$12,069,513.

The value of the State Charitable, Penal and Reformatory Institutions Fund investments held for the benefit of the Department was 1/7th of the fair market value, which was \$126,323,699 at June 30, 2017. Related investment income from the trust for the year then ended was \$716,655.

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. 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, 2016 the Enterprise Fund incurred \$182,323 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:

2018	\$ 3,268,897
2019	2,703,624
2020	2,184,564
2021	1,851,197
2022	<u>1,726,580</u>
Total Minimum Lease Payments	<u>\$ 11,734,862</u>

During the year ended June 30, 2017, general fund operating lease expenditures for facilities, vehicles, and equipment totaled \$3,687,820.

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 9. OPERATING LEASES (CONTINUED)

LESSOR:

The corrections Industries Division is a lessor of the Corral space outside the perimeter of the correctional facility in Los Lunas (CNMCF), and the farmland at Springer Correctional Center (SCC) in Springer.

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

2018	\$	213,509
2019		7,212
2020		-
2021		-
2022		-
Total Minimum Lease Revenue	\$	<u>220,721</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	\$ 3,686,389	4,012,505	(3,835,986)	3,862,908
Compensatory leave	700,158	3,570,478	(3,410,797)	859,839
Sick Leave	87,448	3,295,073	(3,311,335)	71,186
Total short-term liabilities	\$ 4,473,995	10,878,056	(10,558,118)	4,793,933

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

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual Leave	\$ 75,983	61,345	(56,477)	80,851
Compensatory leave	3,612	4,407	(2,141)	5,878
Sick Leave	1,115	49,273	(50,388)	-
Total short-term liabilities	\$ 80,710	115,025	(109,006)	86,729

*The estimated amount expected to be paid for Compensated Absences within one year is \$4,473,995 which is listed on the Statement of Net Position. The General Operating Funds typically have been used to liquidate short-term liabilities like capital leases and compensated absences. The General Operating Funds used are SHARE funds 90200, 90700, and 91500. The estimated balance of \$86,729 for the business-type activities is expected to be paid for within one year.

**NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2017**

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 \$275,000 to \$2,155,000 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 between agencies. These amounts include: (1) \$295,676,900 of State General Fund Appropriations. (2) A total of \$ 907,745 was received from various state agencies. Detail of this amount is as follows: DFA Computer System Enhancement Fund - \$155,000; Higher Ed Department and Dept. of Public Safety - \$271,620; and JPA Revenue from NM Department of Transportation - \$319,198 - and Energy, Minerals and Natural Resources Department - \$157,051. (3) The Department transferred to the State General Fund as part of its reversions \$9,193. The following is a breakdown of these transactions by fund:

	SHARE Agency Fund	Transfer In	Transfer Out
<i>State General Fund Appropriations</i>			
SHARE System Fund 90200	34101-85300	\$ 6,720,500	-
SHARE System Fund 90700	34101-85300	266,457,607	-
SHARE System Fund 91500	34101-85300	<u>22,498,793</u>	-
Total State General Fund Appropriations		\$ 295,676,900	-

**NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDING JUNE 30, 2017**

**NOTE 12. OTHER FINANCING SOURCES AND OPERATING TRANSFERS
 (CONTINUED)**

<i>Inter-Agency Transfer</i>			
SHARE System Fund 90700	35000-35703	\$ 200,000	
SHARE System Fund 90700	95000-10990	30,424	-
Total Inter-Agency Transfer		<u>\$ 230,424</u>	<u>-</u>
 <i>State General Fund Reversions</i>			
SHARE System Fund 90700	34101-85300	-	\$ 9,193
SHARE System Fund 91500	34101-85300	-	-
Total State General Fund Reversions		<u>-</u>	<u>\$ 9,193</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, 2017:

General Funds	
General Operating Fund (90700)	\$ 10,187,274
Probation and Parole Fund (91500)	4,576,957
Community Corrections Special Revenue Fund (90200)	<u>2,248,263</u>
Total	<u>\$ 17,012,494</u>

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 13. FUND BALANCE (CONTINUED)

The Community Corrections Special Revenue Fund statutorily does not revert to the State General Fund. The Department requested to use \$812,700 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 \$3,396,406 that is Non-spendable. The Non-spendable amount includes prepaid expenses, inventories, and petty cash. The Department also has a portion of fund balance in the amount of \$40,000 listed as Unassigned Fund Balance in the Governmental Funds.

NOTE 14. JPA DISCLOSURE

The Department was a party to the following Joint Power Agreements during fiscal year 2017:

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, 2016 to June 30, 2017
- Total Estimated Amount of Project - \$200,000.00
- Portion Applicable to NMCD: Income
- Amount Agency Contributed in Fiscal Year 2017: -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 2017: -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 2017: -0-
- Audit Responsibility: EMNRD

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 14. JPA 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: Income
- Portion Applicable to NMCD: \$14,442.09
- Amount Agency Contributed in Fiscal Year 2017: -0-
- Audit Responsibility: EMNRD
- Revenue: \$49,979.50

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

- Responsible Party for Operations: SFSWMA
- Time Period: September 1, 2001 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2017: -0-
- Audit Responsibility: SFSWMA
- Revenue: \$0

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

- Responsible Party for Operations: City of Las Cruces
- Time Period: July 28, 1998 to Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2017: -0-
- Audit Responsibility: City of Las Cruces
- Revenue: \$165,456.60

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 2017: -0-
- Audit Responsibility: City of Santa Fe
- Revenue: \$0

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 14. JPA DISCLOSURE (CONTINUED)

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

- Responsible Party for Operations: NMCD
- Time Period: September 21, 2000- Indefinite
- Total Estimated Amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2017: -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: December 20, 2010- Indefinite
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2017: -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 2017: -0-
- Audit Responsibility: NMCD

NOTE 15. SHARE CASH BALANCE

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

The comprehensive cash reconciliation model, which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's

**NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2017**

NOTE 15. SHARE CASH BALANCE (CONTINUED)

Office, is now in its third year. This process has been reviewed multiple times by the IPAs during the audits of the General Fund, the Department of Finance and Administration

NOTE 16. SUBSEQUENT EVENTS

The New Mexico Corrections Department (NMCD) has evaluated subsequent events through October 27, 2017 which is the date the financial statements have been issued and has determined no events require disclosure or adjustment to the financial statements.

NOTE 17. GASB PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, Leases. The provisions of this Statement are effective for reporting periods beginning after December 15, 2019. NMCD has not yet evaluated the effects of this standard.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. NMCD does not have any debt and this standard would have no impact on their reporting.

In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement are effective for periods beginning after June 15, 2017. Earlier application is encouraged. NMCD will evaluate this standard for FY 2018.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. NMCD has not yet evaluated the effects of this standard.

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. NMCD will evaluate this standard for FY 2018.

OTHER SUPPLEMENTAL INFORMATION

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES
 BUDGET AND ACTUAL BY FUND-FUND 90700
 June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 268,115,600	\$ 279,457,607	\$ 266,457,607	\$ (13,000,000)
Other State Funds	12,459,900	13,209,900	14,580,561	1,370,661
Inter-agency transfers	1,378,200	1,378,200	785,708	(592,492)
Miscellaneous	-	-	58,488	58,488
Federal funds	515,300	1,073,957	857,677	(216,280)
Total Revenue	282,469,000	295,119,664	282,740,041	(12,379,623)
Budgeted fund balance	-	3,967	6,028,975	6,025,008
Total budgeted revenues	\$ 282,469,000	\$ 295,119,664	\$ 288,769,016	\$ (6,354,615)
Expenditures				
Personal Services & Employee Benefits	\$ 120,039,100	\$ 121,372,739	\$ 121,810,508	\$ (437,769)
Contractual Services	49,111,100	53,873,226	51,731,977	2,141,249
Other	113,318,800	119,883,666	112,112,327	7,771,339
Reversions	-	-	9,193	(9,193)
Total budgeted expenditures	\$ 282,469,000	\$ 295,129,631	\$ 285,664,005	\$ 9,465,626

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

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL BY FUND-COMMUNITY OFFENDER MANAGEMENT (P-534)
FUND 91500
June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 23,209,600	\$ 22,498,793	\$ 22,498,793	\$ -
Other State Funds	2,000,000	2,000,000	2,148,903	148,903
Inter-Agency Transfers	-	-	-	-
Miscellaneous	-	-	1,108	1,108
Federal Funds	-	-	-	-
Total Revenue	25,209,600	24,498,793	24,648,804	150,011
Budgeted Fund Balance	500,000	500,000	1,413,496	913,496
Total Budgeted Revenues	\$ 25,709,600	24,998,793	26,062,300	1,063,507
Expenditures				
Personal Services & Employee Benefits	18,547,000	18,257,900	18,237,935	19,965
Contractual Services	-	754,708	741,833	12,875
Other	7,162,600	5,986,185	5,912,431	73,754
Reversions	-	-	-	-
Total budgeted expenditures	25,709,600	24,998,793	24,892,199	106,594
Unbudgeted capital expenditures	-	-	1,170,101	(1,170,101)
Total Expenditures	\$ 25,709,600	\$ 24,998,793	\$ 26,062,300	\$ (1,063,507)

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

**NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING BALANCE SHEET
GENERAL FUND TYPES
June 30, 2017**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Total
ASSETS			
Investment, State Treasurer	\$ 41,921,733	\$ 7,269,190	\$ 49,190,923
Petty Cash	1,850	-	1,850
Receivables, net of allowance for doubtful accounts	466,877	4,113	470,990
Federal Grants Receivable	-	-	-
Other Receivables	19,478	889	20,367
Due from Other Agencies	1,211,867	-	1,211,867
Due from Other Funds	-	-	-
Due from State General Fund	-	-	-
Inventories	3,118,373	240,081	3,358,452
Prepaid Items	35,844	5,719	41,563
Total assets	\$ 46,776,022	\$ 7,519,991	\$ 54,296,013
LIABILITIES			
Accounts payable	\$ 6,802,745	\$ 129,594	\$ 6,932,338
Vouches payable	18,898,638	1,858,353	20,756,991
Payroll benefits payable	1,638,013	263,936	1,901,949
Payroll taxes payable	540,390	115,293	655,683
Accrued wages payable	2,291,444	306,485	2,597,929
Due to State General Fund	-	-	-
Stale Dated Warrants- Due to SGF	211	-	211
Receipts Held in Suspense	3,064	-	3,064
Due to Other State Agencies	8,756	20,513	29,269
Due to Local Government	4,152,910	-	4,152,910
Other Liabilities	3,816	6,671	10,487
Total Liabilities	34,339,987	2,700,844	37,040,832
FUND BALANCES			
Reserved for:			
Nonspendable	3,154,217	242,190	3,396,407
Restricted	10,187,274	4,576,957	14,764,231
Unassigned	(905,456)	-	(905,456)
Total Fund Balance	12,436,035	4,819,147	17,255,182
Total Liabilities and Fund Balance	\$ 46,776,022	\$ 7,519,991	\$ 54,296,013

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

NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND TYPES
June 30, 2017

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Total
Revenue			
Other State Funds	\$ 15,352,431	2,150,011	17,502,442
Federal Funds	699,580	-	699,580
Total Revenue	16,052,011	2,150,011	18,202,022
Expenditures. Current			
Personal Services & Employee Benefits	121,810,508	18,237,935	140,048,443
Contractual Services	51,731,976	741,833	52,473,810
Other	111,262,871	5,912,431	117,175,302
Expenditures. Capital Outlay	849,456	1,170,100	2,019,557
Total Expenditures	285,654,811	26,062,300	311,717,111
Excess (deficiency) Revenues over Expenditures	(269,602,800)	(23,912,289)	(293,515,089)
Other Financing Sources (Uses)			
General Fund Appropriation	266,457,607	22,498,793	288,956,400
Operating Transfer-in	230,424	-	230,424
Operating Transfers-Out	-	-	-
Reversions to State General Fund	(9,193)	-	(9,193)
Net Other Financing Sources(Uses)	266,678,838	22,498,793	289,177,631
Net Changes in Fund Balance	(2,923,962)	(1,413,496)	(4,337,458)
Fund Balance. Beginning of Year	15,359,996	6,232,643	21,592,639
Fund Balance. End of Year	\$ 12,436,034	\$ 4,819,147	17,255,181

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

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES
 BUDGET AND ACTUAL BY FUND-PROGRAM SUPPORT-P530
 Fund 90700
 June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 12,818,700	\$ 11,680,985	\$ 11,680,985	\$ -
Other State Funds	120,000	120,000	89,000	(31,000)
Inter-Agency Transfers	341,600	341,600	113,578	(228,022)
Miscellaneous	-	-	41,903	41,903
Federal Funds	256,100	307,034	200,000	(107,034)
Total Revenue	13,536,400	12,449,619	12,125,466	(324,153)
Budgeted fund balance	-	-	287,195	287,195
Total Budgeted Revenues	\$ 13,536,400	\$ 12,449,619	\$ 12,412,661	\$ (36,958)
Expenditures				
Personal Services & Employee Benefits	\$ 10,340,200	\$ 9,914,738	\$ 9,914,137	\$ 601
Contractual Services	825,400	556,438	552,133	4,305
Other	2,370,800	1,978,443	1,937,198	41,245
Reversions	-	-	9,193	(9,193)
Total Expenditures	\$ 13,536,400	\$ 12,449,619	\$ 12,412,661	\$ 36,958

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

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES
 BUDGET AND ACTUAL BY FUND-INMATE MANAGEMENT-P531
 Fund 90700
 June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 255,296,900	\$ 252,776,622	\$ 252,776,622	\$ -
Other State Funds	12,339,900	12,339,900	14,491,561	2,151,661
Inter-Agency Transfers	1,036,600	1,036,600	672,130	(364,470)
Miscellaneous	-	-	16,585	16,585
Federal Funds	259,200	766,923	657,677	(109,246)
Total Revenue	268,932,600	266,920,045	268,614,575	1,694,530
Budgeted fund balance	-	3,967	-	(3,967)
Total Budgeted Revenues	\$ 268,932,600	\$ 266,924,012	\$ 268,614,575	\$ 1,690,563
Expenditures				
Personal Services & Employee Benefits	\$ 109,698,900	\$ 108,158,001	\$ 109,051,528	\$ (893,527)
Contractual Services	48,285,700	48,066,788	47,750,842	315,946
Other	110,948,000	110,705,223	108,707,194	1,998,029
Reversions	-	-	-	-
Total Expenditures	\$ 268,932,600	\$ 266,930,012	\$ 265,509,564	\$ 1,420,448

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

NEW MEXICO CORRECTIONS DEPARTMENT
 SCHEDULE OF REVENUES & EXPENDITURES
 BUDGET AND ACTUAL BY FUND-SPECIAL APPROPRIATIONS
 FUND 90700
 June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ -	\$ 15,000,000	\$ 2,000,000	\$ (13,000,000)
Other State Funds	-	750,000	-	(750,000)
Inter-Agency Transfers	-	-	-	-
Miscellaneous	-	-	-	-
Federal Funds	-	-	-	-
Total Revenue	-	15,750,000	2,000,000	(13,750,000)
Budgeted Fund Balance	-	-	5,741,780	5,741,780
Total Budgeted Revenues	\$ -	\$ 15,750,000	7,741,780	(8,008,220)
Expenditures				
Personal Services & Employee Benefits	-	3,300,000	2,844,843	455,157
Contractual Services	-	5,250,000	3,429,000	1,821,000
Other	-	7,200,000	1,467,937	5,732,063
Reversions	-	-	-	-
Total Budgeted Expenditures	\$ -	\$ 15,750,000	\$ 7,741,780	\$ 8,008,220

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

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL BY FUND-COMMUNITY OFFENDER MANAGEMENT (P-534)
FUND 915
June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State General Funds	\$ 23,209,600	\$ 22,498,793	\$ 22,498,793	\$ -
Other State Funds	2,000,000	2,000,000	2,148,903	148,903
Inter-Agency Transfers	-	-	-	-
Miscellaneous	-	-	1,108	1,108
Federal Funds	-	-	-	-
Total Revenue	25,209,600	24,498,793	24,648,804	150,011
Budgeted Fund Balance	500,000	500,000	1,413,496	913,496
Total Budgeted Revenues	\$ 25,709,600	24,998,793	26,062,300	1,063,507
Expenditures				
Personal Services & Employee Benefits	18,547,000	18,257,900	18,237,935	19,965
Contractual Services	-	754,708	741,833	12,875
Other	7,162,600	5,986,185	5,912,431	73,754
Reversions	-	-	-	-
Total budgeted expenditures	25,709,600	24,998,793	24,892,199	106,594
Unbudgeted capital expenditures	-	-	1,170,101	(1,170,101)
Total Expenditures	\$ 25,709,600	\$ 24,998,793	\$ 26,062,300	\$ (1,063,507)

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

**NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION - BUDGETARY SCHEDULES TO FINANCIAL STATEMENTS
June 30, 2017**

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

	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)	307,388.846	311,726.304	(4,337.458)
Total	<u>\$ 307,388.846</u>	<u>\$ 311,726.304</u>	<u>\$ (4,337.458)</u>
 Net Changes in Fund Balance per Budget Schedules			
General Appropriations:			
Program Support (P530)	12,125.466	12,412.661	(287.195)
Inmate Management and Control (P531)	268,614.575	265,509.564	3,105.011
Special Appropriations (Z Codes - 90700)	2,000.000	7,741.780	(5,741.780)
Community Corrections (P534)	24,648.804	26,062.300	(1,413.496)
Total	<u>\$ 307,388.845</u>	<u>\$ 311,726.305</u>	<u>\$ (4,337.458)</u>

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

NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING BALANCE SHEET - NON MAJOR FUNDS
June 30, 2017

	Community Corrections Special Revenue Fund SHARE System Fund 90200	Capital Projects Fund 892000	Total
ASSETS			
Investment, State Treasurer	\$ 3,444,837	127,113	\$ 3,571,950
Petty Cash	-	-	-
Receivables, net of allowance for doubtful accounts	-	-	-
Federal Grants Receivable	-	-	-
Other Receivables	-	-	-
Due from Other Agencies	-	-	-
Due from Other Funds	-	-	-
Due from State General Fund	-	-	-
Inventories	-	-	-
Prepaid Items	-	-	-
Total assets	\$ 3,444,837	127,113	\$ 3,571,950
LIABILITIES			
Accounts payable	\$ 19,555	-	\$ 19,555
Vouches payable	1,142,004	127,113	1,269,116
Payroll benefits payable	10,926	-	10,926
Payroll taxes payable	7,364	-	7,364
Accrued wages payable	16,725	-	16,725
Due to State General Fund	-	-	-
State Dated Warrants- Due to SGF	-	-	-
Receipts Held in Suspense	-	-	-
Due to Other State Agencies	-	-	-
Due to Local Government	-	-	-
Other Liabilities	-	-	-
Total Liabilities	1,196,574	127,113	1,323,687
FUND BALANCES			
Reserved for:			
Nonspendable	-	-	-
Restricted	2,248,263	-	2,248,263
Unassigned	-	-	-
Total Fund Balance	2,248,263	-	2,248,263
Total Liabilities and Fund Balance	\$ 3,444,837	127,113	\$ 3,571,950

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

**NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR FUNDS
June 30, 2017**

	Community Corrections Special Revenue Fund SHARE System Fund 90200	Capital Projects Fund 892000	Total
Revenue			
Charges for Services	\$ 43,536	-	\$ 43,536
Intergovernmental	-	-	-
Institutional Sales	-	-	-
Investment Earning	-	-	-
Miscellaneous	224	-	224
Federal Grants and Contributions	-	-	-
Total Revenue	43,760	-	43,760
Expenditures, Current			
Personal Services & Employee Benefits	861,719	-	861,719
Contractual Services	5,898,387	-	5,898,387
Other	172,760	-	172,760
Expenditures, Capital Outlay	-	155,000	155,000
Total Expenditures	6,932,866	155,000	7,087,866
Excess (deficiency) Revenues over Expenditures	(6,889,106)	(155,000)	(7,044,106)
Other Financing Sources (Uses)			
State General Fund Appropriations	6,720,500	-	6,720,500
STB Proceeds	-	155,000	155,000
Inter-Agency Transfer-out	-	-	-
Reversions to State General Fund	-	-	-
Net Other Financing Sources(Uses)	6,720,500	155,000	6,875,500
Net Changes in Fund Balance	(168,606)	-	(168,606)
Fund Balance, Beginning of Year	2,416,869	-	2,416,869
Fund Balance, End of Year	\$ 2,248,263	-	\$ 2,248,263

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

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS
June 30, 2017**

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations
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 \$
To address deferred maintenance at corrections facilities statewide. The appropriation is from distributions from the land grant permanent fund.	Laws of 2016, Ch 11, Sect 5, Item 43	2016-2017	90700	\$ 13,000,000 \$
To address deferred maintenance at Corrections facilities statewide	Laws of 2016, Ch 11, Sect 5, Item 44	2016-2017	90700	\$ 500,000 \$
For inmate population growth in public and private prisons, the treatment of hepatitis C and custodial staff overtime.	Laws of 2017, Ch 135, Sect 5, Item 25	2017-2018	90700	\$ 2,000,000 \$
To implement a commercial off the shelf offender management information system.	Laws of 2016, Ch 11, Sect 7, Item 19	2016-2017	90200	\$ 1,600,000 \$
To implement a commercial off the shelf offender management information system.	Laws of 2016, Ch 11, Sect 7, Item 19	2016-2017	91500	\$ 3,300,000 \$
To plan, design, and implement phase 1 of an offender management system.	Laws of 2015, Ch. 3, Sect 7	2016-2017	89200	\$ 35,000 \$
To implement a commercial off the shelf offender management information system.	Laws of 2016, Ch 15, Sect 3, Item B	2016-2017	89200	\$ 2,400,000 \$
Total				<u>\$ 23,335,000</u>

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

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)
June 30, 2017**

Prior Year Expenditure	Current Year Expenditures	Prior Year Reversion Amount	Current Year Reversion Amount	Reserved Fund Balance	Outstanding Encumb.	Unencumbered Balance
164,799 \$	335,201 \$	- \$	- \$	- \$	- \$	-
6,181,772 \$	6,818,228 \$	- \$	- \$	- \$	- \$	-
148,589 \$	351,411 \$	- \$	- \$	- \$	- \$	-
- \$	236,940 \$	- \$	- \$	1,763,060 \$	- \$	-
- \$	- \$	- \$	- \$	1,600,000 \$	- \$	-
- \$	1,170,100 \$	- \$	- \$	2,129,900 \$	- \$	-
- \$	- \$	- \$	- \$	35,000 \$	- \$	-
- \$	155,000 \$	- \$	- \$	2,245,000 \$	- \$	-
<u>\$ 6,495,160</u>	<u>\$ 9,066,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,772,960</u>	<u>\$ -</u>	<u>\$ -</u>

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BY ENTERPRISE
June 30, 2017**

	Furniture	Telemarketing	Cleaning Products	SCF Horse Rescue	Textiles	Distribution Center
Revenue from Sales	\$ 353,955	\$ 17,472	\$ 371,323	\$ 22,990	\$ 660,272	\$ 83,105
Manufacturing Costs						
Costs of Materials Used						
Beginning Inventory-Materials	102,834	641	28,695	-	108,689	-
Materials Purchases	142,956	-	292,143	542	463,489	8,310
Net Material Transfers	-	-	-	-	-	-
Materials Available	245,790	641	320,838	542	572,178	8,310
Less Ending Inventory	(84,680)	(352)	(55,380)	-	(105,194)	-
Cost of Materials Used	161,110	290	265,458	542	466,984	8,310
Direct Labor - Inmate Pay	35,991	969	4,683	-	12,193	9,747
Manufacturing Overhead						
Salaries	131,803	-	42,549	-	79,239	61,401
Benefits	69,623	-	23,811	-	30,241	32,474
In-state travel	2,771	-	-	531	-	26,354
Maintenance & Repairs	3,218	-	-	1,421	69	53
Supplies	6,357	-	3,700	13,263	2,215	11,855
Contractual Services	-	-	-	27,100	-	-
Other Costs	918	1,079	975	100	3,206	5,065
Out-of-State Travel	-	-	-	-	-	-
Irrigation Fees	-	-	-	-	-	-
Depreciation	1,208	-	3,841	2,033	3,471	2,230
Miscellaneous	87	-	-	-	-	79
Manufacturing Overhead	215,984	1,079	74,876	44,449	118,441	139,511
Total Manufacturing Costs	413,085	2,338	345,017	44,991	597,618	157,569
Add Beginning work in progress	101,436	-	-	-	-	-
Less Ending work in progress	(77,315)	-	-	-	-	-
Total Cost of Goods Manufactured	437,206	2,338	345,017	44,991	597,618	157,569
Add Beginning Finished Goods	88,979	-	79,662	-	396,887	-
Less Ending Finished Goods	(89,021)	-	(84,105)	-	(405,079)	-
Net Finished Goods Transfers	-	-	-	-	-	-
Total Cost of Goods Sold	437,163	2,338	340,574	44,991	589,425	157,569
Gross Profit	(83,208)	15,134	30,749	(22,001)	70,847	(74,463)
Allocated Overhead						
Facility Overhead	36,672	-	-	-	-	-
Sales & Marketing	(2,121)	(105)	(2,225)	(138)	(3,956)	(498)
Distribution Center	(2,345)	(116)	(2,460)	(152)	(4,375)	73,913
Central Office	(158,991)	(4,282)	(20,687)	-	(53,864)	(43,057)
Capital Contribution	-	-	-	-	-	-
Other Income	146	-	-	-	408	-
Net income (loss)	\$ (209,847)	\$ 10,632	\$ 5,378	\$ (22,291)	\$ 9,060	\$ (44,106)

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

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BY ENTERPRISE
June 30, 2017

	PNM Old Man	Santa Rosa Print	L.L.C.C Farm	Sales & Marketing	PNM Canteen	Central Office	Food Svcs Program
Revenue from Sales	\$ 91,195	\$ 119,675	\$ 210,185	\$ -	\$ 4,465,394	\$ -	\$ 3,932,292
Manufacturing Costs							
Costs of Materials Used							
Beginning Inventory-Materials	-	37,112	2,662	-	-	-	68,470
Materials Purchases	-	49,567	-	-	3,782,785	12,872	3,425,510
Net Material Transfers	-	-	-	-	-	-	-
Materials Available	-	86,679	2,662	-	3,782,785	12,872	3,493,981
Less Ending Inventory	-	(35,465)	(2,662)	-	-	-	(80,044)
Cost of Materials Used	-	51,214	-	-	3,782,785	12,872	3,413,936
Direct Labor - Inmate Pay	361	12,544	5,105	-	49,927	-	10,692
Manufacturing Overhead:							
Salaries	13,620	40,862	-	15,400	73,276	430,871	138,226
Benefits	-	17,144	-	5,939	24,565	241,621	48,741
In-state travel	1,160	-	-	332	1,911	18,698	2,972
Maintenance & Repairs	12,066	9,608	-	-	13,136	1,770	145,844
Supplies	312	2,987	-	-	26,510	9,041	162,714
Contractual Services	4,153	3,502	-	44,768	-	270	714,024
Other Costs	-	32,988	-	904	5,855	45,770	2,200
Out-of-State Travel	-	-	-	-	-	3,173	-
Irrigation Fees	-	-	39,649	-	-	-	-
Depreciation	12,701	-	1,397	-	1,264	45,421	45,992
Miscellaneous	267	-	-	-	7,340	8,112	210
Manufacturing Overhead	44,278	107,090	41,046	67,343	153,855	804,747	1,260,924
Total Manufacturing Costs	44,639	170,848	46,150	67,343	3,986,567	817,620	4,685,552
Add Beginning work in progress	-	-	-	-	-	-	-
Less Ending work in progress	-	-	-	-	-	-	-
Total Cost of Goods Manufactured	44,639	170,848	46,150	67,343	3,986,567	817,620	4,685,552
Add Beginning Finished Goods	19,580	2,347	-	-	-	-	-
Less Ending Finished Goods	(19,406)	(1,527)	-	-	-	-	-
Net Finished Goods Transfers	-	-	-	-	-	-	-
Total Cost of Goods Sold	44,813	171,668	46,150	67,343	3,986,567	817,620	4,685,552
Gross Profit	46,382	(51,993)	164,034	(67,343)	478,826	(817,620)	(753,261)
Allocated Overhead:							
Facility Overhead	-	-	-	-	-	-	-
Sales & Marketing	(546)	(717)	(1,259)	67,343	(26,756)	-	(23,562)
Distribution Center	(604)	(793)	(1,393)	-	(29,585)	-	(26,053)
Central Office	(1,596)	(55,414)	(22,550)	-	(220,555)	659,123	(47,234)
Capital Contribution	-	-	-	-	-	-	-
Other Income	6,441	3,453	-	-	114,583	12,193	3,832
Net income (loss)	\$ 50,076	\$ (105,463)	\$ 138,833	\$ 0	\$ 316,513	\$ (146,305)	\$ (846,277)

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

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BY ENTERPRISE
June 30, 2017

	Drug Screening	PNM Livestock	PNM Bakery	Rosewell Dairy Goat	Rosewell Dairy Cow	PNM Landscaping	PNM Hoop House	Total Industries
Revenue from Sales	\$ 684,454	\$ 6,010	\$ -	\$ -	\$ -	\$ 220,799	\$ -	\$ 11,239,120
Manufacturing Costs								
Costs of Materials Used								
Beginning Inventory -Materials	-	-	-	-	-	-	-	349,104
Materials Purchases	497,660	-	-	-	-	399	-	8,676,234
Net Material Transfers	-	-	-	-	-	-	-	-
Materials Available	<u>497,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>399</u>	<u>-</u>	<u>9,025,338</u>
Less Ending Inventory	-	-	-	-	-	-	-	(363,778)
Cost of Materials Used	<u>497,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>399</u>	<u>-</u>	<u>8,661,560</u>
Direct Labor - Inmate Pay	-	-	-	-	-	33,119	6,993	182,323
Manufacturing Overhead								
Salaries	-	-	-	-	-	59,320	-	1,086,576
Benefits	-	-	-	-	-	43,617	-	537,775
In-state travel	-	770	-	-	-	7,606	-	63,104
Maintenance & Repairs	-	-	-	-	-	-	833	188,019
Supplies	-	-	-	-	-	28	720	239,702
Contractual Services	-	-	36,226	-	-	-	3,682	833,725
Other Costs	-	-	-	-	-	420	3,495	102,975
Out-of-State Travel	-	-	-	-	-	-	-	3,173
Irrigation Fees	-	-	-	-	-	-	-	39,649
Depreciation	-	-	1,475	5,581	8,721	7,727	-	143,061
Miscellaneous	-	-	-	-	-	-	-	16,095
Manufacturing Overhead	<u>-</u>	<u>770</u>	<u>37,700</u>	<u>5,581</u>	<u>8,721</u>	<u>118,727</u>	<u>8,731</u>	<u>3,253,855</u>
Total Manufacturing Costs	497,660	770	37,700	5,581	8,721	152,244	15,724	12,097,738
Add Beginning work in progress	-	-	-	-	-	-	-	101,436
Less Ending work in progress	-	-	-	-	-	-	-	(77,315)
Total Cost of Goods Manufactured	<u>497,660</u>	<u>770</u>	<u>37,700</u>	<u>5,581</u>	<u>8,721</u>	<u>152,244</u>	<u>15,724</u>	<u>12,121,859</u>
Add Beginning Finished Goods	198,325	-	-	-	-	-	-	785,779
Less Ending Finished Goods	(45,200)	-	-	-	-	-	-	(644,339)
Net Finished Goods Transfers	-	-	-	-	-	-	-	-
Total Cost of Goods Sold	<u>650,785</u>	<u>770</u>	<u>37,700</u>	<u>5,581</u>	<u>8,721</u>	<u>152,244</u>	<u>15,724</u>	<u>12,263,299</u>
Gross Profit	33,669	5,240	(37,700)	(5,581)	(8,721)	68,554	(15,724)	(1,024,179)
Allocated Overhead								
Facility Overhead	-	-	-	-	-	(36,672)	-	-
Sales & Marketing	(4,101)	(36)	-	-	-	(1,323)	-	-
Distribution Center	(4,535)	(40)	-	-	-	(1,463)	-	-
Central Office	-	-	-	-	-	-	(30,893)	-
Capital Contribution	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	141,055
Net income (loss)	<u>\$ 25,033</u>	<u>\$ 5,164</u>	<u>\$ (37,700)</u>	<u>\$ (5,581)</u>	<u>\$ (8,721)</u>	<u>\$ 29,096</u>	<u>\$ (46,617)</u>	<u>\$ (883,124)</u>

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

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
FOR CLEANING PRODUCTS BY FACILITY
June 30, 2017

	WNMCF Cleaning Prod	WNMCF Plastic	Total Cleaning Products
Revenue from Sales	\$ 362,899	\$ 8,424	\$ 371,323
Manufacturing Costs:			
Costs of Materials Used			
Beginning Inventory-Materials	28,695	-	28,695
Materials Purchases	240,868	51,275	292,143
Net Material Transfers	-	-	-
Materials Available	269,563	51,275	320,838
Less Ending Inventory	(55,380)	-	(55,380)
Cost of Materials Used	214,183	51,275	265,458
Direct Labor - Inmate Pay	4,683	-	4,683
Manufacturing Overhead:			
Salaries	42,549	-	42,549
Benefits	23,811	-	23,811
In-state travel	-	-	-
Maintenance & Repairs	-	-	-
Supplies	3,700	-	3,700
Contractual Services	-	-	-
Other Costs	975	-	975
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	-	3,841	3,841
Miscellaneous	-	-	-
Manufacturing Overhead	71,035	3,841	74,876
Total Manufacturing Costs	289,901	55,116	345,017
Add Beginning work in progress	-	-	-
Less Ending work in progress	-	-	-
Total Cost of Goods Manufactured	289,901	55,116	345,017
Add Beginning Finished Goods	79,662	-	79,662
Less Ending Finished Goods	(84,105)	-	(84,105)
Net Finished Goods Transfers	-	-	-
Total Cost of Goods Sold	285,458	55,116	340,574
Gross Profit	77,442	(46,692)	30,749
Allocated Overhead:			
Facility Overhead	-	-	-
Sales & Marketing	(2,174)	(50)	(2,225)
Distribution Center	(2,404)	(56)	(2,460)
Central Office	(20,687)	-	(20,687)
Capital Contribution	-	-	-
Other Income	-	-	-
Net income (loss)	52,176	\$ (46,798)	\$ 5,378

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

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
FOR TEXTILES BY FACILITY
June 30, 2017**

	CCA Textiles	Santa Rose Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 201,350	\$ -	\$ 458,922	\$ 660,272
Manufacturing Costs:				
Costs of Materials Used:				
Beginning Inventory-Materials	84,363	24,327	-	108,689
Materials Purchases	107,727	-	355,762	463,489
Net Material Transfers	-	-	-	-
Materials Available	192,089	24,327	355,762	572,178
Less Ending Inventory	(80,887)	(24,307)	-	(105,194)
Cost of Materials Used	111,202	19	355,762	466,984
Direct Labor - Inmate Pay	9,919	-	2,274	12,193
Manufacturing Overhead:				
Salaries	79,239	-	-	79,239
Benefits	30,241	-	-	30,241
In-state travel	-	-	-	-
Maintenance & Repairs	69	-	-	69
Supplies	2,215	-	-	2,215
Contractual Services	-	-	-	-
Other Costs	3,206	-	-	3,206
Out-of-State Travel	-	-	-	-
Irrigation Fees	-	-	-	-
Depreciation	3,471	-	-	3,471
Miscellaneous	-	-	-	-
Manufacturing Overhead	118,441	-	-	118,441
Total Manufacturing Costs	239,562	19	358,036	597,618
Add Beginning work in progress	-	-	-	-
Less Ending work in progress	-	-	-	-
Total Cost of Goods Manufactured	239,562	19	358,036	597,618
Add Beginning Finished Goods	87,831	95,692	213,363	396,887
Less Ending Finished Goods	(92,280)	(95,692)	(217,106)	(405,079)
Net Finished Goods Transfers	-	-	-	-
Total Cost of Goods Sold	235,113	19	354,293	589,425
Gross Profit	(33,762)	(19)	104,628	70,847
Allocated Overhead:				
Facility Overhead	-	-	-	-
Sales & Marketing	(1,206)	-	(2,750)	(3,956)
Distribution Center	(1,334)	-	(3,041)	(4,375)
Central Office	(43,818)	-	(10,046)	(53,864)
Capital Contribution	-	-	-	-
Other Income	408	-	-	408
Net income (loss)	\$ (79,712)	\$ (19)	\$ 88,792	\$ 9,060

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

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL
CORRECTIONS INDUSTRIES DIVISION
June 30, 2017

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Printing and reproduction	\$			
Sales	11,858,000	12,448,000	11,370,842	(1,077,158)
Interest on Deposits	4,500	4,500	9,334	4,834
Other revenue				
Total Revenues	<u>11,862,500</u>	<u>12,452,500</u>	<u>11,380,176</u>	<u>(1,072,324)</u>
Budgeted fund balance	-	-	883,125	883,125
Total budgeted revenues				
	<u>\$ 11,862,500</u>	<u>12,452,500</u>	<u>12,263,301</u>	<u>(189,199)</u>
Expenditures				
Personal Services & Employee Benefits	\$	1,569,000	1,669,000	44,647
Contractual Services	735,900	950,900	833,725	117,175
Other	9,557,600	9,832,600	9,662,162	170,438
Total budgeted expenditures	<u>11,862,500</u>	<u>12,452,500</u>	<u>12,120,240</u>	<u>332,260</u>
Non budgeted expenditures				
Depreciation	-	-	143,061	(143,061)
Total budgeted and non budgeted expenditures	<u>\$ 11,862,500</u>	<u>12,452,500</u>	<u>12,263,301</u>	<u>189,199</u>

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

**NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2017**

	Balance as of June 30, 2016	Additions	Deletions	Balance as of June 30, 2017
ASSETS	2,144,688	8,016,733	(7,964,079)	2,197,342
Cash	-	-	-	-
Due from Others	412,466	580,113	(412,466)	580,113
Total Assets	<u>2,557,154</u>	<u>8,596,846</u>	<u>(8,376,545)</u>	<u>2,777,455</u>
 LIABILITIES				
Due to Others	606,475	718,736	(606,475)	718,736
Deposits Held for Other	1,950,679	2,058,719	(1,950,679)	2,058,719
Total Liabilities	<u>2,557,154</u>	<u>2,777,455</u>	<u>(2,557,154)</u>	<u>2,777,455</u>



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**Report on Internal Control Over
Financial Reporting and on Internal Control Over Financial Reporting and
On Compliance and other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Governmental Auditing Standards***

Independent Auditor's Report

Mr. David Jablonski, 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, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the State of New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the individual SHARE funds, the fiduciary fund and the budgetary comparison for the enterprise fund of the Department, presented as supplemental information, and have issued our report thereon dated October 27, 2017.

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.

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 or significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 responses as items 2011-004, 2012-001, 2015-002, and 2016-004.

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 responses. 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.

Ricci & Company, LLC
Albuquerque NM
October 27, 2017

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2017**

Summary Schedule of Prior Year Audit Findings

2011-002	Contract Billing and Rates Applied	Resolved
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	Resolved
2011-004	Domicile to Duty Vehicle	Repeated/Modified
2011-006	Medical Services Contract	Resolved
2012-001	Residential Housing/Trailer Court Benefits at Facilities	Repeated/Modified
2012-003	Compensated Absences	Resolved
2015-001	Internal Controls over Disbursements	Resolved
2015-002	Payroll – Lack of Supporting Documentation (I-9s)	Repeated/Modified
2016-001	Wright Express Fuel Card Usage	Resolved
2016-002	Lack of Proper Approval for Travel Reimbursements Over \$1,500	Resolved
2016-003	Internal Controls over Contracts and Procurement	Resolved
2016-004	Federal Grant Expenditures	Repeated/Modified
2016-005	Lucky 8 MOU	Resolved
2016-006	Untimely Reversion	Resolved
2016-007	Emergency Procurement Violations	Resolved
2016-008	Exempt Procurement Violations	Resolved
2016-009	Corrections Industries Division Procurement Code Exemption	Resolved

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2017**

Summary Schedule of Prior Year Audit Findings (continued)

2016-010	Approval Signatures or Approval Dates Missing from Internal Purchase Requests	Resolved
2016-011	Use of Multiple Exemption Types on procurement of the same goods or services	Resolved
2016-012	Misuse of Exemption Type	Resolved
2016-013	Inappropriate use of exemptions from the procurement code	Resolved

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

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

Condition:

Out of 5 items selected for testing, one item was noted to not have a signed Policy/procedure acknowledgement form on file: the form was provided after the fact signed on 7/21/17.

Per the results of the test work, NMCD management appears to have made progress in ensuring that employees maintained vehicle logs and the other forms required by New Mexico Administrative Code and Department Policy, however, as noted above, still do not have complete files.

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 and for tracking mileage.

Effect:

The Department is not in compliance with its policies related to domicile to duty usage of vehicles. Further, the Department does not have an adequate system of internal controls in relation to maintaining complete employee files.

Cause:

The Department's procedures for ensuring that all employees who use department vehicles have completed the proper paperwork were insufficient.

Auditors' Recommendation:

The Department should consider implementing a checklist or other medium to ensure completeness of employee files.

Management Response:

The Probation and Parole Central Office will maintain copies of the Policy Acknowledgment form CD-022000 for all employees who take home a vehicle.

Responsible Official:

PPD Financial Specialist

Timeline to Correct:

The action in reference was put into place as of October 30, 2017.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

**Finding 2012-001 Residential Housing/Trailer Court Benefits at Facilities--(Other Non-Compliance)
(Repeated and Modified)**

Condition:

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

Six out of seven CD-024901.1 forms reviewed did not have the date of occupancy, and thus were unable to be evaluated for proper approval prior to occupancy. As a result, all six are deemed to be deficient.

One of seven CD-024901.1 forms reviewed was for the Warden, who generally is the one who authorizes these forms and was missing a signature. A designated approver was not delegated in this circumstance and individuals should not approve their own paperwork.

Per the results of the test work, it appears that some of the corrective action plan has been implemented, but procedural errors continue to exist.

Criteria:

NMCD's policy titled "Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services" # CD-024900. Part A establishes the criteria for assignment of residential housing/trailer court facilities to department personnel. Sections 3 and 5 of Part A require pre-approval to be submitted in writing prior to assignment of housing. Part C establishes rules governing all occupants of residential housing or trailer court facilities.

Effect:

Noncompliance with NMCD's policies and procedures may cause employees to be incorrectly assigned residential housing/trailer court facilities.

Cause:

NMCD's policy titled "Institutional Residential Housing; Trailer Court Facilities, State Provided Phone Services" # CD-024900 is not being followed.

Auditors' Recommendation:

NMCD should adhere to its policies and procedures regarding assignment of housing, and ensure that authorizations are maintained at all levels, regardless of position or title.

Management Response:

The Department will review all deficiencies and correct. Will also provide training on policy.

Responsible Official:

Wardens at their facility.

Timeline to Correct:

The action in reference will be corrected with 30 days from October 26, 2017.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

Finding 2015-002 Payroll-Lack of supporting documentation – Repeated and Modified – (Other Non-Compliance)

Condition:

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

- Two employees out of 25 tested did not have an I-9 on file.

NMCD showed significant progress in implementing the corrective action plan from the prior year by requiring that all employees complete an I-9 during fiscal year 2017 to have on file.

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.

Cause:

The Department is not following federal regulation Immigration Reform Corrections Act or 8 USC § 1324b Code.

Effect:

The Department may not be in compliance with federal law, and certain personnel files do not contain consistent and complete information

Recommendation:

The Department should maintain proper documentation in all personnel files.

Management Response:

NMCD agrees with the finding, however we noted only one I-9 was not provided out of the 25 sampled, it is feasible that we (NMCD) failed to provide the correct page number to find the electronic copies contained in each file to the auditors (which may have been why the auditors noted two samples not provided).

The employee missing, whom our records show was terminated, (so the agency removed the I-9 per protocol) and later reemployed with the Department due the State Personnel Office overturning the termination which then led to NMCD never following up with the employee to get a new I-9 documented. We agree this is not acceptable and we are in non-compliance with the criteria outlined in the employer's responsibility of the Immigration Reform Act of 1986 and will strive to eliminate this finding but implementing additional checks and balances.

Responsible Official:

HR staff is responsible for ensuring an I-9 is on file for all new employees. However, when our staff transitions to the State Personnel Office in the next few months we are not sure if the agency will need to assign an agency rep to track and monitor I-9s. That is yet to be determined.

Timeline to complete:

The agency will need to first run an organizational listing, which will be completed no later than February 1st of 2018. Second the agency will need to assign internal HR auditors to review the current I-9's on file.

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SCHEDULE OF FINDINGS AND RESPONSES
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that will be done no later than February 5th, 2018, then the auditors will need at least 10 days to review/cross check that all I-9's copies are on file for each employee currently employed, this should be completed by February 15th, a final report from the HR internal auditors on employees missing I-9's will need to be turned in to the HR Bureau Chief no later than February 20th, of 2018. Upon review of the internal audit, HR will contact employees whom the employer determines to have missing I-9's, and notify the employee that they have 7 calendar days to provide the legal required information to HR to complete an I-9.

Finding 2016-004 Federal Grant Expenditures (Other Non-Compliance) (Repeated and Modified)

Condition:

The Department utilized state funding to pay \$6,726 in expenditures incurred for a Federal Grant and did not request reimbursement prior to close out of the grant period.

It does not appear that the Department has fully implemented a process to capture all of the federal grant information in a timely and complete manner.

Criteria:

The period of eligibility for this grant ended June 30, 2016. The request for reimbursement (RFR) was due to the pass-through entity within 15 days of the expiration of the award period. The award period to the pass through entity closed on September 30, 2016.

Effect:

The Department used \$6,726 in State funding to cover federal grant expenditures.

Cause:

The department accounting office did not receive the supporting documentation from the decentralized department in time to submit for reimbursement.

Recommendation:

We recommend the Department monitor federal grant expenditures, eligibility periods, and reimbursement requests, and communicate with applicable pass-through entities to ensure that grants funding will still be available prior to incurring expenses.

Management Response:

The Business office will assure that all request for reimbursement forms are properly signed, and received by the Federal Organization with whom the NM Corrections Department has an agreement with. A request for a receivable will not be requested until payment is received, and all documentation is attached and filled out correctly.

Responsible Official:

Debra Martinez, Business Manager for the Security Threat Intelligence Unit.

Timeline to Correct:

The action in reference was put into place as of January 1, 2017.

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EXIT CONFERENCE
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An exit conference was held on October 27, 2017 and attended by the following: Representing the Department:

- David Jablonski, Secretary of Corrections
- Phillipe Rodriguez, Acting ASD Director, Administrative Services Division
- Edward Smith, Budget Director
- Blanca Sena, Financial Management Bureau Chief/CFO
- Antoinette Solano, Accounting Manager, Financial Management Bureau
- Carl Ortega, Budget Bureau Chief
- Mike Nunley, Director
- Rose Bobchak, Director PPD/RRD
- Darlene Fitzpatrick, IT Project Manager
- German Franco, Director APD

Representing Ricci & Company, LLC:

- Wayne Brown, CPA, Partner
- Mark Santiago, CPA, Audit Manager