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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2020

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

TABLE OF CONTENTS

Official Roster	iv
List of Abbreviations	v
Independent Auditors' Report	1
Management's Discussion and Analysis	4
FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Activities	15
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund	20
PROPRIETARY FUND FINANCIAL STATEMENTS	
Statement of Net Position – Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund	23

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

TABLE OF CONTENTS (CONTINUED)

AGENCY FUND FINANCIAL STATEMENTS

Statement of Fiduciary Assets and Liabilities – Agency Fund	24
---	----

NOTES TO FINANCIAL STATEMENTS	25
--------------------------------------	----

SUPPLEMENTAL INFORMATION

Combining Balance Sheet - General Fund Types	62
--	----

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund Types	63
--	----

Schedule of Revenues & Expenditures – Budget and Actual, By Fund

General Operating Fund, SHARE System Fund 90700	64
---	----

Probation and Parole General Operating Fund, SHARE System Fund 91500	65
--	----

Schedule of Revenues & Expenditures – Budget and Actual, By Program

Program Support – P530	66
------------------------	----

Inmate Management and Control – P531	67
--------------------------------------	----

Special Appropriations – Fund 90700	68
-------------------------------------	----

Community Offender Management – P534	69
--------------------------------------	----

Reconciliation – Budgetary Schedules to Financial Statements	70
--	----

Combining Balance Sheet – Non Major Funds	71
---	----

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Non Major Funds	72
--	----

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

TABLE OF CONTENTS (CONTINUED)

SUPPLEMENTAL INFORMATION (CONTINUED)

Schedule of Special Appropriations	73
Schedule of Revenues and Expenditures, by Enterprise	75
Schedule of Revenues and Expenditures for Cleaning Products by Facility	78
Schedule of Revenues and Expenditures for Textiles by Facility	79
Schedule of Revenues & Expenditures – Budget and Actual (GAAP budgetary Basis) Corrections Industries Division	80
Schedule of Changes in Assets and Liabilities Agency Fund	81

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	82
Summary Schedule of Prior Year Audit Findings	84
Schedule of Findings and Questioned Costs	85

FEDERAL FINANCIAL ASSISTANCE

Report On Compliance For Each Major Federal Program; Report On Internal Control Over Compliance; And Report On Schedule Of Expenditure Of Federal Awards Required By The Uniform Guidance	86
Schedule of Expenditure of Federal Awards	89
Notes to Schedule of Expenditure of Federal Awards	90
Exit Conference	91

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

OFFICIAL ROSTER

Administrative Officials

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

Corrections Industries Commission

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

List of Abbreviations

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



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for general fund and major special funds of the State of New Mexico Corrections Department (the Department), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Emphasis of a Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2020, 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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Department as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements, The general fund schedule of revenues & expenditures budget and actual by fund, combining fund financial statements, schedule of revenues & expenditures by program budget and actual, schedule of special appropriations, schedule of revenues & expenses by enterprise (including cleaning products by facility and textiles by facility breakout), schedule of revenues and expenses budget and actual Correction Industries Division and 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 and the Schedule of Expenditures of Federal Awards 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" are 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 31, 2020 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 31, 2020

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

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 (\$2,509,108) for FY20: governmental net position decreased by (\$2,641,191) and the business-type net position increased \$132,083.

The Corrections Industries Division is classified as a business-type activity. For fiscal year (FY) 2020, the Corrections Industries Division had an increase in net position of \$132,083. Operating revenues decreased by \$2,818,045 and operating expenses decreased by \$3,765,480 over the prior period. The Corrections Industries Division discontinued some MDC and food service programs. These discontinued programs account for the majority of the decreases in the operating revenues and expenses.

Total costs for all Department Programs were \$356,581,830. This consists of \$348,551,058 for the governmental activities and \$8,030,772 for the enterprise activities.

Accomplishments.

The Administrative Services Division (ASD) continues to organize itself to better align services and functions to provide greater oversight of daily operations in order to realize efficiencies. ASD issued an RFP on behalf of the Health Services Bureau and successfully awarded a new medical contract in fall 2019. In addition, ASD was an integral part of the Adult Prison Division converting the privately run facility in Clayton, New Mexico to a publicly run facility. ASD also purchased commercial off-the-shelf software in spring 2020 to facilitate completing NMCD financial statements during the annual external audit process.

The goal of the Health Services Bureau (HSB) is to assure that inmates receive constitutionally required health care that is consistent with the community standard. A new contract with a new health provider was issued that expanded the existing partnerships with 340b-covered entities in order to optimize pharmacy dollars. HSB is working closely with Information Technology Division (ITD) to secure funding for the purchase and implementation of an electronic health records system.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2020**

ITD deployed a comprehensive video conferencing and scheduling solution to facilitate family visitations with external participants, expanded the video conferencing system to assist with social distancing measures, implemented a telework initiative in response to the current COVID-19 health pandemic, and completed the initial phase of implementing a MDM (Mobile Device Management) solution to better manage the department’s cellular devices.

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

In FY2020, six of the seven public prisons experienced high correctional officer vacancies. Officer starting salaries were increased by 4.0 % as of July 1, 2020.

- The Probation and Parole Division (PPD) has certified all sex offender officers in the Static 99 COMPAS Assessment Tool.
- Implemented the incentive options for the offender population.
- Continued collaboration with Department of Vital Statics to obtain birth certificates and with Department of Motor Vehicle for ID’s for inmates prior to release into the community.

Reallocated under projected funding from providers who were not utilizing funding at the initial onset of the COVID outbreak. Increased available beds at halfway houses, rental assistance, hygiene, gift cards, resource packets and transportation options for probationer and parolees.

USING THIS ANNUAL REPORT

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2020**

Management’s Discussion and Analysis

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

The Department has three types of funds:

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

Notes to the Financial Statements

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2020**

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
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	2019-2020
Current and Other Assets	\$ 79,879,805	\$ 81,477,234	\$ 3,113,795	\$ 3,790,586	\$ 82,993,600	\$ 85,267,820	2.74%
Capital and							
Non-Current Assets	30,016,376	31,654,989	700,556	423,682	30,716,932	32,078,671	4.43%
Total Assets	109,896,181	113,132,223	3,814,351	4,214,268	113,710,532	117,346,491	3.20%
Current Liabilities	38,915,443	44,792,676	681,538	949,372	39,596,981	45,742,048	15.52%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
Total Liabilities	38,915,443	44,792,676	681,538	949,372	39,596,981	45,742,048	15.52%
Net Position							
Investment in Capital Assets	30,016,376	31,654,989	700,556	423,682	30,716,932	32,078,671	4.43%
Restricted	37,051,636	37,576,809	2,432,257	2,841,214	39,483,893	40,418,023	2.37%
Unrestricted	3,912,726	(892,251)	-	-	3,912,726	(892,251)	-122.80%
Total Net Position	\$ 70,980,738	\$ 68,339,547	\$ 3,132,813	\$ 3,264,896	\$ 74,113,551	\$ 71,604,443	-3.39%

Net Position: Table A-1 summarizes the Department’s net position for the fiscal year ending June 30, 2020. Net position for Governmental Activities and Business-type Activities were \$68,339,547 and \$3,264,896 respectively. Total Department net position for fiscal year 2020 is \$71,604,443. However, most of those assets are either restricted as to the purposes for which they can be utilized or are invested in capital assets (buildings, equipment, etc.) The unrestricted net position in Governmental Activities is deficit of (\$892,251) at the end of the fiscal year.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

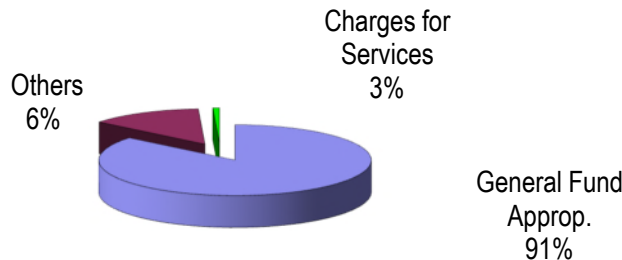
In the Business-type activities, the restricted amount of \$2,841,214 cannot be used in governmental activities. The Department generally can only use these net positions to finance the continuing operations of its business activities, such as working capital requirements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2019-2020
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 3,415,733	\$ 2,719,927	\$ 10,734,194	\$ 7,916,149	\$ 14,149,927	\$ 10,636,076	-24.83%
Operating Grants & Contributions	1,604,384	23,737,680	-	-	1,604,384	23,737,680	1379.55%
<u>General Revenues</u>							
<u>State General Fund</u>							
Appropriations, net of reversions	299,630,971	296,928,531	-	-	299,630,971	296,928,531	-0.90%
Others	57,288,672	22,634,781	149,974	441,916	57,438,646	23,076,697	
Loss on disposal of capital assets				(218,705)		(218,705)	
In-kind revenue				23,495		23,495	
Transfers - Internal Activities	-	(111,052)	-	-	-	(111,052)	0.00%
Total Revenues	361,939,760	345,909,867	10,884,168	8,162,855	372,823,928	354,072,722	-5.03%
Expenses							
Public Safety - Corrections	336,399,416	348,551,058	11,796,252	8,030,772	348,195,668	356,581,830	2.41%
Increase (Decrease) in Net Position	25,540,344	(2,641,191)	(912,084)	132,083	24,628,260	(2,509,108)	-110.19%
Beginning Net Position	43,929,118	70,980,738	4,044,897	3,132,813	47,974,015	74,113,551	54.49%
Prior Period Adjustment	1,511,276	-	-	-	1,511,276	-	
Beginning Net Position Restated	45,440,394	70,980,738	4,044,897	3,132,813	49,485,291	74,113,551	
Ending Net Position	\$ 70,980,738	\$ 68,339,547	\$ 3,132,813	\$ 3,264,896	\$ 74,113,551	\$ 71,604,443	-3.39%

Changes in Net Position: The Department's change in net position for the governmental activities in fiscal year 2020 decreased by (\$2,641,191). (See Table A-2). A significant portion, 91%, of the Department's revenue comes from State General Fund Appropriations, 3% comes from charges for services, and 6% comes from other revenue sources. (See Figure A-1).

**Figure A-1
Sources of Revenues for Fiscal Year 2020**



**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2020**

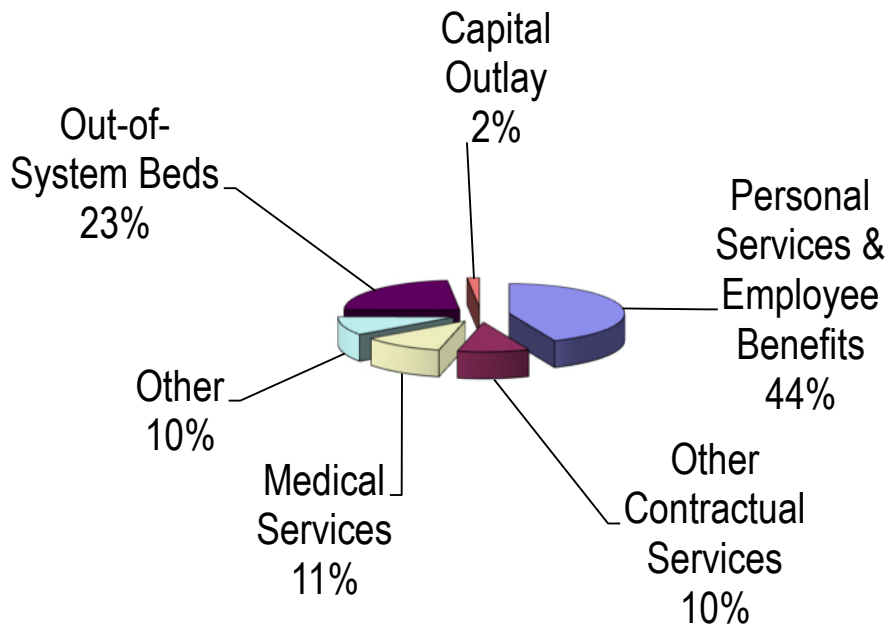
Functional Expenses for Fiscal Year 2020

Business-Type Activities

Program revenues of the Department’s business-type activity (Corrections Industries) decreased from \$10,884,168 to \$8,162,855 and expenses decreased by approximately 3.2% percent from \$11,796,252 to \$8,030,772.

Governmental Funds

Figure A-2



The Department’s total expenditures for government-type funds during the fiscal year were \$348.6 million. Approximately half (44%) of the expenditures of the Department are in the area of personal services and employee benefits. Over half (56%) 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 2020, approximately 23% was for the housing male inmates in contract prisons, and the remaining 10% was for the other operating costs.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

Expenditures in the contractual services category accounted for 21% of the Department's expenditures, with approximately 11% of these expenditures directly related to medical services for inmates and about 10% are related to other contractual services. About two percent of the total expenditures were for capital outlay with the majority of those costs being for machinery and equipment.

Fund Balance

The Department, in its governmental funds, reported a combined fund balance of approximately \$68.3 million, an approximate \$2.6 million reduction from last year's amount.

General Fund Budgetary Highlights

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

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

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

- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.
- 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 2020, the Department invested a total of \$31.7 million in governmental-type activities and \$0.4 million in business-type activities for a total amount of \$32.1 million in a variety of capital assets. This amount represents an overall net increase (including additions and deletions) of \$1.3 million (4.07%) from the prior fiscal year. Accumulated depreciation increased by \$4.2 million (8.3%) over the prior period.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2020**

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

	Governmental Activities		Business-type Activities		Total		Total % Change 2019 - 2020
	FY2019	FY2020	FY2019	FY2020	FY2019	FY2020	
Buildings and Improvements	37.2	38.3	1.1	1.1	38.3	39.4	2.87%
Improvements other than Buildings	4.1	4.3	-	-	4.1	4.3	4.88%
Machinery and Equipment	31.1	35.5	2.1	1.8	33.2	37.3	12.35%
Automotive	4.3	4.4	1.1	1.0	5.4	5.4	0.00%
Depreciation	(46.6)	(50.9)	(3.7)	(3.6)	(50.3)	(54.5)	8.35%
	<u>30.1</u>	<u>31.6</u>	<u>0.6</u>	<u>0.3</u>	<u>30.7</u>	<u>31.9</u>	3.91%

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

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

Short-Term Debt

The Department did not have any short-term debt other than compensated absences associated in fiscal year 2020. More detailed information regarding the Department’s short-term debt is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The New Mexico Corrections Department (NMCD) fiscal year (FY) 21 operating budget was increased by 1.5 percent or \$5.2 million to \$363.6 million, from the FY20 operating budget. The increase is to support our new medical contract. NMCD received \$1.7 million special appropriation for improvements at correctional facilities and \$4.1 million for our commercial off-the-shelf offender management system.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020**

In FY20, the New Mexico prison population decreased from the FY19 count by 1.8%. Per the New Mexico Sentencing Commission, the Department's high population in FY20 was 7,294, which was a decrease in population of 139 from the FY19 high count of 7,433. The New Mexico Sentencing Commission estimates New Mexico's total inmate population will decrease in FY21 to 7,402 and projects growth at an average rate of one-half percent per year from FY20 to FY29. With the current rate of growth, the estimates show that New Mexico will have an inmate population of 7,887 by the end of FY29, which is a 8.1 percent increase over the current level.

For FY20, the Department had an actual general fund base increase of \$18.7 million, or 6.1%; which only covered a portion of agency, medical and inmate 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 requested a total budget of \$379.1 million from all funding sources for FY21, which is a 5.7 percent increase from FY20 operating budget. The general fund request was \$324.9 million. The request included an increase for medical, radio communication costs, replacement of depleted fund balances and funds to reduce vacancy rates. The Department received an operating budget of \$363.6 million, which covered our medical cost increase. The Department did receive special funding \$22.0 million for medication for the treatment of Hepatitis Cs.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

New Mexico Corrections Department
Administrative Services Division
Attn: Carl Ortega, Deputy Director of finance CO-CFO
4337 NM 14
Post Office Box 27116
Santa Fe, New Mexico 87502-0116

FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2020**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Investment, state treasurer	\$ 76,310,532	1,616,665	\$ 77,927,197
Petty cash	1,850	1,570	3,420
Accounts receivable, net	113,915	1,454,979	1,568,894
Federal grants receivable	-	-	-
Other receivables	16,607	-	16,607
Due from other state agencies	1,661,388	-	1,661,388
Inventories	3,371,318	717,372	4,088,690
Prepaid expenses	1,624	-	1,624
Total current assets	<u>81,477,234</u>	<u>3,790,586</u>	<u>85,267,820</u>
Capital Assets			
Buildings	38,343,267	1,141,450	39,484,717
Improvements other than buildings	4,271,058	-	4,271,058
Machinery and equipment	35,501,527	1,831,511	37,333,038
Automotive	4,410,191	1,046,134	5,456,325
Less accumulated depreciation	(50,871,054)	(3,595,413)	(54,466,467)
	<u>31,654,989</u>	<u>423,682</u>	<u>32,078,671</u>
Total assets	<u>\$ 113,132,223</u>	<u>4,214,268</u>	<u>\$ 117,346,491</u>
LIABILITIES			
Deficit, state treasurer	\$ 1,452,607	-	\$ 1,452,607
Accounts payable	8,490,533	795,130	9,285,663
Vouchers payable	21,905,966	-	21,905,966
Payroll benefits payable	2,604,529	25,748	2,630,277
Payroll taxes payable	887,323	7,831	895,154
Accrued wages payable	3,514,215	27,954	3,542,169
Compensated absences payable:			
Expected to be paid within one year	5,902,209	82,709	5,984,918
Stale dated Warrants- Due to SGF	3,182	-	3,182
Receipts held in suspense	634	-	634
Unearned revenue	15,929	10,000	25,929
Other liabilities	15,549	-	15,549
Total Liabilities	<u>44,792,676</u>	<u>949,372</u>	<u>45,742,048</u>
NET POSITION			
Investment in capital assets	31,654,989	423,682	32,078,671
Restricted for			
Subsequent years expenditures	37,576,809	2,841,214	40,418,023
Unrestricted	(892,251)	-	(892,251)
Total net position	<u>68,339,547</u>	<u>3,264,896</u>	<u>71,604,443</u>
Total liabilities and net position	<u>\$ 113,132,223</u>	<u>4,214,268</u>	<u>\$ 117,346,491</u>

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

	Governmental Activities	Business-type Activities	Total
EXPENSES			
Public safety-corrections	\$ 348,551,058	-	\$ 348,551,058
Corrections industries	-	8,030,772	8,030,772
	<u>348,551,058</u>	<u>8,030,772</u>	<u>356,581,830</u>
PROGRAM REVENUES			
Charges for services	2,719,927	7,916,149	10,636,076
Operating grants & contributions	23,737,680	-	23,737,680
	<u>26,457,607</u>	<u>7,916,149</u>	<u>34,373,756</u>
CHANGES IN NET POSITION			
Net program (expenses)	(322,093,451)	(114,623)	(322,208,074)
GENERAL REVENUES (EXPENSES)			
General fund appropriation	322,684,100	-	322,684,100
Inter-agency transfer-in	111,701	-	111,701
STB proceeds	1,541,878	-	1,541,878
Reversions to the state general fund	(25,755,569)	-	(25,755,569)
Investment earnings	2,579,049	-	2,579,049
Interest on deposits with state treasurer	-	50,108	50,108
Other revenue	18,402,153	391,808	18,793,961
Capital asset transfer	(111,052)	-	(111,052)
Loss on disposal of capital assets	-	(218,705)	(218,705)
In-kind revenue	-	23,495	23,495
Total general revenue and transfers	<u>319,452,260</u>	<u>246,706</u>	<u>319,698,966</u>
Change in net position	(2,641,191)	132,083	(2,509,108)
Net position beginning of year	<u>70,980,738</u>	<u>3,132,813</u>	<u>74,113,551</u>
Net position ending	<u>\$ 68,339,547</u>	<u>3,264,896</u>	<u>\$ 71,604,443</u>

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Other Governmental Funds	Total
ASSETS			
Investment, state treasurer	\$ 73,785,534	2,524,998	\$ 76,310,532
Petty cash	1,850	-	1,850
Receivables, net of allowance for doubtful accounts	113,915	-	113,915
Federal grants receivable	-	-	-
Other receivables	16,607	-	16,607
Due from other state agencies	119,510	1,541,878	1,661,388
Inventories	3,371,318	-	3,371,318
Prepaid expenses	1,624	-	1,624
Total assets	\$ 77,410,358	4,066,876	\$ 81,477,234
LIABILITIES			
Deficit, state treasurer	-	1,452,607	\$ 1,452,607
Accounts payable	8,490,533	-	8,490,533
Vouchers payable	20,822,543	1,083,423	21,905,966
Payroll benefits payable	2,585,040	19,489	2,604,529
Payroll taxes payable	880,185	7,138	887,323
Accrued wages payable	3,493,846	20,369	3,514,215
Stale dated warrants- due to SGF	3,182	-	3,182
Unearned revenues	15,929	-	15,929
Receipts held in suspense	634	-	634
Other liabilities	15,549	-	15,549
Total liabilities	36,307,441	2,583,026	38,890,467
FUND BALANCES			
Reserved for:			
Nonspendable	3,374,792	-	3,374,792
Restricted	36,092,959	1,483,850	37,576,809
Unassigned	1,635,166	-	1,635,166
Total fund balance	41,102,917	1,483,850	42,586,767
Total liabilities and fund balance	\$ 77,410,358	4,066,876	\$ 81,477,234

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total Fund Balance - Governmental Fund (Governmental Fund Balance Sheet)	\$ 42,586,767
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Buildings	\$ 38,343,267	
Improvements other than buildings	4,271,058	
Machinery and equipment	35,501,527	
Automotive	4,410,191	
Accumulated depreciation	<u>(50,871,054)</u>	
Total capital assets		31,654,989

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

Compensated absences payable	<u>(5,902,209)</u>
Net position of governmental activities (total net position of governmental activities)	<u>\$ 68,339,547</u>

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	General Fund	Other Governmental Funds	Total
REVENUE			
Charges for services	\$ 2,200,089	23,363	\$ 2,223,452
Intergovernmental	489,398	-	489,398
Institutional sales	496,475	-	496,475
Investment earnings	2,579,049	-	2,579,049
Miscellaneous	18,372,153	-	18,372,153
Federal grants and contributions	23,248,282	-	23,248,282
Total revenue	<u>47,385,446</u>	<u>23,363</u>	<u>47,408,809</u>
EXPENDITURES			
Current:			
Personal services & employee benefits	151,540,630	907,865	152,448,495
Contractual services	63,948,830	11,058,576	75,007,406
Other	115,534,650	652,406	116,187,056
Capital Outlay	5,973,314	35,597	6,008,911
Total expenditures	<u>336,997,424</u>	<u>12,654,444</u>	<u>349,651,868</u>
Excess (deficiency) revenues over expenditures	<u>(289,611,978)</u>	<u>(12,631,081)</u>	<u>(302,243,059)</u>
OTHER FINANCINE SOURCES (USES)			
State general fund appropriations	311,074,300	11,609,800	322,684,100
Inter-agency transfer-in	111,701	-	111,701
STB proceeds	-	1,541,878	1,541,878
Other revenue	-	30,000	30,000
Reversions to state general fund	(25,755,569)	-	(25,755,569)
Net other financing sources (uses)	<u>285,430,432</u>	<u>13,181,678</u>	<u>298,612,110</u>
Net changes in fund balance	(4,181,546)	550,597	(3,630,949)
Fund balance, beginning of year	<u>45,284,463</u>	<u>933,253</u>	<u>46,217,716</u>
Fund balance, end of year	<u>\$ 41,102,917</u>	<u>1,483,850</u>	<u>\$ 42,586,767</u>

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020**

Net change in fund balances - Total Government Funds
(Statement of Revenue, Expenditures and Changes in Fund Balance) \$ (3,630,949)

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 (648,855)

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

Capital Outlay, net of transfers	6,008,911	
Depreciation expense, net of transfers	<u>(4,259,246)</u>	
Excess of depreciation expense over capital outlay		1,749,665

The Statement of Activities reports the loss on the sale of Capital Assets, while the Statement of Revenue, Expenditures and Changes and changes in fund balance. The Statement of Activities reports the loss on the sale of Capital Assets, while the reports the proceeds. The difference represents assets purchased and then transferred to other agencies. (111,052)

Change in net position of governmental activities (statement of activities) \$ (2,641,191)

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
Year Ended June 30, 2020**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 290,371,500	287,371,500	287,371,500	\$ -
Other state funds	1,921,800	1,921,800	3,790,982	1,869,182
Inter-agency transfers	20,242,600	20,348,008	17,675,799	(2,672,209)
Miscellaneous	-	-	22,390	22,390
Federal funds	-	682,364	23,248,282	22,565,918
Total revenue	<u>312,535,900</u>	<u>310,323,672</u>	<u>332,108,953</u>	<u>21,785,281</u>
 Budgeted fund balance	 <u>26,993,200</u>	 <u>28,493,200</u>	 <u>-</u>	 <u>(28,493,200)</u>
 Total budgeted revenues	 <u>\$ 339,529,100</u>	 <u>338,816,872</u>	 <u>332,108,953</u>	 <u>\$ (6,707,919)</u>
 Expenditures				
Personal services & employee benefits	\$ 133,730,200	134,484,747	131,660,904	\$ 2,823,843
Contractual services	83,553,000	83,473,150	63,948,830	19,524,320
Other	122,245,900	120,858,975	115,692,514	5,166,461
Reversions	-	-	24,989,445	(24,989,445)
Total budgeted expenditures	<u>\$ 339,529,100</u>	<u>338,816,872</u>	<u>336,291,693</u>	<u>\$ 2,525,179</u>

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

PROPRIETARY FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020**

ASSETS

Investment, state treasurer	\$ 1,616,665
Petty cash	1,570
Receivables, net of allowance for doubtful accounts	1,454,979
Inventories	717,372
Total current assets	<u>3,790,586</u>
 Capital Assets	
Buildings and improvements	1,141,450
Machinery and equipment	1,831,511
Automotive	1,046,134
Less accumulated depreciation	(3,595,413)
Total noncurrent assets	<u>423,682</u>
 Total assets	 <u><u>\$ 4,214,268</u></u>

LIABILITIES

Vouchers and accounts payable	\$ 795,130
Payroll benefits payable	25,748
Payroll taxes payable	7,831
Accrued wages payable	27,954
Compensated absences payable	82,709
Unearned revenue	10,000
Total liabilities	<u>949,372</u>

NET POSITION

Net investment in Capital Assets	423,682
Restricted net position	2,841,214
Total Net Position	<u>3,264,896</u>
 Total liabilities and fund balance	 <u><u>\$ 4,214,268</u></u>

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2020**

OPERATING REVENUES

Sales \$ 7,916,149

OPERATING EXPENSES

Costs of goods sold:

Cost of materials used 5,741,094

Direct labor (inmate payroll) 159,396

Manufacturing and administrative overhead 1,936,949

Change in work in process and finished goods inventory, net 110,142

Depreciation expense 83,191

Total operating expenses 8,030,772

OPERATING INCOME (LOSS) (114,623)

NONOPERATING REVENUE (EXPENSE)

Interest on deposits with state treasurer 50,108

In-kind revenue 23,495

Loss on disposal of capital assets (218,705)

Other revenue 391,808

Total nonoperating revenue (expense) 246,706

CHANGE IN NET POSITION 132,083

Total net position, beginning of year 3,132,813

Total net position, end of year \$ 3,264,896

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2020**

Cash Flows from Operating Activities:	
Cash received from customers	\$ 7,172,029
Cash payments to suppliers for goods and services	(6,041,625)
Cash payments to employees and inmates	(1,338,194)
Cash payments to inmates for services	(159,396)
Net cash used by operating activities	<u>(367,186)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(81,313)
Proceeds from sale of capital assets	56,291
Net cash used by capital and related financing activities	<u>(25,022)</u>
Cash Flows from Investing Activities	
Interest income	50,108
Other revenue	391,808
Net cash provided by investing activities	<u>441,916</u>
Net increase in agency interest in SGFIP	49,708
Investments, state treasurer at beginning of year	<u>1,566,957</u>
Investments, state treasurer at end of year	<u>\$ 1,616,665</u>
Reconciliation of Operating loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (114,623)
Adjustments to Reconciliation Operating loss to Net Cash Used by Operating Activities:	
Depreciation	83,191
In-kind expense	23,495
Changes in Assets and Liabilities:	
Accounts receivable	(744,120)
Petty cash	250
Inventories	116,787
Vouchers and accounts payable	337,182
Payroll benefits payable	2,505
Payroll taxes payable	986
Accrued wages payable	3,287
Compensated absences payable	9,569
Due to local government	(85,695)
Net cash used by operating activities	<u>\$ (367,186)</u>

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

AGENCY FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUND
June 30, 2020**

	<u>Inmate Trust Account</u>
ASSETS	
Cash	\$ 2,560,771
Due from others	702,575
Total assets	<u>\$ 3,263,346</u>
LIABILITIES	
Due to others	\$ 993,697
Deposits held for others	2,269,649
Total liabilities	<u>\$ 3,263,346</u>

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

NOTES TO FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. HISTORY, OATH AND ORGANIZATION

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

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

Office of the Secretary

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

Adult Prisons Division

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

Administrative Services Division

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

Information Technology Division

The Chief Information Officer of the Information Technology Division is responsible to the Deputy Secretary of Administration for providing the highest quality technology-based tools and

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)

Information Technology Division (Continued)

services to create and maintain strong information technology systems to support agency staff and promote agency efficiency and accountability.

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

Office of the General Counsel

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

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

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

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

Office of Recidivism Reduction

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

Probation and Parole Division

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 1. HISTORY, OATH AND ORGANIZATION (CONTINUED)

Training Academy Division

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

Corrections Industries Division

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

Corrections Industries Commission

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

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

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

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

Basic Financial Statements

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

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements (Continued)

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

The Department's fiduciary fund (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.

Basis of Presentation

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

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

The Department uses the following fund types:

Governmental Fund Types

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

General Fund:

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

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

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

Special Revenue Fund:

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

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

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

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

Capital Projects Fund

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Statutory Creation and Use of Funds:

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

Chapter 5, Laws 2017, Section 3, Paragraph

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

Chapter 3, Laws 2015, Section 7, Paragraph

Proprietary Fund Types

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

Enterprise Fund

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Enterprise Fund (Continued)

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

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

Fiduciary Fund Types

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

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.

Basis of Accounting

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

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

Accrual

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

Modified Accrual

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Modified Accrual (Continued)

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

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

Operating Revenues

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

Budgets and Budgetary Accounting

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting (Continued)

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

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

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

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

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

**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

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

Assets, Liabilities and Fund Balance

Deposits and Investments

At year end, the carrying amount of the Department's Agency fund deposits was \$2,560,771 and the bank balance was \$2,514,857. The difference represents outstanding checks, deposits, and other reconciling items. In addition, there was \$3,420 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, 2020.

New Mexico State Treasurer's Office	<u>Fair Value</u>
General Fund Investment Pool	<u>\$ 82,581,936</u>

Interest Rate Risk: The Department does not have an investment policy that limits investment 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Deposits and Investments (Continued)

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

For purposes of the proprietary fund statement of cash flows, the Department considers all cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the

Receivables, Net

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

The Department complies with Article IV, Section 32 of the New Mexico Constitution as it pertains to the remission or forgiveness of debts due to the state or to municipalities. The Department continues to track and communicate with vendors that are listed within its' outstanding accounts receivable listing to recover outstanding balances still owed to the Department. The receivable and allowance amounts for the General and Enterprise funds at June 30, 2020 are as follows:

	General Fund	Enterprise Fund	Total
Accounts receivable	\$ 336,451	1,709,027	\$ 2,045,478
Less: Allowance for doubtful accounts	(222,536)	(254,048)	(476,584)
Total accounts receivable, net	<u>\$ 113,915</u>	<u>1,454,979</u>	<u>\$ 1,568,894</u>

Federal Grants Receivable

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

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)

**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Due to/ Due from Other State Agencies (Continued)

other items required to be accrued from other agencies per GAAP. There are no Interagency Receivables, or Payables as of June 30, 2020.

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 \$3,371,318 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:

	Fair Value
Raw materials	\$ 241,651
Work in progress	15,267
Finished goods	460,454
Total inventory	<u><u>\$ 717,372</u></u>

Prepaid Expenses

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

Capital Assets

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Capital Assets (Continued)

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

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

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

The Department does not own any infrastructure assets. Construction period interest, if any, is capitalized in the proprietary fund. There was no construction period interest capitalized in 2020. The Department has one internally generated intangible asset (software), which is capitalized.

Compensated Absences

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Compensated Absences (Continued)

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

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

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

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

Due to State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the total actual revenue amount to the total expended amount at fiscal year-end less any amounts that are determined to be non-spendable, restricted or assigned. Pursuant to the 'Addenda to Accounting Policy Statement Four - Custodial Funds' issued by the State Controller on July 14, 2017, the reversion to State General Fund was treated as a cash transaction as of June 30th, rather than recording the amount as a liability as of June 30th, which was the practice in prior years. Current year reversion amounted to \$25,755,569 transferred to SHARE Fund 85300. Hence, there were no amounts due at June 30, 2020.

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Due to State General Fund (Reversions) (Continued)

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

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

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Due to State General Fund (Reversions) (Continued)

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

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

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

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

Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflows of resources (expenses/expenditures) until then. The department did not have any items that qualified for reporting in this category as of June 30, 2020.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities and Fund Balance (Continued)

Deferred Inflows/Outflows (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as inflows of resources (revenue) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2020.

Fund Balances

The definition of each classification is summarized below:

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

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

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued.

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

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.

Net Position

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

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

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

The Department follows GASB 46 "Net Assets Restricted by Enabling Legislation". The government-wide statement of net position reports \$71,604,443 of which \$40,418,023 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".

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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

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

NOTE 3. CASH

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, 2020, the Corrections Department had one bank account with a balance above \$250,000:

	Wells Fargo Bank
Total amount on deposit	\$ 2,560,771
Less: amount covered by FDIC	(250,000)
Total uninsured funds	2,310,771
Amount requiring collateral (50%)	\$ 1,155,386

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 3. CASH (CONTINUED)

Pledged Collateral (Continued)

Custodial Credit Risk (Continued)

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.

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 at 6/30/20</u>	<u>Bank Balance at 6/30/20</u>
General Fund:							
NM State Treasurer	General Operating	General	90700	State Treasury	No	\$ 70,574,156	\$ 75,915,378
NM State Treasurer	Probation and Parole	General	91500	State Treasury	No	3,211,378	5,043,002
NM State Treasurer	Probation and Parole	General	93100	State Treasury	No	-	-
N/A Various	General		N/A	Petty Cash	No	1,850	-
Total general fund						\$ 73,787,384	\$ 80,958,380
Special Revenue Funds:							
NM State Treasurer	General Operating	General	90200	State Treasury	No	\$ 2,524,998	\$ 1,459,498
Capital Project Funds:							
NM State Treasurer	General Operating	General	89200	State Treasury	No	\$ (1,452,607)	\$ (1,452,607)
Enterprise Funds:							
NM State Treasurer	Correction Industries	Enterprise	7700	State Treasury	Yes	\$ 1,616,665	\$ 1,616,665
N/A	Various	Enterprise	N/A	Petty Cash	No	1,570	-
Total enterprise fund						\$ 1,618,235	\$ 1,616,665
Total						\$ 76,478,010	\$ 82,581,936

Cash Reconciliation

Bank Balance	\$ 82,581,936
Ousting transfers / reversions	(7,179,548)
Deposit in Transit	1,072,202
Petty Cash	3,420
Book Balance	\$ 76,478,010

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 3. CASH (CONTINUED)

Schedule of Deposit Accounts held at Wells Fargo Bank

<u>Name of Depository</u>	<u>Account Name</u>	<u>Fund Type</u>	<u>Fund No. of Account</u>	<u>Interest Bearing</u>	<u>Book Balance at 6/30/20</u>	<u>Bank Balance at 6/30/20</u>
Wells Fargo Bank	Analyzed Business Checking - PF	Agency	55700	No	<u>\$ 2,560,771</u>	<u>\$ 2,514,857</u>

NOTE 4. FUNDS HELD IN TRUST BY OTHERS

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

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

At June 30, 2020 the value of the State Permanent Fund investments held for the benefit of the Department was \$327,579,849 at market. Related investment income for the year then ended was \$17,675,799.

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 \$130,743,255 at June 30, 2020. Related investment income from the trust for the year then ended was \$695,600.

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, 2020 the Enterprise Fund incurred \$159,396 in inmate wages expense.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 5. CAPITAL ASSETS

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

	Balance, June 30, 2019	Additions	Deletions	Transfers	Balance, June 30, 2020
Governmental-Type Activities					
Buildings and improvements	\$ 37,191,568	1,151,699	-	-	\$ 38,343,267
Improvements other than buildings	4,065,380	205,678	-	-	4,271,058
Machinery and equipment	31,092,319	4,409,208	-	-	35,501,527
Automotive	4,278,917	242,326	-	(111,052)	4,410,191
Total capital assets at historical cost	76,628,184	6,008,911	-	(111,052)	82,526,043
Less: Accumulated Depreciation					
Buildings and improvements	21,789,142	1,510,615	-	-	23,299,757
Improvements other than buildings	1,991,929	165,086	-	-	2,157,015
Machinery and equipment	19,936,633	2,161,447	-	-	22,098,080
Automotive	2,894,104	422,098	-	-	3,316,202
Total accumulated depreciation	46,611,808	4,259,246	-	-	50,871,054
Governmental activities capital assets, net	\$ 30,016,376	1,749,665	-	(111,052)	\$ 31,654,989
Business-Type Activities					
Buildings and improvements	\$ 1,141,450	-	-	-	\$ 1,141,450
Machinery and equipment	2,139,625	28,665	(336,779)	-	1,831,511
Automotive	1,085,642	52,648	(92,156)	-	1,046,134
Total capital assets at historical cost	4,366,717	81,313	(428,935)	-	4,019,095
Less: Accumulated Depreciation					
Buildings and improvements	920,283	7,225	-	-	927,508
Machinery and equipment	1,732,474	27,030	(81,074)	-	1,678,430
Automotive	1,013,404	48,936	(72,865)	-	989,475
Total accumulated depreciation	3,666,161	83,191	(153,939)	-	3,595,413
Business-type activities capital assets, net	\$ 700,556	(1,878)	(274,996)	-	\$ 423,682

Depreciation expense for the current year is \$4,259,246 and \$83,191 for the governmental and enterprise funds, respectively. On the Statement of Activities, these amounts are included in the Public Safety-Corrections and Corrections Industries categories, accordingly.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 6. 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 plans 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, 2020, 2019, and 2018 were \$18,457,548, \$17,527,103 and \$18,550,929, 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 7. RETIREE HEALTH CARE

RHCA Plan Description

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

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

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

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 7. RETIREE HEALTH CARE (CONTINUED)

Funding Policy (Continued)

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, 2020, 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, 2020, 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, 2020, 2019, and 2018 were \$1,949,277 \$1,856,259, and \$1,780,256, respectively, which equal the required contributions for each year.

Postemployment Benefit – State Retiree Health Care Plan

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2019.

The Corrections Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 8. OPERATING LEASES

Lessee

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

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

<u>Year</u>	<u>Amount</u>
2021	\$ 2,903,733
2022	2,679,809
2023	2,380,354
2024	2,183,663
2025	679,000
Thereafter	3,223,605
Total Minimum Lease Payments	\$ 14,050,164

During the year ended June 30, 2020, general fund and enterprise fund operating lease expenditures for facilities, vehicles, and equipment totaled \$3,065,883 and \$31,250 respectively.

Lessor

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

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

<u>Year</u>	<u>Amount</u>
2021	\$ 21,000
2022	-
Total Minimum Lease Revenue	\$ 21,000

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 9. CHANGES IN SHORT-TERM LIABILITIES

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

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual leave	\$ 3,942,783	4,457,535	(3,856,530)	\$ 4,543,788
Compensatory leave	1,209,824	564,236	(521,854)	1,252,206
Sick leave	100,747	3,466,566	(3,461,098)	106,215
Total short-term liabilities	<u>\$ 5,253,354</u>	<u>8,488,337</u>	<u>(7,839,482)</u>	<u>\$ 5,902,209</u>

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

	Balance Beginning	Increase	(Decrease)	Balance Ending
Compensated Absences				
Annual leave	\$ 62,812	53,190	(49,134)	\$ 66,868
Compensatory leave	10,249	17,545	(12,246)	15,548
Sick leave	79	34,099	(33,885)	293
Total short-term liabilities	<u>\$ 73,140</u>	<u>104,834</u>	<u>(95,265)</u>	<u>\$ 82,709</u>

The estimated amount expected to be paid for Compensated Absences related to government-type activities within one year is \$5,902,209 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 \$82,709 for the business-type activities is expected to be paid for within one year.

NOTE 10. 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.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 10. CONTINGENT LIABILITIES (CLAIMS & JUDGMENTS) (CONTINUED)

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 \$1,500,000 to \$4,510,000 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 11. OTHER FINANCING SOURCES AND OPERATING TRANSFERS

Transfer In-Out

During the fiscal year, the Department received and transferred funds between agencies. 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	\$ 11,609,800	\$ -
SHARE System Fund 90700	34101-85300	287,371,500	-
SHARE System Fund 91500	34101-85300	23,702,800	-
Total State General Fund Appropriations		\$ 322,684,100	\$ -
<i>Other Financing Source</i>			
SHARE System Fund 90700	33700-60100	\$ 14,577,999	\$ -
SHARE System Fund 90700	34100-62000	3,097,800	-
SHARE System Fund 90200	34100-62000	30,000	-
SHARE System Fund 91500	34100-62000	665,600	-
SHARE System Fund 89200	34103-43120	1,541,878	-
Total Other Financing Source		\$ 19,913,277	\$ -
<i>Inter-Agency Transfer</i>			
SHARE System Fund 90700	35000-36503	\$ -	\$ (111,052)
SHARE System Fund 90700	95000-91000	111,701	-
Total Inter-Agency Transfer		\$ 111,701	\$ (111,052)
<i>State General Fund Reversions</i>			
SHARE System Fund 90700	34101-85300	\$ -	\$ (24,989,445)
SHARE System Fund 91500	34101-85300	-	(766,124)
Total Inter-Agency Transfer		\$ -	\$ (25,755,569)

**STATE OF NEW MEXICO
 NEW MEXICO CORRECTIONS DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020**

NOTE 12. 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, 2020:

General Funds	
General Operating Fund (90700)	\$ 34,333,047
Probation and Parole Fund (91500)	1,759,912
Capital Outlay Fund (90200)	-
Community Corrections Special Revenue Fund (90200)	1,483,850
Total	<u><u>\$ 37,576,809</u></u>

The Community Corrections Special Revenue Fund statutorily does not revert to the State General Fund.

The Department has a portion of fund balance in the amount of \$3,374,792 that is Non-spendable. The Non-spendable amount includes petty cash, prepaid expenses, and inventories.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 13. JPA DISCLOSURE

The Department was a party to the following Joint Power Agreements during fiscal year 2020:

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, 2020
- Total Estimated Amount of Project - \$200,000
- Portion Applicable to NMCD: Income
- Amount Agency Contributed in Fiscal Year 2020: \$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 2020: -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 2020: -0-
- Audit Responsibility: EMNRD
- Revenue:\$95,250

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 13. 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: -0-
- Amount Agency Contributed in Fiscal Year 2020: -0-
- Audit Responsibility: EMNRD
- Revenue: \$27,098

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 2020: -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 2019: -0-
- Audit Responsibility: City of Las Cruces
- Revenue: \$123,332

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 13. JPA DISCLOSURE (CONTINUED)

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 2020: -0-
- Audit Responsibility: City of Santa Fe
- Revenue: \$0

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 2020: -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 2020: -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 2020: -0-
- Audit Responsibility: NMCD
- Revenue: \$20,795

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 13. JPA DISCLOSURE (CONTINUED)

Inmate Labor – MOA #M10557 between NMCD and the Department of Transportation (DOT) to provide inmate labor.

- Responsible Party for Operations: DOT
- Time Period: January 2018- June 30, 2022
- Total Estimated Amount of Project: Income
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 2020: -0-
- Audit Responsibility: DOT
- Revenue: \$208,707

NOTE 14. 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 Office, is now in its Fifth 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 15. SUBSEQUENT EVENTS

The New Mexico Corrections Department (NMCD) has evaluated subsequent events through October 31, 2020 which is the date the financial statements have been issued.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic, which continues to spread throughout the United States and around the world. As of October 31, 2020, the Department is aware of changes in its business as a result of COVID-19 but uncertain of the impact of those changes on its financial position, results of operations or cash flows. Management believes any disruption, when and if experienced, could be temporary; however, there is uncertainty around when any disruption might occur, the duration and hence the potential impact. As a result, we are unable to estimate the potential impact on our Agency as of the date of issuance.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 16. RECENT GASB PRONOUNCEMENTS

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

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

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

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

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

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

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

STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 16. RECENT GASB PRONOUNCEMENTS (CONTINUED)

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

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

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

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

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

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 16. RECENT GASB PRONOUNCEMENTS (CONTINUED)

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

NOTE 17. DUE FROM OTHER STATE AGENCY

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

FUND	Description	Due from Share Fund	Amount
90700	Department of Homeland Security	79500-40280	\$ 116,914
90700	Crime Victims Reparation Commission	78000-91602	2,596
89200	Board of Finance	34103-43120	1,541,878
Total			\$ 1,661,388

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING BALANCE SHEET
GENERAL FUND TYPES
June 30, 2020**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Total
ASSETS			
Investment, state treasurer	\$ 70,574,156	3,211,378	\$ 73,785,534
Petty cash	1,850	-	1,850
Receivables, net of allowance for doubtful accounts	111,699	2,216	113,915
Federal grants receivable	-	-	-
Other receivables	13,362	3,245	16,607
Due from Other Agencies	119,510	-	119,510
Due from Other Funds	-	-	-
Due from State General Fund	-	-	-
Inventories	3,181,517	189,801	3,371,318
Prepaid items	1,624	-	1,624
Total assets	<u>\$ 74,003,718</u>	<u>3,406,640</u>	<u>\$ 77,410,358</u>
LIABILITIES			
Accounts payable	\$ 8,154,397	336,136	\$ 8,490,533
Vouchers payable	20,595,461	227,082	20,822,543
Payroll benefits payable	2,246,902	338,138	2,585,040
Payroll taxes payable	737,079	143,106	880,185
Accrued wages payable	3,088,190	405,656	3,493,846
Due to State General Fund	-	-	-
Stale Dated Warrants- Due to SGF	3,105	77	3,182
Unearned revenues	15,929	-	15,929
Receipts held in suspense	634	-	634
Due to other state agencies	-	-	-
Due to local government	-	-	-
Other liabilities	8,817	6,732	15,549
Total liabilities	<u>34,850,514</u>	<u>1,456,927</u>	<u>36,307,441</u>
FUND BALANCES			
Reserved for:			
Nonspendable	3,184,991	189,801	3,374,792
Restricted	34,333,047	1,759,912	36,092,959
Unassigned	1,635,166	-	1,635,166
Total fund balance	<u>39,153,204</u>	<u>1,949,713</u>	<u>41,102,917</u>
Total liabilities and fund balance	<u>\$ 74,003,718</u>	<u>3,406,640</u>	<u>\$ 77,410,358</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GENERAL FUND TYPES
Year Ended June 30, 2020**

	General Operating Fund SHARE System Fund 90700	Probation and Parole Fund SHARE System Fund 91500	Total
Revenue			
Charges for services	\$ 114,359	2,085,730	\$ 2,200,089
Intergovernmental	489,398	-	489,398
Institutional sales	496,475	-	496,475
Investment earning	2,579,049	-	2,579,049
Miscellaneous	17,698,189	673,964	18,372,153
Federal grants and contributions	23,248,282	-	23,248,282
Total revenue	44,625,752	2,759,694	47,385,446
Expenditures			
Current:			
Personal services & employee benefits	131,660,904	19,879,726	151,540,630
Contractual services	63,948,830	-	63,948,830
Other	110,168,386	5,366,264	115,534,650
Capital outlay	5,524,128	449,186	5,973,314
Total expenditures	311,302,248	25,695,176	336,997,424
Excess (deficiency) revenues over expenditures	(266,676,496)	(22,935,482)	(289,611,978)
Other Financing Sources (Uses)			
General fund appropriation	287,371,500	23,702,800	311,074,300
Operating transfer-in	111,701	-	111,701
Reversions to state general fund	(24,989,445)	(766,124)	(25,755,569)
Net other financing sources (uses)	262,493,756	22,936,676	285,430,432
Net changes in fund balance	(4,182,740)	1,194	(4,181,546)
Fund balance, beginning of year	43,335,944	1,948,519	45,284,463
Fund balance, end of year	<u>\$ 39,153,204</u>	<u>1,949,713</u>	<u>\$ 41,102,917</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL-GENERAL OPERATING FUND
SHARE SYSTEM FUND 90700
Year Ended June 30, 2020**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 290,371,500	287,371,500	287,371,500	\$ -
Other state funds	1,921,800	1,921,800	3,790,982	1,869,182
Inter-agency transfers	20,242,600	20,348,008	17,675,799	(2,672,209)
Miscellaneous	-	-	22,390	22,390
Federal funds	-	682,364	23,248,282	22,565,918
Total revenue	<u>312,535,900</u>	<u>310,323,672</u>	<u>332,108,953</u>	<u>21,785,281</u>
Budgeted fund balance	<u>26,993,200</u>	<u>28,493,200</u>	<u>-</u>	<u>(28,493,200)</u>
Total budgeted revenues	<u>\$ 339,529,100</u>	<u>338,816,872</u>	<u>332,108,953</u>	<u>\$ (6,707,919)</u>
Expenditures				
Personal services & employee benefits	\$ 133,730,200	134,484,747	131,660,904	\$ 2,823,843
Contractual services	83,553,000	83,473,150	63,948,830	19,524,320
Other	122,245,900	120,858,975	115,692,514	5,166,461
Reversions	-	-	24,989,445	(24,989,445)
Total budgeted expenditures	<u>\$ 339,529,100</u>	<u>338,816,872</u>	<u>336,291,693</u>	<u>\$ 2,525,179</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL – PROBATION AND PAROLE GENERAL
OPERATING FUND SHARE SYSTEM FUND 91500
Year Ended June 30, 2020**

	Budget Amounts		Actual Amount Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 24,768,300	\$ 23,702,800	\$ 23,702,800	\$ -
Other state funds	2,500,000	2,500,000	2,085,730	(414,270)
Inter-agency transfers	665,600	665,600	665,600	-
Miscellaneous	-	-	8,364	8,364
Federal funds	-	-	-	-
Total revenue	27,933,900	26,868,400	26,462,494	(405,906)
Budgeted fund balance	56,400	56,400	-	(56,400)
Total budgeted revenues	\$ 27,990,300	26,924,800	26,462,494	\$ (462,306)
Expenditures				
Personal services & employee benefits	21,182,700	20,782,700	19,879,726	902,974
Contractual services	-	-	-	-
Other	6,807,600	6,142,100	5,815,450	326,650
Reversions	-	-	-	-
Total budgeted expenditures	\$ 27,990,300	26,924,800	25,695,176	\$ 1,229,624

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL - PROGRAM SUPPORT-P530
Year Ended June 30, 2020**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 12,838,900	12,138,900	12,138,900	\$ -
Other state funds	154,800	154,800	197,288	42,488
Inter-agency transfers	523,000	523,000	323,000	(200,000)
Miscellaneous	-	-	12,716	12,716
Federal funds	-	-	-	-
Total revenue	<u>13,516,700</u>	<u>12,816,700</u>	<u>12,671,904</u>	<u>(144,796)</u>
Budgeted fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total budgeted revenues	<u><u>\$ 13,516,700</u></u>	<u><u>12,816,700</u></u>	<u><u>12,671,904</u></u>	<u><u>\$ (144,796)</u></u>
Expenditures				
Personal Services & employee benefits	\$ 10,993,800	10,043,800	9,363,034	\$ 680,766
Contractual services	555,200	252,977	240,325	12,652
Other	1,967,700	2,519,923	2,171,474	348,449
Reversions	-	-	699,670	(699,670)
Total budgeted expenditures	<u><u>\$ 13,516,700</u></u>	<u><u>12,816,700</u></u>	<u><u>12,474,503</u></u>	<u><u>\$ 342,197</u></u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL – INMATE MANAGEMENT AND CONTROL - P531
Year Ended June 30, 2020**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 272,232,600	272,932,600	272,932,600	\$ -
Other state funds	1,767,000	1,767,000	3,593,694	1,826,694
Inter-agency transfers	19,719,600	19,825,008	17,352,799	(2,472,209)
Miscellaneous	-	-	9,674	9,674
Federal funds	-	682,364	23,248,282	22,565,918
Total revenue	293,719,200	295,206,972	317,137,049	21,930,077
Budgeted fund balance	1,053,200	2,553,200	-	(2,553,200)
Total budgeted revenues	\$ 294,772,400	297,760,172	317,137,049	\$ 19,376,877
Expenditures				
Personal services & employee benefits	122,561,400	124,265,947	122,297,870	1,968,077
Contractual services	54,477,800	57,700,173	60,733,248	(3,033,075)
Other	117,733,200	115,794,052	109,673,782	6,120,270
Reversions	-	-	24,289,775	(24,289,775)
Total budgeted expenditures	\$ 294,772,400	297,760,172	316,994,675	\$ (19,234,503)

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL - SPECIAL APPROPRIATIONS
FUND 90700
Year Ended June 30, 2020**

	Budget Amounts		Actual Modified Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
State general funds	\$ 5,300,000	2,300,000	2,300,000	\$ -
Other state funds	-	-	-	-
Total revenue	5,300,000	2,300,000	2,300,000	-
Budgeted fund balance	25,940,000	25,940,000	-	(25,940,000)
Total budgeted revenues	\$ 31,240,000	28,240,000	2,300,000	\$ (25,940,000)
Expenditures				
Personal services & employee benefits	\$ 175,000	175,000	-	\$ 175,000
Contractual services	28,520,000	25,520,000	2,975,257	22,544,743
Other	2,545,000	2,545,000	3,847,258	(1,302,258)
Reversions	-	-	-	-
Total budgeted expenditures	\$ 31,240,000	28,240,000	6,822,515	\$ 21,417,485

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
BUDGET AND ACTUAL - COMMUNITY OFFENDER MANAGEMENT - P534
Year Ended June 30, 2020**

	Budget Amounts		Actual	Variance
	Original	Final	Amount Modified Accrual Basis	Favorable (Unfavorable)
Revenue				
State general funds	\$ 35,312,600	35,312,600	35,312,600	\$ -
Other state funds	2,530,000	2,530,000	2,139,093	(390,907)
Inter-agency transfers	665,600	665,600	665,600	-
Miscellaneous	40,000	40,000	8,364	(31,636)
Federal funds	-	-	-	-
Total revenue	38,548,200	38,548,200	38,125,657	(422,543)
Budgeted fund balance	656,400	656,400	-	(656,400)
Total budgeted revenues	\$ 39,204,600	39,204,600	38,125,657	\$ (1,078,943)
Expenditures				
Personal services & employee benefits	22,140,500	21,740,500	20,787,591	\$ 952,909
Contractual services	10,012,500	11,078,000	9,989,927	1,088,073
Other	7,051,600	6,386,100	6,028,453	357,647
Reversions	-	-	766,124	(766,124)
Total budgeted expenditures	\$ 39,204,600	39,204,600	37,572,095	\$ 1,632,505

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION – BUDGETARY SCHEDULES TO FINANCIAL STATEMENTS
Year Ended June 30, 2020**

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

	<u>Revenue</u>	<u>Expenses</u>	<u>Net Change in Fund Balance</u>
Net changes in fund balance per statement of revenues, expenditures and changes in fund balance			
General Fund (90700 & 91500)	\$ 358,571,447	362,752,993	\$ (4,181,546)
Special Revenue Fund (90200)	11,663,163	11,110,795	552,368
Total	<u>\$ 370,234,610</u>	<u>373,863,788</u>	<u>\$ (3,629,178)</u>
Net changes in fund balance per budget schedules			
General Appropriations:			
Program Support (P530)	\$ 12,671,904	12,474,503	\$ 197,401
Inmate Management and Control (P531)	317,137,049	316,994,675	142,374
Special Appropriations (Z Codes - 90700)	2,300,000	6,822,515	(4,522,515)
Community Corrections (P534)	38,125,657	37,572,095	553,562
Total	<u>\$ 370,234,610</u>	<u>373,863,788</u>	<u>\$ (3,629,178)</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING BALANCE SHEET – NON MAJOR FUNDS
June 30, 2020**

	Community Corrections Special Revenue Fund SHARE System Fund 90200	Capital Projects Fund 89200	Total
ASSETS			
Investment, state treasurer	\$ 2,524,998	-	\$ 2,524,998
Due from other state agencies	-	1,541,878	1,541,878
Total assets	\$ 2,524,998	1,541,878	\$ 4,066,876
LIABILITIES			
Deficit, state treasurer	\$ -	1,452,607	\$ 1,452,607
Accounts payable	994,152	89,271	1,083,423
Payroll benefits payable	19,489	-	19,489
Payroll taxes payable	7,138	-	7,138
Accrued wages payable	20,369	-	20,369
Total liabilities	1,041,148	1,541,878	2,583,026
FUND BALANCES			
Reserved for:			
Nonspendable	-	-	-
Restricted	1,483,850	-	1,483,850
Unassigned	-	-	-
Total fund balance	1,483,850	-	1,483,850
Total liabilities and fund balance	\$ 2,524,998	1,541,878	\$ 4,066,876

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE- NON MAJOR FUNDS
Year Ended June 30, 2020**

	Community Corrections Special Revenue Fund 90200	Capital Projects Fund 89200	Total
Revenue			
Charges for services	\$ 23,363	-	\$ 23,363
Total revenue	<u>23,363</u>	<u>-</u>	<u>23,363</u>
Expenditures			
Current:			
Personal services & employee benefits	907,865	-	907,865
Contractual services	9,989,927	1,068,649	11,058,576
Other	213,003	439,403	652,406
Capital outlay	-	35,597	35,597
Total Expenditures	<u>11,110,795</u>	<u>1,543,649</u>	<u>12,654,444</u>
Excess (deficiency) revenues over expenditures	<u>(11,087,432)</u>	<u>(1,543,649)</u>	<u>(12,631,081)</u>
Other Financing Sources (Uses)			
State general fund appropriations	11,609,800	-	11,609,800
STB proceeds	-	1,541,878	1,541,878
Other revenue	30,000	-	30,000
Net other financing sources(uses)	<u>11,639,800</u>	<u>1,541,878</u>	<u>13,181,678</u>
Net changes in fund balance	552,368	(1,771)	550,597
Fund balance, beginning of year	<u>931,482</u>	<u>1,771</u>	<u>933,253</u>
Fund balance, end of year	<u>\$ 1,483,850</u>	<u>-</u>	<u>\$ 1,483,850</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS
Year Ended June 30, 2020**

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations
To for a recidivism-reduction programming plan and supplies for programs to reduce recidivism.	Laws of 2020, Ch 83, Sect 5, Item 3	2020-2021	90700	\$ 200,000
To for hepatitis c treatment and planning.	Laws of 2020, Ch 83, Sect 5, Item 4 Reduction: Laws of 2020 Special Session Ch 5, Item 19	2020-2022	90700	25,000,000
To pilot re-entry programming, including employment counseling, housing assistance and case management, with a randomized control trial in at least two counties.	Laws of 2020, Ch 83, Sect 5, Item 6	2020-2021	90700	300,000
To for independent validation of the correctional offender management profiling for alternative sanctions risk-needs assessment tool and to pilot risk-needs assessments for all inmates within one year of release.	Laws of 2020, Ch 83, Sect 5, Item 7	2020-2021	90700	350,000
To pilot satellite training academies statewide.	Laws of 2020, Ch 83, Sect 5, Item 8	2020-2021	90700	240,000
To for a projected shortfall in operating costs in the inmate management and control program.	Laws of 2020, Ch 83, Sect 6, Item 32	2020	90700	2,600,000
To for a projected shortfall in medical and pharmaceutical costs in the inmate management and control program.	Laws of 2020, Ch 83, Sect 6, Item 33	2020	90700	2,000,000
To continue the implementation of the commercial off-the-shelf offender management system.	Laws of 2020, Ch 82, Sect 101	2020	89200	131,000
To for improvements at correctional facilities statewide	Laws of 2019, Ch 271, Sect 5, Item 93	2019-2021	90700	\$ 1,750,200
To implement a commercial off-the-shelf offender management information system. The other state funds appropriation comes from the penitentiary income fund.	Laws of 2019, Ch 271, Sect 7, Item 29	2019-2021	90700	4,105,200
To continue the implementation of the commercial off-the-shelf offender management system.	Laws of 2018, Ch 73, Sect 7, Item 29	2018-2021	90700	2,290,000
				<u>\$ 38,966,400</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)
Year Ended June 30, 2020**

<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Current Year Reversion Amount</u>	<u>Reserved Fund Balance</u>	<u>Outstanding Encumbrances</u>	<u>Unencumbered Balance</u>
\$ -	-	-	200,000	-	\$ 200,000
250,000	-	3,000,000	21,750,000	-	21,750,000
-	-	-	300,000	-	300,000
-	-	-	350,000	-	350,000
-	-	-	240,000	-	240,000
2,600,000	-	-	-	-	-
2,000,000	-	-	-	-	-
99,556	-	-	31,444	31,444	-
1,738,385	-	-	11,815	-	11,815
85,416	-	-	4,019,784	-	4,019,784
148,714	-	-	2,120,000	-	2,120,000
<u>\$ 6,922,071</u>	<u>-</u>	<u>3,000,000</u>	<u>29,023,043</u>	<u>31,444</u>	<u>\$ 28,991,599</u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES, BY ENTERPRISE
Year Ended June 30, 2020**

	CNMCF Furniture	CCA Telemarketing	Cleaning Products	SCF Horse Rescue	Textiles	Distribution Center	Public Sales	MDC
Revenue from Sales	\$ 421,424	9,075	446,527	3,339	1,195,814	113,401	-	\$ (37,000)
Manufacturing Costs:								
Cost of Materials Used:								
Beg inventory, raw materials	115,209	150	30,683	-	70,468	-	-	-
Materials purchases	323,929	-	332,499	-	735,584	11,641	-	-
Net materials transfers	-	-	-	-	-	-	-	-
Materials available	439,138	150	363,182	-	806,052	11,641	-	-
Less ending inventory	(98,025)	(116)	(42,327)	-	(63,288)	-	-	-
Cost of raw materials used	341,113	34	320,855	-	742,764	11,641	-	-
Direct labor-Inmate Pay	50,383	-	3,776	-	19,527	6,612	-	-
Manufacturing Overhead:								
Salaries	96,412	-	48,470	-	46,685	39,327	-	-
Benefits	47,783	-	26,678	-	32,285	25,610	-	-
In-state travel	4,259	-	-	358	-	33,170	-	-
Maintenance & repairs	12,967	-	-	179	-	1,265	-	-
Supplies	6,382	-	1,983	11,148	96,118	3,874	96	-
Contractual services	-	-	-	1,883	-	-	-	-
Other operating costs	874	1,297	3,265	1,286	3,085	372	-	-
Out-of-state travel	-	-	-	-	-	-	-	-
Irrigation fees	-	-	-	-	-	-	-	-
Depreciation	10,674	-	3,787	1,525	3,471	1,858	-	-
Miscellaneous	205	-	-	-	-	-	491	1,130
Total manufacturing overhead	179,556	1,297	84,183	16,379	181,644	105,476	587	1,130
Total manufacturing costs	571,052	1,331	408,814	16,379	943,935	123,729	587	1,130
Add beginning work in process	52,563	-	-	-	-	-	-	-
Less ending work in process	(7,767)	-	-	-	(7,500)	-	-	-
Total cost of goods manufactured	615,848	1,331	408,814	16,379	936,435	123,729	587	1,130
Add beginning finished goods	113,285	-	54,762	4,800	336,998	-	-	-
Less ending finished goods	(4,468)	-	(69,410)	-	(366,202)	-	-	-
Total Cost of Goods Sold	724,665	1,331	394,166	21,179	907,231	123,729	587	1,130
Gross Profit (Loss)	(303,241)	7,744	52,361	(17,840)	288,583	(10,328)	(587)	(38,130)
Allocated overhead:								
Facility overhead	(30,009)	(646)	(31,797)	(238)	(85,152)	(8,075)	-	2,635
Sales & marketing	-	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-	-
Other income (expense)	-	-	-	-	-	23,495	-	(215,505)
Other Financing Uses	-	-	-	-	-	-	-	-
Net Income (Loss)	\$ (333,250)	7,098	20,564	(18,078)	203,431	5,092	(587)	\$ (251,000)

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES BY ENTERPRISE (CONTINUED)
Year Ended June 30, 2020**

	PNM Old Main	Santa Rosa Print	CMU Farm	Sales & Marketing	PNM Canteen	Central Office	Contract Food Svcs
Revenue from Sales	\$ 20,918	95,823	-	-	5,493,630	-	\$ -
Manufacturing Costs:							
Cost of Materials Used:							
Beg inventory, raw materials	-	31,789	-	-	-	-	-
Materials purchases	118	73,348	-	-	4,255,233	-	-
Net materials transfers	-	-	-	-	-	-	-
Materials available	118	105,137	-	-	4,255,233	-	-
Less ending inventory	-	(37,896)	-	-	-	-	-
Cost of raw materials used	118	67,241	-	-	4,255,233	-	-
Direct labor-Inmate Pay	-	3,863	-	-	60,307	-	-
Manufacturing Overhead:							
Salaries	-	47,334	-	61,055	74,270	297,351	-
Benefits	-	23,912	-	25,401	25,737	164,366	-
In-state travel	58	-	-	-	425	8,296	-
Maintenance & repairs	111	3,277	-	-	127	9,421	-
Supplies	-	1,303	-	-	-	4,328	-
Contractual services	-	3,562	2,158	-	-	99	-
Other operating costs	179	28,936	48,353	1,096	2,479	29,003	-
Out-of-state travel	-	-	-	-	-	-	-
Irrigation fees	-	-	-	-	-	-	-
Depreciation	2,107	1,017	-	-	1,264	13,126	19,191
Miscellaneous	60	-	-	-	243,085	265	-
Total manufacturing overhead	2,515	109,341	50,511	87,552	347,387	526,255	19,191
Total manufacturing costs	2,633	180,445	50,511	87,552	4,662,927	526,255	19,191
Add beginning work in process	-	-	-	-	-	-	-
Less ending work in process	-	-	-	-	-	-	-
Total cost of goods manufactured	2,633	180,445	50,511	87,552	4,662,927	526,255	19,191
Add beginning finished goods	22,979	476	-	-	-	-	-
Less ending finished goods	(18,032)	(2,342)	-	-	-	-	-
Total Cost of Goods Sold	7,580	178,579	50,511	87,552	4,662,927	526,255	19,191
Gross Profit (Loss)	13,338	(82,756)	(50,511)	(87,552)	830,703	(526,255)	(19,191)
Allocated overhead:							
Facility overhead	(1,490)	(6,823)	-	87,552	(391,194)	476,147	-
Sales & marketing	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-
Other income (expense)	10,072	2,867	-	-	375,669	50,108	-
Other Financing Uses	-	-	-	-	-	-	-
Net Income (Loss)	\$ 21,920	(86,712)	(50,511)	-	815,178	-	\$ (19,191)

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES BY ENTERPRISE (CONTINUED)
Year Ended June 30, 2020**

	Drug Screening	PNM Livestock	PNM Bakery	Rosewell Dairy Goat	Rosewell Dairy Cow	PNM Landscaping	PNM Hoop House	Total Industries
Revenue from Sales	\$ 3,900	-	-	-	-	149,298	-	\$ 7,916,149
Manufacturing Costs:								
Cost of Materials Used:								
Beg inventory, raw materials	-	-	-	-	-	-	-	248,299
Materials purchases	1,857	-	-	-	-	238	-	5,734,447
Net materials transfers	-	-	-	-	-	-	-	-
Materials available	1,857	-	-	-	-	238	-	5,982,746
Less ending inventory	-	-	-	-	-	-	-	(241,652)
Cost of raw materials used	1,857	-	-	-	-	238	-	5,741,094
Direct labor-Inmate Pay	-	-	-	-	-	14,928	-	159,396
Manufacturing Overhead:								
Salaries	-	-	-	-	-	171,834	-	882,738
Benefits	-	-	-	-	-	100,030	-	471,802
In-state travel	-	-	-	-	-	6,730	-	53,296
Maintenance & repairs	-	-	-	-	-	-	-	27,347
Supplies	-	-	-	-	-	469	-	125,701
Contractual services	-	-	-	-	-	-	-	7,702
Other operating costs	-	-	-	-	-	479	69	120,773
Out-of-state travel	-	-	-	-	-	-	-	-
Irrigation fees	-	2,354	-	-	-	-	-	2,354
Depreciation	-	-	10,903	6,541	-	7,727	-	83,191
Miscellaneous	-	-	-	-	-	-	-	245,236
Total manufacturing overhead	-	2,354	10,903	6,541	-	287,269	69	2,020,140
Total manufacturing costs	1,857	2,354	10,903	6,541	-	302,435	69	7,920,630
Add beginning work in process	-	-	-	-	-	-	-	52,563
Less ending work in process	-	-	-	-	-	-	-	(15,267)
Total cost of goods manufactured	1,857	2,354	10,903	6,541	-	302,435	69	7,957,926
Add beginning finished goods	-	-	-	-	-	-	-	533,300
Less ending finished goods	-	-	-	-	-	-	-	(460,454)
Total Cost of Goods Sold	1,857	2,354	10,903	6,541	-	302,435	69	8,030,772
Gross Profit (Loss)	2,043	(2,354)	(10,903)	(6,541)	-	(153,137)	(69)	(114,623)
Allocated overhead:								
Facility overhead	(278)	-	-	-	-	(10,632)	-	-
Sales & marketing	-	-	-	-	-	-	-	-
Distribution center	-	-	-	-	-	-	-	-
Central office	-	-	-	-	-	-	-	-
General fund subsidy	-	-	-	-	-	-	-	-
Other income (expense)	-	-	-	-	-	-	-	246,706
Other Financing Uses	-	-	-	-	-	-	-	-
Net Income (Loss)	\$ 1,765	(2,354)	(10,903)	(6,541)	-	(163,769)	(69)	\$ 132,083

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES
FOR CLEANING PRODUCTS BY FACILITY
Year Ended June 30, 2020**

	WNMCF Cleaning Prod	WNMCF Plastic	Total Cleaning Products
Revenue from Sales	\$ 446,527	-	\$ 446,527
Manufacturing Costs:			
Cost of Materials Used:			
Beg inventory, raw materials	30,683	-	30,683
Materials purchases	332,499	-	332,499
Net materials transfers	-	-	-
Materials available	363,182	-	363,182
Less ending inventory	(42,327)	-	(42,327)
Cost of raw materials used	320,855	-	320,855
Direct labor-Inmate Pay	3,776	-	3,776
Manufacturing Overhead:			
Salaries	48,470	-	48,470
Benefits	26,678	-	26,678
In-state travel	-	-	-
Maintenance & repairs	-	-	-
Supplies	1,983	-	1,983
Contractual services	-	-	-
Other operating costs	3,265	-	3,265
Out-of-state travel	-	-	-
Irrigation fees	-	-	-
Depreciation	-	3,787	3,787
Miscellaneous	-	-	-
Total manufacturing overhead	80,396	3,787	84,183
Total manufacturing costs	405,027	3,787	408,814
Add beginning work in process	-	-	-
Less ending work in process	-	-	-
Total Cost of Goods Manufactured	405,027	3,787	408,814
Add beginning finished goods	54,762	-	54,762
Less ending finished goods	(69,410)	-	(69,410)
Net finished goods transfers	-	-	-
Total cost of goods sold	390,379	3,787	394,166
Gross Profit (Loss)	56,148	(3,787)	52,361
Allocated overhead:			
Facility overhead	(31,797)	-	(31,797)
Sales & marketing	-	-	-
Distribution center	-	-	-
Central office	-	-	-
General fund subsidy	-	-	-
Other income (expense)	-	-	-
Other Financing Uses	-	-	-
Net Income (Loss)	\$ 24,351	(3,787)	\$ 20,564

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES FOR TEXTILES BY FACILITY
Year Ended June 30, 2020**

	CCA Textiles	Santa Rosa Textiles	WNMCF Textiles	Total Textiles
Revenue from Sales	\$ 645,004	-	550,810	\$ 1,195,814
Manufacturing Costs:				
Cost of Materials Used:				-
Beg inventory, raw materials	46,820	23,648	-	70,468
Materials purchases	225,222	-	510,362	735,584
Net materials transfers	-	-	-	-
Materials available	272,042	23,648	510,362	806,052
Less ending inventory	(39,678)	(23,610)	-	(63,288)
Cost of raw materials used	232,364	38	510,362	742,764
Direct labor-Inmate Pay	16,838	-	2,689	19,527
Manufacturing Overhead:				
Salaries	46,685	-	-	46,685
Benefits	32,285	-	-	32,285
In-state travel	-	-	-	-
Maintenance & repairs	-	-	-	-
Supplies	44,729	-	51,389	96,118
Contractual services	-	-	-	-
Other operating costs	3,085	-	-	3,085
Out-of-state travel	-	-	-	-
Irrigation fees	-	-	-	-
Depreciation	3,471	-	-	3,471
Miscellaneous	7,675	-	(7,675)	-
Total manufacturing overhead	137,930	-	43,714	181,644
Total manufacturing costs	387,132	38	556,765	943,935
Add beginning work in process	-	-	-	-
Less ending work in process	(7,500)	-	-	(7,500)
Total Cost of Goods Manufactured	379,632	38	556,765	936,435
Add beginning finished goods	81,984	89,560	165,454	336,998
Less ending finished goods	(77,066)	(89,560)	(199,576)	(366,202)
Net finished goods transfers	-	-	-	-
Total Cost of Goods Sold	384,550	38	522,643	907,231
Gross Profit (Loss)	260,454	(38)	28,167	288,583
Allocated overhead:				-
Facility overhead	(45,930)	-	(39,222)	(85,152)
Sales & marketing	-	-	-	-
Distribution center	-	-	-	-
Central office	-	-	-	-
General fund subsidy	-	-	-	-
Other income (expense)	-	-	-	-
Other Financing Uses	-	-	-	-
Net Income (Loss)	\$ 214,524	(38)	(11,055)	\$ 203,431

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES & EXPENDITURES BUDGET AND ACTUAL
(GAAP BUDGETARY BASIS) CORRECTIONS INDUSTRIES DIVISION
Year Ended June 30, 2020**

	Budget Amounts		Actual Amount Modified Accrual Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenue				
Printing and reproduction:				
Sales	\$ 10,764,800	10,764,800	7,916,149	\$ (2,848,651)
Interest on deposits	-	-	50,108	50,108
Other revenue	-	-	415,303	415,303
Total revenues	<u>10,764,800</u>	<u>10,764,800</u>	<u>8,381,560</u>	<u>(2,383,240)</u>
 Budgeted fund balance	 70,100	 70,100	 -	 -
Total budgeted revenues	<u><u>\$ 10,834,900</u></u>	<u><u>10,834,900</u></u>	<u><u>8,381,560</u></u>	<u><u>\$ (2,383,240)</u></u>
 Expenditures				
Personal services & employee benefits	\$ 2,191,100	2,191,100	1,354,541	\$ 836,559
Contractual Services	51,400	51,400	7,702	43,698
Other	8,735,400	8,735,400	6,585,338	2,150,062
Other Transfers	-	-	-	-
Total budgeted expenditures	<u>10,977,900</u>	<u>10,977,900</u>	<u>7,947,581</u>	<u>3,030,319</u>
Non budgeted expenditures				
Depreciation	-	-	83,191.00	(83,191)
Total budgeted and non budgeted expenditures	<u><u>\$ 10,977,900</u></u>	<u><u>10,977,900</u></u>	<u><u>8,030,772</u></u>	<u><u>\$ 2,947,128</u></u>

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
Year Ended June 30, 2020**

	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
ASSETS				
Cash	\$ 2,111,792	-	(1,662,813)	\$ 2,560,771
Due from Others	1,057,952	-	(355,377)	702,575
Total Assets	<u>\$ 3,169,744</u>	<u>-</u>	<u>(2,018,190)</u>	<u>\$ 3,263,346</u>
LIABILITIES				
Due to Others	\$ 1,102,641	-	(108,944)	\$ 993,697
Deposits Held for Others	2,067,103	202,546	-	2,269,649
Total Liabilities	<u>\$ 3,169,744</u>	<u>202,546</u>	<u>(108,944)</u>	<u>\$ 3,263,346</u>

COMPLIANCE SECTION



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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Corrections Department (the "Department"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 31, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and

corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

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

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, New Mexico
October 31, 2020

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2020**

Summary Schedule of Prior Year Audit Findings

2018-001	Inmate Cash not Reconciled on a Timely Basis	Resolved
2018-002	Compensated Absences	Resolved
2019-001	Use of State Owned or Leased Vehicle	Resolved

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2020**

Financial Statements

Summary of Audit Results

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

Federal Awards

Internal control over major programs:	
a. Material weaknesses reported?	No
b. Significant deficiencies reported not considered material weaknesses?	No
c. Known questioned costs greater than \$25,000 for a compliance requirement for a major program?	No
d. Known questioned costs greater than \$25,000 for which is not audited as a major program?	No
e. Known or likely fraud?	No
f. Significant instances of abuse relating to major programs?	No
g. Circumstances causing the auditors' report on compliance for each major program to be modified, unless otherwise reported as audit findings?	No
h. Instances where results of audit follow-up procedures disclosed that the summary schedule of prior year audit findings prepared by the auditee materially misrepresents the status of any prior audit finding?	No
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
Identification of major programs:	
<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
21.019	Corona Virus Relief Fund (CFR)
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

FEDERAL FINANCIAL ASSISTANCE



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

**Report On Compliance For Each Major Federal Program; Report On
Internal Control Over Compliance; And Report On Schedule Of Expenditures
Of Federal Awards Required By The Uniform Guidance**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico Corrections Department's (the "Department") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2020. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements. We issued our report thereon dated October 31, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ricci & Company, LLC

Albuquerque, New Mexico
October 31, 2020

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020**

Federal Grantor or Pass-Trough Grantor/Program Title	Pass Through Number	Federal CFDA	Federal Expenditures
U.S. Department of Education			
Passed through from New Mexico Higher Education Department Adult Basic Education		84.002	\$ 233,651
Passed through from New Mexico Public Education Department Perkins Grant		84.048A	<u>8,072</u>
Total U.S. Department of Education			<u>241,723</u>
U. S. Department of Justice			
Passed through from State Department of public safety Residential Substance Abuse Treatment Grant (RSAT)		16.593	43,919
Edward Byrne Memorial Justice Assistance Grant (JAG)		16.738	73,193
Joint Law Enforcement Operations Task Force (JLEO)		16.922	<u>9,302</u>
Subtotal - Passed through State Department of public safety			<u>126,414</u>
Passed through from New Mexico Crime Victims Reparation Commission Victims of Crime Act (VOCA)		16.575	<u>57,020</u>
Total U. S. Department of Justice			<u>183,434</u>
U. S. Department of Health and Human Services			
Passed through from Centers for Disease Control and Prevention Public Health Emergency Response (OUD)		93.354	52,686
STD Prevention & Control for Health Departments (PCHD)		93.977	<u>1,000</u>
Total U. S. Department of Health and Human Services			<u>53,686</u>
U. S. Department of the Treasury			
Passed through from the New Mexico Department of Finance and Administration Corona Virus Relief Fund (CFR)		21.019	<u>22,652,525</u> *
Total U. S. Department of the Treasury			<u>22,652,525</u>
U. S. Department of Homeland Security			
Passed through from the New Mexico Department of Homeland Security Public Assistance Grant Program		97.036	<u>116,914</u>
Total U. S. Department of Homeland Security			<u>116,914</u>
Total Federal Financial Assistance			<u><u>\$ 23,248,282</u></u>

* Denotes major program

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2020**

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Department and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule of federal awards presents only a selected portion of the operations of NMCD, it is not intended to and does not present the financial position, changes in fund balance or cash flows of the Department.

SUB RECIPIENTS

The Department did not provide any federal awards to subrecipients during fiscal year 2020.

INDIRECT COST RATE

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

OTHER DISCLOSURES

The Department did not receive any non-cash assistance during fiscal year 2020.

RECONCILIATION TO FINANCIAL STATEMENTS

Amounts reported on the SEFA are presented on the fund financial statement of revenues, expenditures, and changes in fund balance as federal grants and contributions. On the government-wide statement of activities they are included in operating grants & contributions which totals \$23,737,680. This amount consists of federal revenues of \$23,248,282 as reported on the SEFA and intergovernmental revenues of \$489,398.

**STATE OF NEW MEXICO
NEW MEXICO CORRECTIONS DEPARTMENT
EXIT CONFERENCE
June 30, 2020**

An exit conference was held on October 30, 2020 via Zoom and attended by the following:

Representing the Department:

Melanie Martinez	Director of Probation & Parole
Edward Smith	Acting Director of Administrative Services Division
Carl Ortega	Deputy Director of Administrative Services Division
Andrew Gallegos	Financial Management Bureau Chief/CFO
John Hosemann	Accounting Manager
Vicki Trujillo	Accounting Auditor

Representing Ricci & Company, LLC:

Esther Alejo	Senior Auditor
Mark Santiago, CPA	Senior Audit Manager