State of New Mexico

Corrections Department

Financial Statements and Schedules

With

Independent Auditors' Report

For the Fiscal Year Ended June 30, 2008

Prepared by the New Mexico Corrections Department
Financial Management Bureau

ANNUAL FINANCIAL REPORT
OF THE NEW MEXICO CORRECTIONS DEPARTMENT
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

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Deputy Secretary, Administration, 827-8667
Tim LeMaster
Deputy Secretary, Operations, 827-8767
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Deputy Secretary, Reentry & Prison Reform, 827-8656

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Fernando Gallegos, Training Academy, 827-8900
Willie Marquez, Corrections Industries, 827-8838
Tony E. Marquez Jr., Administrative Services, 827-8601
Larry Pacheco, Information Technology, 827-8713
James R. Brewster, General Counsel, 827-8662

December 1, 2008

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

The Annual Financial and Compliance Audit Report for the State of New Mexico Corrections Department (the Department) for the fiscal year ending June 30, 2008 is hereby submitted.

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

FINANCIAL CONDITION

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

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

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

Commitments Against Unrestricted Net Assets

The Unrestricted Net Assets is intended to be a corporate-style measure of well being for the Department's governmental and business-type activities. This amount includes non-reverting cash balances as well as cash restricted for budgetary requirements within the Department. For further explanation of these funds please see Note 2 (page 37) and Note 15 (page 53).

Business-Type Activities

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

> *Enhance the rehabilitation, education and vocational skills of inmates through productive involvement in enterprises and public works of benefit to state agencies and local public bodies and to minimize inmate idleness.*

Results of operations for the various enterprise functions within Corrections Industries are presented in the Schedule of Revenues and Expenses, By Enterprise (pages 75-79).

GENERAL INFORMATION

Accounting & Budgeting Systems

The Department used the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) as its' accounting system in fiscal year 2008, which provides management with financial and budget information. The Department is in its' second full year of SHARE since the implementation at the beginning of fiscal year 2007. The Department has designed internal processes and controls to provide reasonable assurance regarding (1) the proper recording of financial transactions and (2) reliability of the financial records for preparing financial statements.

Budgetary controls are maintained within the system to ensure compliance with the appropriations. Requisitions are entered on-line and encumbrances established are verified against the available budget authorized. Open purchase orders and contract encumbrances at year-end are recreated in the subsequent fiscal year and reduce the available budget in the imminent fiscal year.

Budget to actual comparisons demonstrate how the actual expenses/expenditures compare to both the original and final approved budget. Following each comparison are the adjustments necessary to reconcile to Generally Accepted Accounting Principles (GAAP). The following identifies where these comparisons can be found:

- Governmental Major Funds
  - General Fund – Page 19.
  - Community Corrections Special Revenue Fund – Page 20.
- Proprietary - Corrections Industries Revolving Fund – Page 80.

Also included in this report are individual schedules by appropriation unit beginning on page 59.

REPORTING ENTITY

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

REPORT FORMAT

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

INDEPENDENT AUDIT

Pursuant to the Audit Act (§12-6-1 through §12-6-14, NMSA 1978), an audit of accounts and financial statements has been completed by an independent Certified Public Accountant, Meyners + Company, LLC. Their report is included in this report.

ACKNOWLEDGEMENTS

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

Sincerely,

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

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

Tony E. Marquez, Jr. – Director
Administrative Services Division

Pat S. Lopez – Deputy Director
Administrative Services Division

Raphael Torres – Bureau Chief
Financial Management Bureau

Bryan M. Maestas – Accounting Manager
Financial Management Bureau

NEW MEXICO CORRECTIONS DEPARTMENT
OFFICIAL ROSTER
JUNE 30, 2008

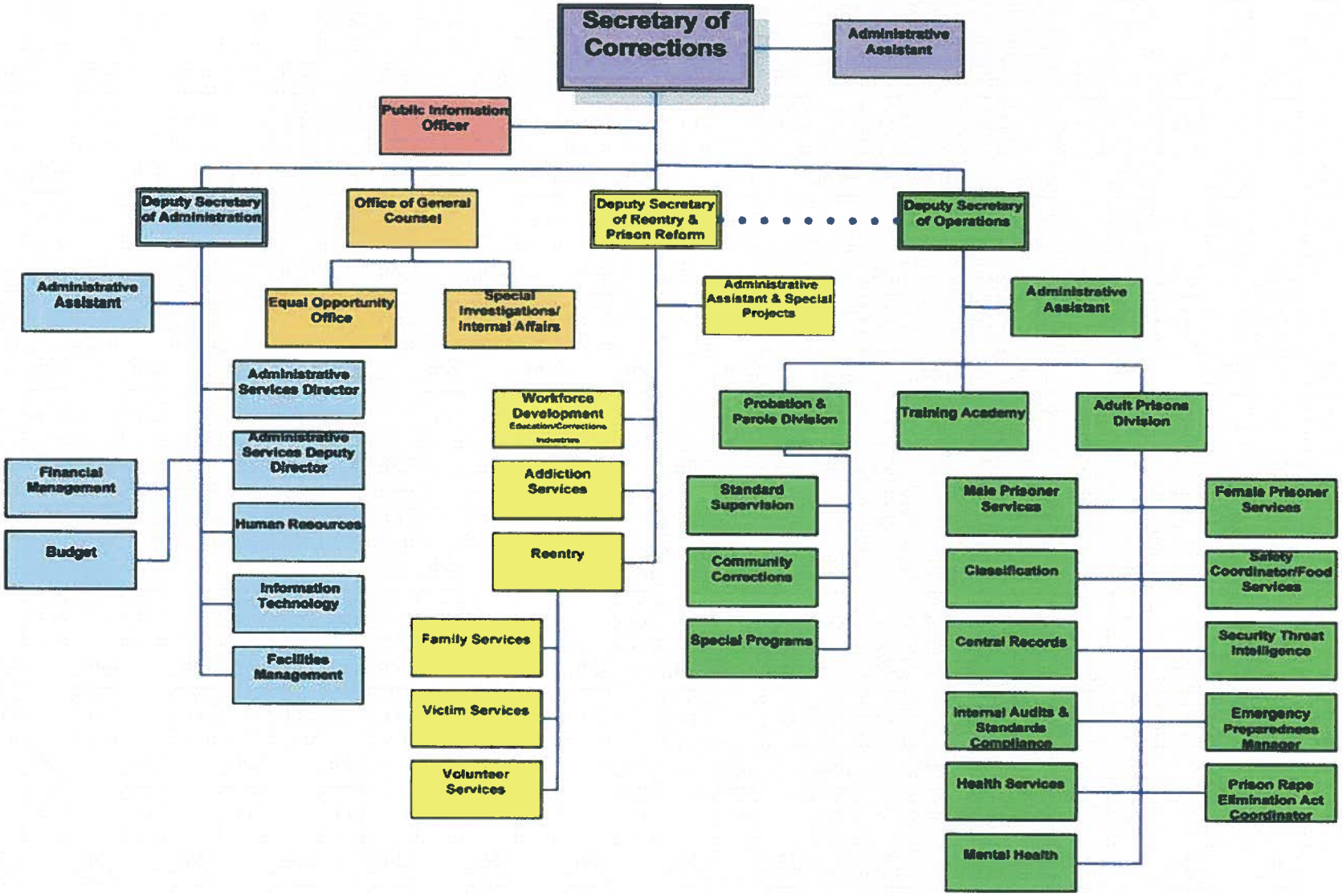
Administrative Officials

Joe R. Williams	Secretary of Corrections
Jolene M. Gonzales	Deputy Secretary – Administration
Tim LeMaster	Deputy Secretary – Operations
Gail Oliver	Deputy Secretary – Reentry & Prison Reform
Charlene Knipfing	Director of Probation and Parole
Fernando Gallegos	Director of Corrections Training Academy
Willie Marquez	Director of Corrections Industries
Tony E. Marquez, Jr.	Director of Administrative Services
Larry Pacheco	Information Technology
James Brewster	General Counsel

Corrections Industries Commission

George Marquez	Chair
Mark Jaramillo	Member
John R. Holler	Member
Ray Padilla, Jr.	Member
Barri Roberts	Member
John Serrano	Member
Michelle Marshall	Member

NEW MEXICO CORRECTIONS DEPARTMENT
ORGANIZATIONAL CHART
JUNE 30, 2008



NEW MEXICO CORRECTIONS DEPARTMENT
List of Abbreviations
JUNE 30, 2008

ASB	-	Addiction Services Bureau
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}
IP	-	Inmate Programming [Program]
ISP	-	Probation and Parole Intensive Supervision [Program]
ITO	-	Information Technology Office
NMCD	-	New Mexico Corrections Department
PNM	-	Penitentiary of New Mexico
PPD	-	Probation and Parole Division
PS	-	Program Support [Program]
RCC	-	Roswell Correctional Center
SCC		Springer Correctional Center
SHARE		Statewide Human Resources, Accounting, and Management Reporting System
SNMCF	-	Southern New Mexico Correctional Facility
WNMCF	-	Western New Mexico Correctional Facility

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Corrections Department (the Department) as of and for the year ended June 30, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's individual SHARE funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial statements of the Department are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the entire State of New Mexico as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2008, and the respective changes in the financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the individual SHARE funds of the Department as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparisons for the governmental and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2008 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information presented on pages 1 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Meyners + Company, LLC

November 17, 2008

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

HIGHLIGHTS

Financial Highlights

The Department's net assets increased by $4,572,658. The governmental net assets increased by $4,623,735 and the business-type net assets decreased by $51,077.

The business-type activities (Corrections Industries Division) operating revenue increased by $445,662 and net results from activities (net income) decreased by $163,514 for a net loss of $51,077 for fiscal year 2008.

The total cost of all Department programs was $292,773,642.

Department Highlights

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

In fiscal year 2008, NMCD's total budget increased by 14.2 percent to $299.5 million, mostly attributable to full-year funding of the Springer Correctional Center, a Level 1 and 2 male prison, which was acquired from the Children Youth and Families Department; probation and parole offender growth; the cost of inmate medical services; and salary increases for staff. In fiscal year 2008, the probation and parole offender population increased by 3.2 percent. In addition, the fiscal year 2008 year-end inmate population declined to 6,330, the second consecutive year there has been a decrease, representing a 6.6 percent drop over a two-year period. In August 2008, the department opened the new 600-male bed Northeast New Mexico Detention Facility in Clayton. As a result of the new prison and the decline in inmate population, the department terminated its contract to house male inmates with the Santa Fe County Detention Facility and suspended its contract with the Torrance County Detention Facility. The department also terminated its contract with Corrections Corporation of American (Camino Nuevo female facility) due to the lower female inmate population.

Other Highlights

In fiscal year 2008, NMCD issued a request for proposal to seek a new vendor for inmate health services. The department awarded the contract to the lowest bidder, which resulted in an increase of $8.1 million more than the funding level for the fiscal year. The department controlled its budget through austerity measures and was able to reduce costs in other areas to cover the shortage and avoid a supplemental appropriation from the Legislature.

In its second year, the new health services vendor for medical and psychiatric services, Correctional Medical Services (CMS), is excelling. NMCD has achieved significant improvement and cost savings in the delivery and access to health care. CMS and the department will continue to standardize excellence of care under the guidelines of the American Correctional Association and the National Commission on Correctional Health Care. The contract amount is expected to reach nearly $48 million in fiscal year 2009.

The department negotiated a contract amendment with the health services vendor for fiscal year 2009 to provide quality care to inmates at the Northeast New Mexico Detention Facility in Clayton at an amount approximately 75 percent less than the estimated cost.

The department has worked to develop and improve the telepsychiatry service to the remote areas where inmates need care. Extensive savings have been generated from this service in transportation and correctional overtime.

New Mexico Governor Bill Richardson created a Prison Reform Task Force to examine the current corrections system in New Mexico. The task force focused on making recommendations with respect to offender reentry and prison reform. This includes focusing on inmate reentry into the community, treatment and programming in an effort to reduce recidivism and provide tools for offenders to stay out of prison.

The Records Bureau was created at the central office headquarters in fiscal year 2008 to assist record staff at the prisons with managing complex offender judgment and sentence orders from the courts. The bureau also manages earned meritorious deduction (good-time) issues, which often require legal interpretation or direction.

The Probation and Parole Division established a 24-hour response center in July 2007. One of its most significant functions is to provide real-time Global Positioning System (GPS) monitoring of all sex offenders released on parole, as required by a new law passed in 2007.

The Probation and Parole Division continues to deal with difficult working conditions and low pay for probation and parole officers, which have resulted in high turnover rates and a less experienced work force. Experienced officers are moving to higher paying court and federal probation positions. More than 70 percent of the current staff has less than three years experience. The division was appropriated 12 new positions in fiscal year 2009 to maintain adequate supervision to high-risk offenders.

The Sanctioned Parole Violator Unit continues to help address population control. The sanctions for these technical parole violators range from 30, 60 or 90 days of incarceration. The Probation and Parole Division recommends sanctions that necessitate final approval from the Parole Board. Once the sanction time is successfully served, the technical parole violator returns to the community on parole.

An automated Parole Plan Tracking System reduces the number of prisoners who may start serving in-house parole. The system identifies prisoners that are 180 days from release. This system assists the parole process and helps identify inmates who are difficult to place in the community due to their crime and/or lack of family support.

The department is currently reviewing the implementation of a new risk and needs assessment. The tool is designed to address the risk and needs of the offender from pre-sentence to reentry. The tool has a component to address the gender-specific issues for females. The results of the needs assessment will be utilized to assist staff in placing offenders into the appropriate programs that will provide opportunities for offenders to transition to the community. The offender's progress will be tracked with the new Offender Management Planning module that is being implemented into the Criminal Management Information System.

The department successfully negotiated a contract amendment with the owner of the New Mexico Women's Correctional Facility, which will save more than $325,000 annually from payments in gross receipts taxes.

In fiscal year 2008, the department completed numerous multi-year capital projects at various department-operated prisons:

- Replaced over 3,000 feet of water line piping and an outdated heating system with an energy efficient system at the Penitentiary of New Mexico in Santa Fe.

- Upgraded existing dilapidated shower units with high security stainless shower enclosure at the Southern New Mexico Correctional Facility in Las Cruces.

- Completed various upgrades and repairs to all public facilities, such as fire alarm systems, roof repairs, perimeter detection upgrades/repair and wastewater treatment renovations.

USING THIS ANNUAL REPORT

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

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

Management's Discussion and Analysis

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

Government-Wide Financial Statements

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

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

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

- Business-type Activities – The Department's Corrections Industries Division charges customers a fee for goods and services. These activities are accounted for as a business-type activity.

Fund Financial Statements

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

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

The Department has three types of funds:

- Governmental funds – Most of the Department's services are included in governmental funds which focus on (a) how cash and other financial assets, that can be readily converted to cash, flow in and out and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

- Proprietary funds – Goods and Services for which the Department's Corrections Industries Division charges customers a fee are reported as proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term information.

- Fiduciary funds – Fiduciary funds are used to report assets held in trustee or agency capacity for others and therefore are not available to support Department programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. With the implementation of GASB #34, fiduciary funds are not included with the governmental-type funds since these funds are not available to support the Department's programs. The Department's fiduciary fund is the Inmate Trust Account.

Notes to the Financial Statements

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

Infrastructure Assets

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

Budgetary Comparisons

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

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

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

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net Assets: Table A-1 summarizes the Department's net assets for the fiscal year ending June 30, 2008. Net assets for Governmental Activities and Business-type Activities were $45,570,044 and $4,000,165, respectively. Total Department net assets for fiscal year 2008 is $49,570,209. However, most of those assets are either restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, etc.) The unrestricted net assets in Governmental Activities is $8,215,810 at the end of the fiscal year. The unrestricted net assets amount includes long-term commitments. This results from the New Mexico State Legislature appropriating funds to pay for future liabilities in the year in which they come due.

In the Business-type activities, the unrestricted amount of $3,536,088 cannot be used in governmental activities. The Department generally can only use these net assets to finance the continuing operations of its business activities, such as working capital requirements.

Table A-1

The Department's Net Assets

	Governmental Activities		Business-Type Activities		Total *		Total Percentage Change
	FY2007	FY2008	FY2007	FY2008	FY2007	FY2008	2007-2008
Current and Other Assets	$ 58,492,160	$ 43,655,726	$ 4,375,085	$ 4,193,531	$ 62,867,245	$ 47,849,257	-23.89%
Capital and Non-Current Assets	33,753,805	36,623,528	510,443	464,077	34,264,248	37,087,605	8.24%
Total Assets	92,245,965	80,279,254	4,885,528	4,657,608	97,131,493	84,936,862	-12.55%
Current Liabilities	51,299,656	34,709,210	834,286	657,443	52,133,942	35,366,653	-32.16%
Long-Term Liabilities	-	-	-	-	-	-	0.00%
Total Liabilities	51,299,656	34,709,210	834,286	657,443	52,133,942	35,366,653	-32.16%
Net Assets							
Invested in Capital Assets net of Related Debt	32,877,805	36,623,528	510,443	464,077	33,388,248	37,087,605	11.08%
Restricted	683,190	730,706	-	-	683,190	730,706	6.96%
Unrestricted	7,385,314	8,215,810	3,540,799	3,536,088	10,926,113	11,751,898	7.56%
Total Net Assets	$ 40,946,309	$ 45,570,044	$ 4,051,242	$ 4,000,165	$ 44,997,551	$ 49,570,209	10.16%

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

Changes in Net Assets: The Department's change in net assets for fiscal year 2008 was an increase of $4,572,658 (including a $1,000,000 net asset restatement). (Table A-2). A significant portion, 90%, of the Department's revenue comes from State General Fund Appropriations, 7% comes from charges for services, and 3% for all other revenue sources. (See figure A-1).

Figure A-1
Sources of Revenues for Fiscal Year 2008

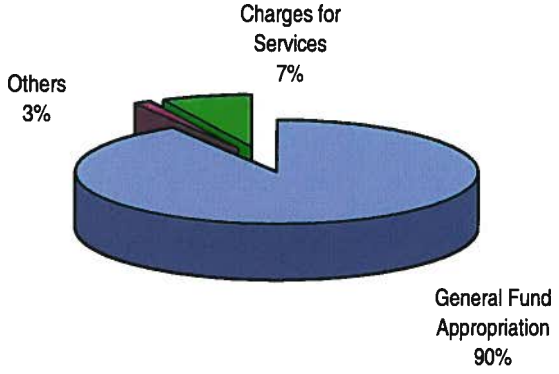
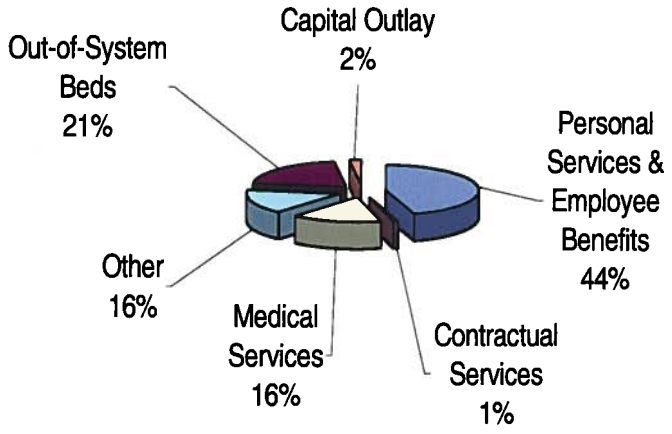


Table A-2
Changes in the Department's Net Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
Revenues	FY2007	FY2008	FY2007	FY2008	FY2007	FY2008	2007-2008
Program Revenues							
Charges for Services	$ 14,232,466	$ 16,527,413	$ 4,401,714	$ 4,847,376	$ 18,634,180	$ 21,374,789	14.71%
Operating Grants & Contributions	1,540,162	2,812,914	-	-	1,540,162	2,812,914	82.64%
Capital Grants & Contributions	1,675,279	-	-	-	1,675,279	-	-100.00%
General Revenues							
State General Fund Appropriations	237,697,468	272,406,848	-	-	237,697,468	272,406,848	14.60%
Others	3,043,113	1,373,037	484,861	378,712	3,527,974	1,751,749	-50.35%
Total Revenues	258,188,488	293,120,212	4,886,575	5,226,088	263,075,063	298,346,300	13.41%
Expenses							
Public Safety - Corrections	253,710,472	287,496,477	4,774,068	5,277,165	258,484,540	292,773,642	13.27%
Increase (Decrease) in Net Assets	4,478,016	5,623,735	112,507	(51,077)	4,590,523	5,572,658	21.39%
Beginning Net Assets	36,468,293	40,946,309	3,859,733	4,051,242	40,328,026	44,997,551	11.58%
Prior Period Adjustment	-	-	79,002	-	79,002	-	
Net Asset Restatement	-	(1,000,000)	-	-	-	(1,000,000)	
Ending Net Assets	$ 40,946,309	$ 45,570,044	$ 4,051,242	$ 4,000,165	$ 44,997,551	$ 49,570,209	10.16%

Governmental –Type Activities

Figure A-2



Functional Expenses for Fiscal Year 2008

The Department's total expenditures for government-type activities during the fiscal year were $287.5 million. Approximately half (44%) of the expenditures of the Department are in the area of personal services and employee benefits. Approximately 56% of the total budgeted positions are for Correctional Officers. The Department has continued to be aggressive in recruiting correctional officers, and in doing so was able to fill vacant posts and substantially reduce overtime.

The second largest area of expenditure within the Department is in the category of "Other" costs (39%), which incorporates travel, maintenance, food, supplies, operating costs, and capital outlay. Of the total amount expended in this functional area during fiscal year 08 approximately 21% was for the housing male and female inmates in contract prisons, and the remaining 18% was for the other operating costs.

Contractual Services expenditures consumed 17% of the Department's uses overall, with approximately 16% of these expenditures directly related to medical services for inmates. Two percent of the total expenditures were for capital outlay with the majority of those costs being for security upgrades, new capital construction, and renovation projects.

Business-Type Activities

Revenues of the Department's business-type activity (Corrections Industries) increased almost ten percent from $4.4 million to $4.8 million and expenses increased by approximately nine and a half percent from $4.8 million to $5.3 million. Factors contributing to these results are primarily (1) in the area of personal services, due to the cost of living increases given by the legislature; (2) purchasing large quantities of uniform products to meet the demand of the facilities; and (3) increasing finished goods inventory to meet the end of the year demand; (4) purchasing the parts for the large number of modular panel jobs sold at the end of the fiscal year.

Factors contributing to the increase in revenue are (1) the large number of modular panel jobs sold at the end of the fiscal year; and (2) the release of budget savings for purchases at the end of the year from other state agencies.

Fund Balance

As the Department completed the year, its governmental funds reported a combined fund balance of approximately $13.4 million, approximately $1.2 million higher than last year. The primary reason for the increase relates to the fact that the Department had more multi-year appropriations that do not lapse at the end of fiscal year that can be utilized in future periods and other GAAP accruals affecting revenues and expenditures. A restatement of fund balance relating to fiscal year 2007 is presented in Note 16 to the financial statements.

General Fund Budgetary Highlights

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

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

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

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

Capital Assets and Debt Administration

At the end of fiscal year 2008, the Department has invested a total of $36.6 million in governmental-type activities and $0.5 million in business-type activities for a total amount of $37.1 million in a variety of capital assets. This amount represents a net increase (including additions and deductions) of $2.8 million (8%) over the last year. The major increases in capital assets during the fiscal year were in the area of Improvements other than Buildings ($.3 million for a 25% increase) and Building and Improvements ($4 million for a 11% increase), mainly due to security upgrades, construction projects, replacements of heating/cooling units, and road improvements at several prison facilities; Depreciation decreased by $2.8 million (10%) over the prior period.

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

	Governmental Activities		Business-type Activities		Total		Total % Change
	2007	2008	2007	2008	2007	2008	2007 - 2008
Buildings and Improvements	36.8	40.8	0.6	0.6	37.4	41.4	11%
Improvements other than Buildings	1.2	1.5	-	-	1.2	1.5	25%
Machinery and Equipment	18.3	19.2	2.0	2.0	20.3	21.2	4%
Automotive	2.6	2.9	0.6	0.7	3.2	3.6	13%
Depreciation	(25.1)	(27.8)	(2.7)	(2.8)	(27.8)	(30.6)	10%
	33.8	36.6	0.5	0.5	34.3	37.1	8%

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

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

Long-Term Debt

The Department's Central Office Administration Building and Training Academy Complex in Santa Fe, NM was accounted for as a capital lease. In January 2008, this obligation was paid off and title for the building will be transferred to the Department without consideration. The principle amount outstanding at the beginning of fiscal year 2008 was approximately $876,000. More detailed information about the Department's long-term debt is presented in Notes 9 and 11 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In fiscal year 2008, the New Mexico Corrections Department's (NMCD) total budget increased by 14.2 percent to $299.5 million, mostly attributable to full-year funding of the Springer Correctional Center, a Level 1 and 2 male prison, that was acquired from the Children Youth and Families Department; probation and parole offender growth; the cost of inmate medical services; and salary increases for staff. In fiscal year 2008, the probation and parole offender population increased by 3.2 percent. In addition, the fiscal 2008 year-end inmate population declined to 6,330, the second consecutive year there has been a decrease. This represents a 6.6 percent drop over a two year period. The decline is due to releases outpacing admissions. Specifically, more nonviolent and drug offenders are being released than being admitted and released at the same rate. Also, violent offenders are being admitted and released at the same rate. Despite the decline, inmate population is expected to grow 4.2 percent in fiscal years 2009 and 2010. Possible factors for the growth are:

- Increased average length of stay as more serious violent offenders serve a longer percent of the total sentence.
- The impact of statutory changes pertaining to sex offenders.
- The effect of the downturn of the economy that could potentially increase the rate of crime.

In fiscal year 2009, executive agencies were notified of a major revenue shortfall in state government. Oil and natural gas prices fell below the projected figures and gross receipts and income taxes dropped due to the plunging economy. A hiring freeze and reductions in nonessential services and miscellaneous expenses were implemented by the governor. NMCD is expected to comply with this plan to curb spending.

NMCD is requesting a total budget of $337.8 million from all funding sources for fiscal year 2010, which is 5.4 percent more than the fiscal year 2008 operating budget. The majority of the increase is attributable to lowering the vacancy rates for prisons and programs, the cost to phase-in the recommendations on the Governor's Task Force on Prison Reform, 22 additional probation and parole officers to monitor sex offenders and to keep up with offender-caseload growth. It also includes increases in building maintenance, probation and parole office leases, utilities, vehicle fuel and other inmate- driven costs. However, NMCD's request for additional funding looked bleak because the most recent revenue forecast at this writing called for no new money for fiscal year 2010.

Limited growth in New Mexico state government, on a budgetary basis, has continue to affect the Corrections Industries (CID) ability to generate new orders for its standard product (i.e. furniture) from potential state customers. As a result, CID has reported a greater operating income loss over last fiscal year. In addition, Corrections Industries did experience a 53% decrease in interest income for fiscal year 08 over the prior period. This income is generated from the cash balance of the revolving fund that is held with the State Treasurer's Office.

The Department is a beneficiary of the State Permanent Fund, and realized a slight increase in the distribution income in the current fiscal period. The slight increase in distributions will continue over initial budgeted allocations from this source. Allocations from State Land Income to which the Department is also a beneficiary, increases slightly in the current period; however, the distribution is expected to decrease in future periods due to lower prices for the natural resources (oil and gas) harvested from state lands.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

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

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total *
ASSETS			
Cash and cash equivalents	$ 37,386,256	$ 459,272	$ 37,845,528
Receivables, net of allowance for doubtful accounts	153,261	104,948	258,209
Federal Grants Receivable	557,530	-	557,530
Other Receivables	7,960	-	7,960
Interest Receivable	-	3,094	3,094
Internal Balances	(1,086,260)	1,086,260	-
Due from Other State Agencies	1,339,448	564,471	1,903,919
Inventories	5,056,221	1,975,486	7,031,707
Prepaid Items	241,310	-	241,310
Total Current Assets	43,655,726	4,193,531	47,849,257
Capital Assets:			
Buildings	40,815,016	630,488	41,445,504
Improvements Other than Buildings	1,477,246	-	1,477,246
Machinery and Equipment	19,157,296	1,994,011	21,151,307
Automotive	2,922,403	639,612	3,562,015
Less Accumulated Depreciation	(27,748,433)	(2,800,034)	(30,548,467)
Total Capital Assets, net of depreciation	36,623,528	464,077	37,087,605
Total Assets	80,279,254	4,657,608	84,936,862
LIABILITIES			
Accounts Payable	$ -	$ 438,765	$ 438,765
Vouchers Payable	15,024,811	-	15,024,811
Warrants Payable - Clearing	2,873,465	-	2,873,465
Payroll Benefits Payable	2,055,090	-	2,055,090
Payroll Taxes Payable	664,929	-	664,929
Accrued Wages Payable	2,967,562	99,765	3,067,327
Compensated Absences Payable:			
Expected to be paid within one year	4,472,474	118,913	4,591,387
Due to State General Fund	5,479,494	-	5,479,494
Due to Other State Agencies	55,068	-	55,068
Deferred Revenue	1,037,717	-	1,037,717
Other Liabilities	78,600	-	78,600
Total Liabilities	34,709,210	657,443	35,366,653
NET ASSETS			
Invested in Capital Assets	36,623,528	464,077	37,087,605
Restricted for:			
Subsequent Years Expenditures	730,706	-	730,706
Unrestricted	8,215,810	3,536,088	11,751,898
Total Net Assets	$ 45,570,044	$ 4,000,165	$ 49,570,209

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	Governmental Activities	Business-Type Activities	Total
Expenses			
Public Safety - Corrections	$ (287,496,477)	$ -	$ (287,496,477)
Corrections Industries	-	(5,277,165)	(5,277,165)
Program Revenues			
Charges for Services	16,527,413	4,847,376	21,374,789
Operating Grants & Contributions	2,812,914	-	2,812,914
Capital Grants & Contributions	-	-	-
Changes in net Assets:			
Net (Expense) / Revenue	(268,156,150)	(429,789)	(268,585,939)
General Revenues:			
General Fund Appropriation	278,153,200	-	278,153,200
General Fund Subsidy	-	329,500	329,500
Transfers, net	1,373,037	-	1,373,037
Reversions to the State General Fund	(5,746,352)	-	(5,746,352)
Reimbursements	-	-	-
Other Revenue	-	15,905	15,905
Federal Aid	-	-	-
Unrestricted investment earnings	-	33,307	33,307
Total General Revenues	273,779,885	378,712	274,158,597
Transfers - Internal Activities	-	-	-
Total General Revenues and Transfers	273,779,885	378,712	274,158,597
Change in Net Assets	5,623,735	(51,077)	5,572,658
Net Assets - Beginning	40,946,309	4,051,242	44,997,551
Net Asset Restatement	(1,000,000)	-	(1,000,000)
Net Assets beginning, restated	39,946,309	4,051,242	43,997,551
Net Assets - Ending	$ 45,570,044	$ 4,000,165	$ 49,570,209

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2008

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	State Capital Projects Fund SHARE System Fund 99700	Total
ASSETS				
Cash and cash equivalents	$ 34,519,052	$ 2,264,003	$ 603,201	$ 37,386,256
Receivables, net of allowance for doubtful accounts	153,261	-	-	153,261
Federal Grants Receivable	557,530	-	-	557,530
Other Receivables	7,960	-	-	7,960
Due from Other State Agencies	1,239,448	-	100,000	1,339,448
Due from Other Funds	-	141	-	141
Inventories	5,056,221	-	-	5,056,221
Prepaid Items	238,958	2,352	-	241,310
Total Assets	$ 41,772,430	$ 2,266,496	$ 703,201	$ 44,742,127
LIABILITIES AND FUND BALANCES				
Liabilities:				
Vouchers Payable	$ 14,813,441	$ 26,992	$ 184,378	$ 15,024,811
Warrants Payable - Clearing	2,848,162	25,303	-	2,873,465
Payroll Benefits Payable	2,040,969	14,121	-	2,055,090
Payroll Taxes Payable	658,522	6,407	-	664,929
Accrued Wages Payable	2,949,294	18,268	-	2,967,562
Due to Other Funds	1,086,401	-	-	1,086,401
Due to State General Fund	5,474,265	-	-	5,474,265
Stale Dated Warrants - Due to SGF	5,229	-	-	5,229
Due to Other State Agencies	55,068	-	-	55,068
Deferred Revenue	1,037,717	-	-	1,037,717
Other Liabilities	78,600	-	-	78,600
Total Liabilities	31,047,668	91,091	184,378	31,323,137
Fund Balances:				
Reserved for:				
Inventories	5,056,220	-	-	5,056,220
Prepaid Expenses	238,958	-	-	238,958
Subsequent Years Expenditures	185,006	545,700	-	730,706
Petty Cash & Imprest Accounts	2,075	-	-	2,075
Unreserved (Deficit)				
Designated for Future Expenditures	5,242,503	1,629,705	518,823	7,391,031
Total Fund Balance	10,724,762	2,175,405	518,823	13,418,990
Total Liabilities and Fund Balance	$ 41,772,430	$ 2,266,496	$ 703,201	$ 44,742,127

* Includes SHARE funds 89800, 90700, and 91500.

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2008

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

Total Fund Balances - Governmental Funds (Governmental Funds Balance Sheet)		$ 13,418,990
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Buildings	$ 40,815,016	
Improvements other than buildings	1,477,246	
Machinery and Equipment	19,157,296	
Automotive	2,922,403	
Accumulated depreciation	(27,748,433)	
Total Capital Assets		36,623,528
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences Payable		(4,472,474)
Net Assets of Governmental Activities (Statement of Net Assets)		$ 45,570,044

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2008

	General Fund SHARE System Fund *	Community Corrections Special Revenue Fund SHARE System Fund 90200	State Capital Projects Fund SHARE System Fund 99700	Total
Revenues				
Other State Funds	$ 15,864,607	$ 662,806	$ -	$ 16,527,413
Federal Grants	2,812,914	-	-	2,812,914
Total Revenues	18,677,521	662,806	-	19,340,327
Expenditures, Current				
Personal Services & Employee Benefits	130,193,374	798,786	-	130,992,160
Contractual Services	47,680,010	8,661	-	47,688,671
Other	103,003,995	3,245,991	31,215	106,281,201
Expenditures, Capital Outlay	5,657,159	-	324,794	5,981,953
Total Expenditures	286,534,538	4,053,438	356,009	290,943,985
Excess (deficiency) Revenues over Expenditures	(267,857,017)	(3,390,632)	(356,009)	(271,603,658)
Other Financing Sources (uses)				
State General Fund Appropriations	274,272,000	3,881,200	-	278,153,200
Intra-Agency Transfers-In	1,031,400	-	-	1,031,400
Inter-Agency Transfers-In	1,373,037	-	-	1,373,037
Intra-Agency Operating Transfers-Out	(1,031,400)	-	-	(1,031,400)
Inter-Agency Operating Transfers-Out	-	-	-	-
Reversions to State General Fund	(5,746,352)	-	-	(5,746,352)
Net Other Financing Sources (uses)	269,898,685	3,881,200	-	273,779,885
Net Change in Fund Balance	2,041,668	490,568	(356,009)	2,176,227
Fund Balance, Beginning of Year	8,683,094	1,684,837	1,874,832	12,242,763
Fund Balance Restatement	-	-	(1,000,000)	(1,000,000)
Fund Balance, Beginning of Year, restated	8,683,094	1,684,837	874,832	11,242,763
Fund Balance, End of Year	$ 10,724,762	$ 2,175,405	$ 518,823	$ 13,418,990

* Includes SHARE funds 89800, 90700, and 91500.

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

Net Change in fund balances - Total Governmental Funds (Statement of Revenue, Expenditures and Changes in Fund Balance)		$ 2,176,227
Amounts reported for governmental activities in the Statement of Activities are different because:		
Repayment of Capital Lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		876,000
In the statement of activities, certain operating expenses - compensated absences (sick and annual leave) and judgement and claims are measured by the amounts earned during the year. In the Governmental funds, however, expenditure for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The decrease (increase) in the liability for the year is:		
Capital Asset Deletions	$ (10,814)	
Compensated Absences and Claims and Judgements	(298,215)	
		(309,029)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 5,981,953	
Depreciation Expense	(3,101,416)	
Excess of Depreciation Expense over Capital Outlay		2,880,537
Change in net assets of governmental activities (Statement of Activities)		$ 5,623,735

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance Favorable	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	(Unfavorable)	Differences	GAAP Basis
Revenues						
Other State Funds	$ 14,083,200	$ 14,685,232	$ 15,864,607	$ (1,179,375)	$ -	$ 15,864,607
Federal Funds	343,000	2,642,534	2,812,914	(170,380)	-	2,812,914
Total Revenues	14,426,200	17,327,766	18,677,521	(1,349,755)	-	18,677,521
Expenditures, Current						
Personal Services &						
Employee Benefits	129,180,300	131,546,789	130,193,374	1,353,415	-	130,193,374
Contractual Services	43,060,100	49,795,284	47,680,010	2,115,274	-	47,680,010
Other	118,217,504	114,304,665	103,003,995	11,300,670	-	103,003,995
Expenditures, Capital Outlay	-	-	5,657,159	(5,657,159)	-	5,657,159
Total Expenditures	290,457,904	295,646,738	286,534,538	9,112,200	-	286,534,538
Excess (deficiency) Revenues over Expenditures	(276,031,704)	(278,318,972)	(267,857,017)	(10,461,955)	-	(267,857,017)
Other Financing Sources (uses)						
State General Fund Appropriation	274,601,500	274,272,000	274,272,000	-	-	274,272,000
Transfers-In	1,417,000	2,404,436	2,404,437	(1)	-	2,404,437
Cash Balance Re-Budgeted	1,044,604	2,673,936	-	2,673,936	-	-
Operating Transfers-Out	(1,031,400)	(1,031,400)	(1,031,400)	-	-	(1,031,400)
Reversions to State General Fund	-	-	(5,746,352)	5,746,352	-	(5,746,352)
Net Other Financing Sources (uses)	276,031,704	278,318,972	269,898,685	8,420,287	-	269,898,685
Net Change in Fund Balance	$ -	$ -	$ 2,041,668	$ (2,041,668)	$ -	2,041,668
Fund Balance, Beginning of Year,						8,683,094
Fund Balance, End of Year						$ 10,724,762

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY CORRECTIONS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	Budgeted Amounts		Actual Amounts	Variance Favorable	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	(Unfavorable)	Differences	GAAP Basis
Revenues						
Other State Funds	$ 51,700	$ 51,700	$ 662,806	$ (611,106)	$ -	$ 662,806
Federal Funds	-	-	-	-	-	-
Total Revenues	51,700	51,700	662,806	(611,106)	-	662,806
Expenditures, Current						
Personal Services &						
Employee Benefits	833,700	833,700	798,786	34,914	-	798,786
Contractual Services	57,300	57,300	8,661	48,639	-	8,661
Other	3,587,600	3,587,600	3,245,991	341,609	-	3,245,991
Expenditures, Capital Outlay	-	-	-	-	-	-
Total Expenditures	4,478,600	4,478,600	4,053,438	425,162	-	4,053,438
Excess (deficiency) Revenues over Expenditures	(4,426,900)	(4,426,900)	(3,390,632)	(1,036,268)	-	(3,390,632)
Other Financing Sources (uses)						
State General Fund Appropriation	3,881,200	3,881,200	3,881,200	-	-	3,881,200
Reimbursement	-	-	-	-	-	-
Cash Balance Re-budgeted	545,700	545,700	-	545,700	-	-
Operating Transfers-Out	-	-	-	-	-	-
Reversions to State General Fund	-	-	-	-	-	-
Net Other Financing Sources (uses)	4,426,900	4,426,900	3,881,200	545,700	-	3,881,200
Net Change in Fund Balance	$ -	$ -	$ 490,568	$ (490,568)	$ -	490,568
Fund Balance, Beginning of Year						1,684,837
Fund Balance, End of Year						$ 2,175,405

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 459,272
Receivables (net of allowance for doubtful accounts)	104,948
Interest Receivable	3,094
Due from Other Funds	1,086,260
Due from Other State Agencies	564,471
Inventories	1,975,486
Total Current Assets	4,193,531
Noncurrent Assets:	
Capital Assets:	
Machinery and Equipment	1,994,011
Buildings and Improvements	630,488
Automotive	639,612
Less Accumulated Depreciation	(2,800,034)
Total Noncurrent Assets	464,077
Total Assets	4,657,608
LIABILITIES	
Accounts Payable	438,765
Accrued Wages Payable	99,765
Compensated Absences Payable	118,913
Total Liabilities	657,443
NET ASSETS	
Invested in Capital Assets	464,077
Unrestricted	3,536,088
Total Net Assets	$ 4,000,165

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

OPERATING REVENUES	
Sales	$4,847,376
OPERATING EXPENSES	
Cost of Goods Sold:	
Cost of Materials Used	2,283,484
Direct Labor (inmate payroll)	439,434
Manufacturing and Administrative Overhead	2,544,436
Change in Work in Process and Finished Goods Inventory, Net	(151,278)
Depreciation Expense	120,326
Total Operating Expenses	5,236,402
OPERATING INCOME (LOSS)	(389,026)
Nonoperating revenue (expense):	
General Fund Subsidy	329,500
Interest on Deposits with State Treasurer	33,307
Miscellaneous Expense	(40,763)
Gain / (Loss) Equipment Disposal	15,905
Total nonoperating revenue / (expense)	337,949
CHANGE IN NET ASSETS	(51,077)
Total Net Assets, July 1, 2007	4,051,242
Total Net Assets, June 30, 2008	$4,000,165

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

Cash Flows from Operating Activities:	
Cash Received from Customers	$ 4,847,376
Cash Payments to Suppliers for Goods and Services	(2,824,135)
Cash Payments to Employees for Services	(2,099,885)
Cash Payments to Inmates for Services	(439,434)
Net Cash Used by Operating Activities	(516,078)
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(74,080)
Net Cash Used by Capital and Related Financing Activities	(74,080)
Cash Flows from Investing Activities:	
Interest Income	51,593
General Fund	329,500
Net Cash Received from Investing Activities	381,093
Net Increase (Decrease) in Cash	(209,065)
Cash at Beginning of Year (including petty cash)	668,337
Cash at End of Year	$ 459,272
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	(389,026)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	120,326
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(15,916)
(Increase) Decrease in Interest Receivable	(3,094)
(Increase) Decrease in Due from Other Funds	(376,170)
(Increase) Decrease in Due from Other State Agencies	387,598
(Increase) Decrease in Inventory	(19,927)
Increase (Decrease) in Accounts Payable	(201,231)
Increase (Decrease) in Compensated Absences Payable	3,026
Increase (Decrease) in Accrued Wages Payable	23,133
Increase (Decrease) in Other Liabilities	(37,662)
Increase (Decrease) in GGRT Payable	7,865
Increase (Decrease) Deferred Revenue	(15,000)
Total Adjustments and Changes	(127,052)
Net Cash Provided (Used) by Operating Activities	$ (516,078)

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
AS OF JUNE 30, 2008

	Inmate Trust Account
ASSETS	
Cash	$ 1,231,406
Due from Others	354,823
Total Assets	$ 1,586,229
LIABILITIES	
Due to Other State Agencies	$ 27,647
Due to Private Prisons	4,142
Deposits Held for Others	1,554,440
Total Liabilities	1,586,229
NET ASSETS	
Total Net Assets	$ -

* Please refer to Schedule of Changes in Assets and Liabilities on page 81 for detail information.

The accompanying notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

NEW MEXICO CORRECTIONS DEPARTMENT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2008

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NOTE 1: HISTORY, MISSION AND ORGANIZATION

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

The mission of the Department is to provide a balanced system approach to corrections from incarceration to community-based supervision with training, education, programs and services that provide opportunities for offenders to transition to communities. To perform this mission, the following departmental organization has been established in part by Chapters 9 and 33, NMSA 1978:

Corrections Industries Commission

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

Community Corrections Advisory Panel

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

Office of the Secretary

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

Adult Prisons Division

The Director of the Adult Prisons Division is responsible to the Deputy Secretary of Operations to provide humane, safe, secure and cost effective correctional facilities for adult male and female inmates, thereby providing for the safety of the general public.

Administrative Services Division

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

Probation and Parole Division

The Director of the Probation and Parole Division is responsible to the Deputy Secretary of Operations to provide a diversity of sentencing alternatives, which substantially reduces costs associated with criminal sanctions while supporting the purpose of the Department.

Training Academy Division

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

Corrections Industries Division

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the New Mexico Corrections Department (the Department) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement #20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

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

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

A. FINANCIAL REPORTING ENTITY

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

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

In accordance with the criteria set forth in GASB # 14 for determining component units, the Department does not have component units.

B. BASIC FINANCIAL STATEMENTS – GASB STATEMENT #34

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

The program revenues must be directly associated with the function or a business-type activity. The Department includes only one function (public safety and corrections).

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

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

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

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

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

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

C. BASIS OF PRESENTATION

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

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

The Department uses the following fund types:

Governmental Fund Types

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

General Fund:

The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund sources are comprised of SHARE System Fund 89800 - Building Fund, SHARE System Fund 90700 – General Operating Fund, and SHARE System Fund 91500 – Probation & Parole Fund.

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

Permanent Fund Income and Land Income (§33-1-18/19 NMSA 1978 and §33-2-2 NMSA 1978) to which the Department is a beneficiary.

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

Special Revenue Fund

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

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

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

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

State Capital Projects Fund

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

Proprietary Fund Types

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

Enterprise Fund

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

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

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

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

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

Fiduciary Fund Types

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

Agency Fund

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

Non-Current Governmental Assets/Liabilities

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

D. BASIS OF ACCOUNTING

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

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

Accrual

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

Modified Accrual

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

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

Operating Revenues

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

E. BUDGETS AND BUDGETARY ACCOUNTING

The New Mexico State Legislature makes annual appropriations to the Department, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (modified cash-basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are both the original appropriation and the final authorized amounts as legally revised during the year. As per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections N and O, "the State of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices (MAPS) issued by the Department of Finance and Administration, except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4, NMSA 1978. Those accounts payable that do not get paid timely must be paid out of next year's budget. The State Budget Division is specifically authorized to approve budgets in accordance with GAAP and the authority to extend the availability period of an appropriation through the use of an encumbrance shall follow the modified accrual basis of accounting for governmental funds in accordance with the MAPS issued by the Department of Finance and Administration."

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

The budgetary basis differs from the basis of accounting required by generally accepted accounting principles (GAAP). Significant differences between the budgetary basis and GAAP include the following:

1. The budget does not consider reversions or other transfers to or from other agencies.

2. The budget includes encumbrances (obligations for unperformed contracts for goods or services). GAAP does not include encumbrances.

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

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.

2. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.

3. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.

4. Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The Budget Division of DFA reviews and approves the operating budget, which becomes effective on July 1.

5. Formal budgetary integration is employed as a management control device during the fiscal year for the General, Special Revenue, Capital Projects and Enterprise Funds.

F. ENCUMBRANCES

With the Laws of 2004, Chapter 114, "General Appropriations" establishing the modified accrual basis of accounting for governmental funds as the budgetary basis of accounting for the State of New Mexico, there are no encumbrances outstanding at year-end for the exception of the *State Capital Projects Fund, fund 99700.* Encumbrances outstanding in this fund at year-end are reported as reservations of fund balance on the balance sheets (in the fund financial statements) and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Fund 99700 is a multiple year appropriation that do not lapse at year-end.

G. ASSETS, LIABILITIES AND FUND EQUITY

1. Cash & Cash Equivalents

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

The fair value of the investments maintained at the New Mexico State Treasurer's Office are as follows at June 30, 2008.

Investment	Maturities	Fair Value *
New Mexico State Treasurer's Office:		
General Fund Investment Pool	1 day to 3 years	$ 37,840,203
Petty Cash held by the Department		5,325
Total Cash and Cash Equivalents		$ 37,845,528

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

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

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

Accounts Receivable:

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

Accounts Receivable consists of the following:

	General Fund	Enterprise Fund	Total
Accounts Receivable	$ 258,697	$ 395,218	$ 653,915
Less: Allowance for doubtful accounts	(105,436)	(290,270)	(395,706)
Net Accounts Receivable	$ 153,261	$ 104,948	$ 258,209

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 from / Due to Other Funds

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

Inter-fund receivables and payables as of June 30, 2008 consist of the following:

Inter-fund Receivables

Fund Type	SHARE Fund Number	Due From Other Funds	Due From SHARE Fund Number	Amount
Enterprise Fund	07700	$ 1,086,260	90700	$ 937,363
			91500	148,897
Special Revenue Fund	90200	141	91500	141
Totals		$ 1,086,401		$ 1,086,401

Inter-fund Payables

Fund Type	SHARE Fund Number	Due to Other Funds	Due to SHARE Fund Number	Amount
General Fund	90700	$ 937,363	07700	$ 937,363
General Fund	91500	148,897	07700	148,897
General Fund	91500	141	90200	141
Totals		$ 1,086,401		$ 1,086,401

2. Due to / Due from Other State Agencies

These amounts represent receivables and payables arising from transactions between the Department and other State agencies. Balances in these accounts relate to (1) joint powers agreements (JPA) between the Department and various other State agencies to provide inmate work crews, (2) goods and services provided to the Department by other State agencies, and (3) other items required to be accrued from other agencies per GAAP.

Inter-agency receivables and payables as of June 30, 2008 consist of the following:

Interagency Receivables

Fund Type	SHARE Fund Number	Due From Other Agencies	Due From SHARE Agency Number	Due From SHARE Fund Number	Amount
General Fund	90700	$ 1,239,448	33700	60100	$ 782,529
			34101	85300	329,500
			80500	20100	67,279
			34100	76100	51,410
			52100	19900	7,480
			Various	Various	1,250
State Capital Projects	99700	100,000	34100	66400	100,000
Enterprise Fund	07700	564,471	63000	05200	130,693
			69000	06700	63,522
			80500	20100	84,694
			Various	Various	285,562
Totals		$ 1,903,919			$ 1,903,919

Interagency Payables

Fund Type	SHARE Fund Number	Due to Other Agencies	Due to SHARE Agency Number	Due From SHARE Fund Number	Amount
Agency Fund	55700	$ 27,647	78000	06300	$ 27,647
General Fund	90700	9,005	35000	36500	8,718
			30500	17000	222
			35000	64100	65
General Fund	91500	46,063	69000	06702	46,063
Totals		$ 82,715			$ 82,715

3. Inventories

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

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

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

Raw Materials	$	829,899
Work in Progress		220,384
Display Inventory		1,847
Finished Goods		923,356
Total Inventory	$	1,975,486

4. Prepaid Items

These amounts represent prepayment of postage and fuel, which has benefit to the Department beyond the fiscal year, ending June 30, 2008. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used.

5. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. House Bill 1074 was enacted that amended the Audit Act for the capitalization threshold. House Bill 1074 effective date was June 17, 2005 and as a result, the State's capitalization policy threshold was changed from $1,000 to $5,000 requiring agencies to capitalize only acquisitions greater than $5,000. Assets purchased prior to the new capitalization threshold were not removed from the agency's listing but will remain on the inventory list and will continue to be depreciated until the asset is fully depreciated. However, all capital outlay purchases may not necessarily be capitalized.

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

- Building and Improvements – 40 years
- Improvements other than Buildings – 20 years
- Machinery and Equipment
  - Other Personal Property – 12 years
  - Software – 3 years
  - Furniture and Fixtures – 10 years
- Automotive – 5 years

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

Construction period interest, if any, is capitalized in the proprietary fund. There was no construction period interest capitalized in 2008. There was no purchased or in-house developed software to capitalize as of year-end.

6. Compensated Absences

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

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

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

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

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

7. Deferred Revenues

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

8. Due To State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (total budget for the category) to the unexpended amount for the budget category at fiscal year-end.

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

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

i) Enterprise Funds/Other State Funds – Corrections Industries Revolving Fund (Fund 07700). All revenues generated from sales and services and from other types revenues, which are specifically earned by and applied to the Corrections Industries Division, are non-revertible funds, except for any appropriated General Fund or grant funds awarded to this specific organization. Budget is established in Corrections Industries, program code P533. [Section 33-8-7 NMSA 1978]

ii) Building Fund (Fund 89800). Revenues, which support the Building Fund, are non-revertible. The source of the revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. These revenues support expenditures for the payment of the Central Office and Training Academy Complex, which are budgeted in Program Support, program code P530. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]

iii) Community Corrections Grant Fund (Fund 90200). General Appropriations made to this fund do not revert to the State General Fund. Additionally, any unexpended appropriations to this fund are classified as Cash Balance, which is made up from either designated or undesignated cash balance or from non-expended budgeted cash balance. Revenue and expenditure budget is established in Community Corrections/Vendor Run, program code P535. [Section 33-9-3 NMSA 1978]

iv) Permanent Fund Income (Fund 90700). Revenues, which support the general operating expenditures at the Penitentiary of New Mexico and identified as such, are non-revertible. The source of these revenues is from State Permanent Fund income, both Regular and Charitable. The State Investment Council distributes this income to the Department on a monthly basis. This distribution commences 35 days from the previous months end date. Budget for revenues and expenditures are established in Inmate Management and Control, program code P531. [Section 33-1-18, 33-1-19 and 33-2-2 NMSA 1978]

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

vi) Probation and Parole Fees (Fund 90200 and 91500). All Probation and Parole fees collected by the Department are non-revertible funds. Accordingly, all budgeted Cash Balance revenues from these fees that are not used to support current year operations are also not revertible to the State General Fund. Revenue and expenditure budgets are established in both Community Corrections, program code P535 and in Community Offender Management, program code P534. [Section 31-20-6 and 31-21-13.1 NMSA 1978]

vii) Grant Funds (All Funds). Grant funds from any governmental source, such as Federal or state, direct or indirect, do not revert to the State General Fund unless specifically identified in the grant contract or appropriation law. Instead, any over drawn grant funds must be reverted to the granting agency. Currently, all grants in operation by the Department are in the form of a reimbursement basis, whereby reimbursement for grant costs is requested from the granting agency after the grant related expenditure has occurred. [Section 6-5-10 NMSA 1978]

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund. Amounts recovered during fiscal year 2008 in the amount of $272,087 was reverted from fund 91500 during the fiscal year and not included in the amount listed below. Amounts due to the State General Fund for the year ending June 30, 2008 were paid in September 2008 (estimated amount) and a second cash transfer was paid in November 2008.

Current year reversions D*ue to the State General Fund* as of June 30, 2008 were as follows:

General Fund	SHARE System Fund 90700	SHARE System Fund 91500	Total
Current Year:			
BFY 08 Reversions	$ 4,421,671	$ 662,614	$ 5,084,285
FY 08 Excess Revenues Over Budget	227,048	28,709	255,757
Prior Year:			
Prior Year Refunds	122,868	129	122,997
Prior Year Reimbursements	11,226	-	11,226
Total FY 08 Reversions	4,782,813	691,452	5,474,265
Stale Dated Warrants	5,229	-	5,229
Total Reversions Due to General Fund	$ 4,788,042	$ 691,452	$ 5,479,494

11. Reservations of Fund Balance

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

Reserved for encumbrances – State Capital Projects, fund 99700.

This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the Department but not completed as of the close of the fiscal year.

Reserved for Petty Cash Accounts

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

Reserved for Inventories and Prepaid Expenses

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

Reserved for Subsequent Year's Expenditure

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

Unreserved, Designated for Future Expenditure

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

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

H. REVENUES, EXPENDITURES AND EXPENSES

Substantially all governmental fund revenues are accrued.

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

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

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

I. NET ASSETS

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

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

Restricted Assets – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitations on their use.

Unrestricted Assets – represent unrestricted liquid assets.

J. USE OF ESTIMATES

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

K. PROGRAM REVENUES

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

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

NOTE 3: SPECIAL APPROPRIATIONS

The following describes the status of special appropriations received in fiscal year 2008.

	(1)	(2)	(3)	(4)	(5)	(6)	Total
Appropriations	$ 7,216,100	$ 500,000	$ 150,000	$ 445,000	$ 705,400	$ 1,044,604	$ 10,061,104
Expended FY 08	7,216,100	-	-	-	470,666	37,429	7,724,195
Reverted FY 08	-	-	-	-	-	-	-
Remainder	-	500,000	150,000	445,000	234,734	1,007,175	2,336,909
Amount Received	$ 7,216,100	$ -	$ -	$ -	$ 470,666	$ 37,429	$ 7,724,195

1) Laws of 2007, Chapter 28, Section 4 – "Compensation Appropriations". The purpose of the appropriation is for salary increases subject to satisfactory performance for incumbents in agencies covered by the Personnel Act. The appropriation was to the Department of Finance and Administration for distribution to all state agencies and encompasses all funding sources. The general fund is distributed to agencies via an operating transfer from DFA with the source listed as "general fund". Appropriation Period: 7/1/2007 – 6/30/2008. Outstanding Encumbrances: -0-. Unencumbered Balance: -0-.

2) Laws of 2008, 2nd session, Chapter 3, Section 5, "Special Appropriations". Item 85. The purpose of the appropriation is for equipment and security improvements at correctional facilities and probation and parole offices. The appropriation was budgeted within the general operating funds 90700 and 91500, $405,000 and $95,000, respectively. Appropriation Period: 7/1/2007 – 6/30/2009. Outstanding Encumbrances: -0-. Unencumbered Balance: -$500,000.

3) Laws of 2008, 2nd session, Chapter 3, Section 5, "Special Appropriations". Item 87. The purpose of the appropriation is for the purchase of modular units. The appropriation was budgeted within the general operating funds 90700 in the amount of $150,000. Appropriation Period: 7/1/2007 – 6/30/2009. Outstanding Encumbrances: -0-. Unencumbered Balance: -$150,000.

4) Laws of 2008, 2nd session, Chapter 3, Section 5, "Special Appropriations". Item 88. The purpose of the appropriation is to purchase an emergency generator and to build a vehicle service bay with storage unit. The appropriation was budgeted within the general operating funds 90700 in the amount of $445,000. Appropriation Period: 7/1/2007 – 6/30/2009. Outstanding Encumbrances: -0-. Unencumbered Balance: -$445,000.

5) Laws of 2007, Chapter 28, Section 5, "Special Appropriations", Item 86. The purpose of the appropriation is to install video conferencing telecommunications. The appropriation was budgeted within the Program Support program. Laws of 2008, Chapter 3, Section 5, Item 89 extends the appropriation period through the end of fiscal year 2009. Appropriation Period: Extends through the end of fiscal year 2009 (6/30/2009). Outstanding Encumbrances: -0-. Unencumbered Balance: $234,734.

6) Laws of 2006, Chapter 109, Section 7, – "Data Processing Appropriations" (27) appropriated $300,000 for the purpose of converting and customizing the booking module into multiple tiers. In addition $720,000 was appropriated for the purpose of transitioning and modifying the Criminal Management Information System into a web-based system. Laws of 2007, Chapter 28, Section 7, Item 27 extended the appropriation period through the end of fiscal year 2008, in addition, authorizing the release of $24,604 originally appropriated in Laws of 2003, Chapter 76, Section 7. Laws of 2008, Chapter 3, Section 7, Item 31 extends the appropriation period through the end of fiscal year 2010. The appropriation was budgeted within the Computer Systems Enhancement. Appropriation Period: Extends through the end of fiscal year 2010 (6/30/2010). Outstanding Encumbrances: -0-. Unencumbered Balance: $1,007,175.

NOTE 4: CASH

A. Pledged Collateral

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

On June 30, 2008, the Corrections Department had one bank account with a balance above $100,000:

	Wells Fargo Bank
Total Amount on Deposit	$ 1,256,878
Less: Amount covered by FDIC	(100,000)
Total Uninsured Funds	1,156,878
Amount requiring collateral (50%)*	$ 578,439

Collateralization held by Bank of America:	Market Value
FNCT 6.00% due 05/01/35 (31402RF79), par value $11,175,000	$ 5,048,266
FNCT 6.00% due 07/01/36 (314003DML0), par value $22,500,000	16,014,511
FNCT 6.00% due 07/01/37 (31413CG78), par value $615,000	576,641
	21,639,418
Less: Collarteralization required	578,439
Overcollateralization	$ 21,060,979

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

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

NOTE 4: CASH (continued)

B. Schedule of Cash Accounts Including Investments held at the State Treasurer's Office

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

SHARE System Fund No.	Type of Account	Interest Bearing	Bank/DFA Statement Balance at 06/30/08	Reconciled Book Balance at 06/30/08
90700	State Treasury	No	$ 28,473,854	$ 28,978,665
89800	State Treasury	No	792,778	792,778
91500	State Treasury	No	5,293,890	4,745,534
N/A	Petty Cash	No	2,075	2,075
			34,562,597	34,519,052
90200	State Treasury	No	2,251,533	2,264,003
			2,251,533	2,264,003
7700	State Treasury	Yes	424,949	456,022
N/A	Petty Cash	No	3,250	3,250
			428,199	459,272
99700	State Treasury	No	603,201	603,201
			603,201	603,201
55700	Checking	No	1,256,878	1,231,406
			1,256,878	1,231,406

NOTE 5: CAPITAL ASSETS

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

	Beginning Balance 07/01/07	Additions	Deletions	Ending Balance 06/30/08
Governmental-type Activities:				
Buildings and Improvements	$ 36,818,342	$ 3,996,674	$ -	$ 40,815,016
Improvements other than Buildings	1,187,413	289,833	-	1,477,246
Machinery and Equipment	18,288,833	1,341,193	(472,730)	19,157,296
Automotive	2,593,291	354,253	(25,141)	2,922,403
Total Capital Assets at Historical Cost	58,887,879	5,981,953	(497,871)	64,371,961
Less: Accumulated Depreciation				
Buildings and Improvements	10,704,983	1,580,896	-	12,285,879
Improvements other than Buildings	285,179	61,877	-	347,056
Machinery and Equipment	11,744,250	1,354,893	(461,916)	12,637,227
Automotive	2,399,662	103,750	(25,141)	2,478,271
Total Accumulated Depreciation	25,134,074	3,101,416	(487,057)	27,748,433
Governmental Activities Capital Assets, Net	$ 33,753,805	$ 2,880,537	$ (10,814)	$ 36,623,528
Business-type Activities:				
Buildings and Improvements	$ 630,488	$ -	$ -	$ 630,488
Machinery and Equipment	2,011,217	-	(17,206)	1,994,011
Automotive	584,426	74,080	(18,894)	639,612
Total Capital Assets at Historical Cost	3,226,131	74,080	(36,100)	3,264,111
Less: Accumulated Depreciation				
Machinery and Equipment	1,763,904	44,595	-	1,808,499
Buildings and Improvements	404,550	34,361	(18,894)	420,017
Automotive	547,234	41,370	(17,086)	571,518
Total Accumulated Depreciation	2,715,688	120,326	(35,980)	2,800,034
Enterprise Fund Capital Assets, Net	$ 510,443	$ (46,246)	$ (120)	$ 464,077

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

NOTE 6: RETIREMENT PLANS (STATE PERA & ERA)

PERA Plan Description

Substantially all of the Corrections Department's full time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. A copy of that report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

PERA plan members are required to contribute 7.42% of their gross salary for non-custody employees and 4.78% of their gross salary for custody employees. The Corrections Department is required to contribute 16.59% of the gross salary for non-custody employees and 25.72% of the gross salary for custody employees. The contribution requirements of plan members and the Corrections Department is established in State statue under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Corrections Department contributions to PERA for the years ending June 30, 2008, 2007, and 2006, were $8,353,900, $13,811,420, and $13,425,963 respectively, which equal the amount of the required contributions for each year.

ERA Plan Description

Some of the Corrections Department full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11 NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, New Mexico, 87502. The report is also available on ERB's website at www.nmerb.org.

ERA Funding Policy

ERA plan members are required to contribute 7.42% of their gross salary. The Corrections Department is required to contribute 10.9% of the gross covered salary. The contribution requirements of plan members and the Corrections Department are established in Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Corrections Department's contributions to ERB for the years ending June 30, 2008, 2007, and 2006, were $829,632, $442,071, and $363,823, respectively, equal to the amount of the required contributions for each year. Beginning July 1, 2005, the employee contributions will increase annually until July 1, 2008 when the employee contributions will cap at 7.9% of the employee's salary. Also, beginning July 1, 2005 the employer contributions will increase annually by 0.75% until July 1, 2011 when the employer contributions will cap at 13.9% of the employee's salary.

NOTE 7: RETIREE HEALTH CARE

The State of New Mexico is an employer who participates in a cost sharing multiple-employer plan for post-employment benefits other than pensions (OPEB). The New Mexico Retiree Health Care Authority (NMRHCA) is the administrator of the plan.

RHC Plan Description

The Corrections Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care

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

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

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

Funding Policy

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

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. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Corrections Department contributions to the RHCA for the years ended June 30, 2008, 2007, and 2006 were $1,702,769, $1,489,183, and $1,445,313, respectively, which equal the required contributions for each year.

NOTE 8: FUNDS HELD IN TRUST BY OTHERS

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

The Department is also an income beneficiary of a portion of the State Charitable, Penal and Reformatory Institutions Permanent Fund derived from trust lands assigned to PNM by the Fergusson Act of 1898 and the New Mexico Enabling Act of 1910.

Responsibility for the investment of the State Permanent Fund resides with the State Investment Officer. Because the Department does not control the funds, they are not reflected in the accompanying financial statements. Income from the trust is required to be used for the care and custody of adult offenders and is recognized in the general fund as a component of other state fund revenues.

At June 30, 2008 the value of the Department's interest in the State Permanent Fund was $205,057,659 at market. Income from the trust for the year then ended was $9,387,740.

The value of the Department's interest in the State Charitable, Penal and Reformatory Institutions Fund was 1/7th of the fair market value, which was $94,387,179 at June 30, 2008. Income from the trust for the year then ended was $614,383.

NOTE 9: CAPITAL LEASE

The Corrections Department was obligated under a lease, accounted for as a capital lease, for buildings and structures, furniture, fixtures and equipment, comprising the Central Office Administration Building and the Training Academy Complex. The lessor was the AT&T Credit Corporation. The leased assets and related obligations were accounted for in the Statement of Net Assets. On January 2008, this obligation was paid off and title will be transferred to the Department for no consideration. Rent expenditures were budgeted in ASD, to be paid solely from Permanent Fund income, specifically appropriated on an annual basis by the Legislature. Interest expense for the year ended June 30, 2008 was $34,383, which is included in direct expenses on the accompanying Statement of Activities.

There are no future lease obligations as of June 30, 2008 and is indicated below:

Year Ended June 30,	
2009 and thereafter	$ -
Total Minimum Lease Payments	-
Less: Amount Representing Interest	-
Present Value of Minimum Lease Payments	$ -

NOTE 10: OPERATING LEASE COMMITMENTS

The Department is obligated for office space lease agreements for Probation and Parole Division field offices, copier and mailing equipment leases Department wide, and GSD Motor Transportation Pool vehicle leases Department wide, all being accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations; therefore, the results of these lease agreements are not reflected in the Department's account groups.

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

Year Ended June 30,	
2009	$ 3,222,981
2010	2,452,677
2011	2,128,145
2012	1,952,956
2013	1,717,687
Thereafter	2,437,021
Total Minimum Lease Payments	$ 13,911,467

During the year ended June 30, 2008, general fund operating lease expenditures for facilities, vehicles, and equipment totaled $4,320,845.

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

2009	$ 1,332,833
2010	1,332,833
2011	1,332,833
2012	1,332,833
2013	1,332,833
Total Minimum Lease Payments	$ 6,664,165

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

Year Ended June 30,	
2009	$ 135,000
2010	135,000
Total Minimum Lease Payments	$ 270,000

NOTE 11: CHANGES IN LONG-TERM LIABILITIES

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

Compensated Absences:	Balance Beginning	Increase	(Decrease)	Balance Ending*
Annual Leave	$ 3,957,510	$ 3,881,489	$ (3,649,934)	$ 4,189,065
Compensatory Leave	114,378	198,877	(114,379)	198,876
Sick Leave	102,371	217,042	(234,880)	84,533
	4,174,259	4,297,408	(3,999,193)	4,472,474
Capital Leases	876,000	-	(876,000)	-
Total Long-Term Liabilities	$ 5,050,259	$ 4,297,408	$ (4,875,193)	$ 4,472,474

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

Compensated Absences:	Balance Beginning	Increase	(Decrease)	Balance Ending*
Annual Leave	$ 115,887	$ 86,613	$ (83,587)	$ 118,913
Total Long-Term Liabilities	$ 115,887	$ 86,613	$ (83,587)	$ 118,913

*The estimated amount expected to be paid for Compensated Absences within one year is $4,472,474, which is listed on the Statement of Net Assets on page 13. The General Operating Funds typically have been used to liquidate long-term liabilities like capital leases and compensated absences. The General Operating Funds used are SHARE funds 89800, 90200, 90700, and 91500. The entire balance of $118,913 for the business-type activities is expected to be paid for within one year.

NOTE 12: OTHER FINANCING SOURCES AND OPERATING TRANSFERS

Transfer In/Out:

During the fiscal year, the Department received funds that were recorded as " Other Financing Sources" in the financial records. These amounts include State General Fund Appropriations (1) $278,153,200 which includes $7,216,100 was appropriated to Department of Finance & Administration for distribution to the Corrections Department as part as a compensation increase for its employees. (2) $231,980 was received from GSD Risk Management Division for costs related to legal staff defending the Department on Pro Se cases. (3) $1,141,057 was received as a reimbursement of funds held until capital lease comprising of the Central Office Administration Building and Training Academy Complex was paid off. The department also had a Intra-Agency transfer which includes (4) $1,031,400 from Program Support to the ASD Building Fund to pay for the building lease and maintenance. (5) The department transferred to the State General Fund as part of its reversions $5,746,352. This amount includes $272,087 that was reverted from fund 91500 during the fiscal year for prior year recovered funds (additional information regarding this amount can be found in Note 2-9 starting on page 36). The following is a breakdown of these transactions by fund:

	SHARE Agency / Fund	Transfer In	Transfer Out
State General Fund Appropriations			
(1) SHARE System Fund 90200	34100-85300	$ 3,828,400	$ -
(1) SHARE System Fund 90200	34100-62000	52,800	-
(1) SHARE System Fund 90700	34100-85300	238,974,400	-
(1) SHARE System Fund 90700	34100-62000	6,082,100	-
(1) SHARE System Fund 91500	34100-85300	28,134,300	-
(1) SHARE System Fund 91500	34100-62000	1,081,200	-
Total State General Fund Appropriations		$ 278,153,200	$ -
General Fund			
(2) SHARE System Fund 90700	35000-35700	$ 231,980	$ -
(3) SHARE System Fund 89800		1,141,057	-
Total Operating Transfers - General Fund		$ 1,373,037	$ -
Intra-Agency Transfers			
(4) SHARE System Fund 90700	77000-89800	$ -	$ 1,031,400
(4) SHARE System Fund 89800	77000-90700	1,031,400	-
Total Operating Transfers - Intra-Agency Transfers		$ 1,031,400	$ 1,031,400
State General Fund Reversions			
(5) SHARE System Fund 90700	34100-85300	$ -	$ 4,782,813
(5) SHARE System Fund 91500	34100-85300	-	963,539
Total State General Fund Reversions		$ -	$ 5,746,352

NOTE 13: CONCENTRATIONS AND INTERFUND TRANSACTIONS

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

In addition, the Enterprise Fund (Corrections Industries) conducts business with the Corrections Department General Fund in the form of sales of goods and services. These sales are at list price unless a sale price or other discount is also available to other customers. Sales to the general fund during fiscal year ended June 30, 2008 amounted to $2,440,930.

Inmates at various institutions are required to work for the institutions or provide direct labor in the Corrections Industries work programs reflected in Schedules C-1 and C-2. These inmates are compensated at nominal rates, and their earnings are paid to the credit of the inmate trust accounts reported in the Agency Fund. During fiscal year ended June 30, 2008 the Enterprise Fund incurred $439,434 in inmate wages expense.

The inmates make purchases from the facility canteen (commissaries), which result in Other State Funds revenues to the General Fund. During fiscal year ended June 30, 2008 the General Fund recorded $1,263,023 in such revenues.

NOTE 14: CONTINGENT LIABILITIES (CLAIMS & JUDGMENTS)

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

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

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

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

NOTE 15: FUND BALANCE

Unreserved, Designated for Future Expenditures:

This designation is used to restrict the use of resources from special appropriations and to restrict cash balance amounts that have been requested for re-budget in subsequent years.

The Department did not request the use of any of these funds in its fiscal year 2010 request. In addition, the Department maintains a cash balance designation for contingency purposes. This designation is less than one half of one percent (.5%) of the total operating budget.

Excess budget remaining in the Community Corrections Special revenue fund at fiscal year-end statutorily does not revert to the State General Fund. The Department has requested to use $545,700 of this amount in its fiscal year 2010 request, thereby reducing the amount of the current year appropriation request.

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

Governmental Funds	
General Operating Fund	$ 5,242,503
State Capital Projects Fund	518,823
Community Corrections Special Revenue Fund	1,629,705
	$ 7,391,031

Reserved for Subsequent Year Expenditure

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

The following is a breakout of the Reserved for Subsequent Year Expenditures appropriated by the New Mexico State Legislature for use in fiscal year 2008:

Reserved for Subsequent Years Expenses	
Governmental Funds	
General Operating Fund	$ 185,006
Community Corrections Special Revenue Fund	545,700
	$ 730,706

NOTE 16: RESTATEMENT DISCLOSURE

To comply with Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the Department has changed its accounting treatment of capital project appropriations financed with bond proceeds.

Prior to the change, the Department recognized—in the year the capital project appropriations were authorized by the Legislature—the entire amount of bond proceeds related to capital project appropriations. It also recognized a corresponding liability, due to project recipients, and the expenditure related to that. It did not take into account the impact of eligibility requirements: Under the modified accrual basis of accounting, GASBS 33 requires that the recognition of revenues and expenditures occur only when all applicable eligibility requirements have been met. Since all of the eligibility requirements established by the State Board of Finance had not been met by the end of last fiscal year, the Department's recognition of bond proceeds and the related liability to recipients was premature.

As a result of the restatement, the June 30, 2007 fund balance and net assets in the State Capital Projects Fund, SHARE fund 99700, was decreased by $1,000,000.

NOTE 17: JPA DISCLOSURE

The Department was a party to the following Joint Power Agreements (JPA) during fiscal year 2008:

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

- Responsible Party for Operations: EMNRD Forestry
- Time period: October 14, 1997 to indefinite
- Total estimated amount of Project: $112,105
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: EMNRD
- Revenue Reported: NMCD

EMNRD Inmate Work Crews – JPA between NMCD and EMNRD to provide inmate labor to maintain state parks.

- Responsible Party for Operations: EMNRD
- Time period: July 20, 2001 to indefinite
- Total estimated amount of Project: $149,000
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08-0-
- Audit Responsibility: EMNRD
- Revenue Reported: NMCD

NOTE 17: JPA Disclosure (Continued)

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

- Responsible Party for Operations: General Services Department (GSD)
- Time period: July 1, 2004 to June 30, 2008
- Total estimated amount of Project: $894,518
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: GSD
- Revenue Reported: NMCD

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

- Responsible Party for Operations: NMCD
- Time period: September 19, 2007 to June 30, 2008
- Total estimated amount of Project: $249,700
- Portion Applicable to NMCD: $249,700
- Amount Agency Contributed in Fiscal Year 08: $245,144
- Audit Responsibility: NMCD
- Revenue Reported: ENMU

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

- Responsible Party for Operations: NMCD
- Time period: September 13 to June 30, 2008
- Total estimated amount of Project: $16,500
- Portion Applicable to NMCD: $16,500
- Amount Agency Contributed in Fiscal Year 08: $14,995
- Audit Responsibility: NMCD
- Revenue Reported: ENMU

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

- Responsible Party for Operations: NMCD
- Time period: September 25,2007 to June 30, 2008
- Total estimated amount of Project: $174,266
- Portion Applicable to NMCD: $174,266
- Amount Agency Contributed in Fiscal Year 08: $171,083
- Audit Responsibility: NMCD
- Revenue Reported: ENMU

NOTE 17: JPA Disclosure (Continued)

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

- Responsible Party for Operations: South Central Solid Waste Authority
- Time period: May 5, 2005 to Indefinite
- Total estimated amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: SCSWA
- Revenue Reported: NMCD

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

- Responsible Party for Operations: NMCD
- Time period: July 1, 2007 to June 30, 2011
- Total estimated amount of Project: $350,000
- Portion Applicable to NMCD: $350,000
- Amount Agency Contributed in Fiscal Year 08: $469,201
- Audit Responsibility: NMCD
- Revenue Reported: NMDOH

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

- Responsible Party for Operations: NMDOH
- Time period: Indefinite
- Total estimated amount of Project: $1,000,000
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: NMDOH
- Revenue Reported: NMCD

Representation for Writs of Habeas Corpus– JPA between NMCD and the Attorney General's Office to provide for representation by the Office of the Attorney General to those persons named as respondents in petitions for Writs of Habeas Corpus in federal court.

- Responsible Party for Operations: Office of the Attorney General
- Time period: Expiration date June 30, 2005
- Total estimated amount of Project: Not to exceed $12,000
- Portion Applicable to NMCD: Not to exceed $12,000
- Amount Agency Contributed in Fiscal Year 08: $2,620
- Audit Responsibility: NM Office of the Attorney General
- Revenue Reported: Attorney General's Office

NOTE 17: JPA Disclosure (Continued)

Inmate Labor – JPA between NMCD and the Department of Veteran's Affairs (DVA) to provide inmate labor for maintenance, litter control and beautification of the Santa Fe National Cemetery (SFNC). Officer and inmate wages are reimbursed by DVA.

- Responsible Party for Operations: DVA
- Time period: August 26, 2003 to indefinite
- Total estimated amount of Project: $51,840
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: DVA
- Revenue Reported: NMCD

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

- Responsible Party for Operations: EMNRD
- Time period: October 14, 1997 to Indefinite
- Total estimated amount of Project: $150,000
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: EMNRD
- Revenue Reported: NMCD

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

- Responsible Party for Operations: NMDOT
- Time period: June 25, 2007 to June 30, 2011
- Total estimated amount of Project: $711,954
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: NMDOT
- Revenue Reported: NMCD

Inmate Education – JPA between NMCD and Mesalands Community College to provide post secondary and vocational education to inmates housed in Santa Rosa, New Mexico.

- Responsible Party for Operations: NMCD
- Time period: September 19,2007 to June 30, 20087
- Total estimated amount of Project: $45,000
- Portion Applicable to NMCD: $45,000
- Amount Agency Contributed in Fiscal Year 08: $45,000
- Audit Responsibility: NMCD
- Revenue Reported: Mesalands Community College

NOTE 17: JPA Disclosure (Continued)

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

- Responsible Party for Operations: SFSWM
- Time period: September 1, 2001 to Indefinite
- Total estimated amount of Project: $35,000
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: SFSWM
- Revenue Reported: NMCD

Inmate Labor – JPA between NMCD and the City of Grants to provide inmate work crews for maintenance, beautification and enhancement at various locations in the City of Grants, NM.

- Responsible Party for Operations: City of Grants
- Time Period: April 14, 2008 to June 30, 2008
- Total Estimated amount of Project: -0-
- Portion Applicable to NMCD: -0-
- Amount Agency Contributed in Fiscal Year 08: -0-
- Audit Responsibility: City of Grants
- Revenue Reported: NMCD

GENERAL FUND

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

The General Fund is comprised of the Corrections Department Performance Based Budgeting Programs, and the traditional budgets for the ASD Building Fund, the Special Appropriation for Computer System Enhancement, and the State Capital Projects Fund as listed below. The General Fund is accounted for at the Department of Finance and Administration within the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) Fund 90700 unless otherwise noted.

Program Support

Administrative Services Division (ASD)

Inmate Management and Control

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

Inmate Programming

Education Bureau (EDB)
Addiction Services Bureau (ASB)

Community Offender Management (Fund 91500)

Probation & Parole Division (PPD)

Community Corrections / Vendor Operated (Fund 90200)

Community Corrections (CC)

Traditional Budget

ASD Building Fund (Fund 89800)
State Capital Projects Fund (99700)
Computer System Enhancement

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

PROGRAM SUPPORT

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 7,977,800	$ 8,193,800	$ 8,193,800	$ -
Other State Funds	1,089,000	1,146,690	1,264,543	117,853
Inter-Agency Transfers	235,600	231,980	231,980	-
Federal Funds	-	-	-	-
Total Revenues	9,302,400	9,572,470	9,690,323	117,853
Rebudgeted Cash	-	705,400	-	(705,400)
Total Budgeted Revenues	$ 9,302,400	$ 10,277,870	$ 9,690,323	$ (587,547)
EXPENDITURES				
Personal Services & Employee Benefits	$ 6,534,900	$ 6,491,280	$ 6,423,819	$ 67,461
Contractual Services	415,700	447,400	360,516	86,884
Other	1,320,400	2,307,790	1,987,338	320,452
Operating Transfers	1,031,400	1,031,400	1,031,400	-
Reversions	-	-	322,964	(322,964)
Total Budgeted Expenditures	$ 9,302,400	$ 10,277,870	$ 10,126,037	$ 151,833

* $705,400 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

INMATE MANAGEMENT and CONTROL

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 226,821,400	$ 226,147,138	$ 226,147,138	$ -
Other State Funds	11,460,700	11,964,748	12,416,826	452,078
Inter-Agency Transfers	150,000	-	-	-
Federal Funds	-	967,749	1,787,308	819,559
Total Revenues	238,432,100	239,079,635	240,351,272	1,271,637
Rebudgeted Cash	-	836,104	-	(836,104)
Total Budgeted Revenues	$ 238,432,100	$ 239,915,739	$ 240,351,272	$ 435,533
EXPENDITURES				
Personal Services & Employee Benefits	$ 95,344,600	$ 96,863,248	$ 96,023,581	$ 839,667
Contractual Services	40,699,400	47,474,213	46,699,766	774,447
Other	102,388,100	95,578,278	92,504,088	3,074,190
Operating Transfers	-	-	-	-
Reversions	-	-	4,128,259	(4,128,259)
Total Budgeted Expenditures	$ 238,432,100	$ 239,915,739	$ 239,355,694	$ 560,045

* $836,104 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

INMATE PROGRAMMING

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 9,466,800	$ 9,715,562	$ 9,715,562	$ -
Other State Funds	5,500	5,500	11,836	6,336
Inter-Agency Transfers	-	-	-	-
Federal Funds	343,000	1,585,067	1,008,550	(576,517)
Total Revenues	9,815,300	11,306,129	10,735,948	(570,181)
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	$ 9,815,300	$ 11,306,129	$ 10,735,948	$ (570,181)
EXPENDITURES				
Personal Services & Employee Benefits	$ 8,406,900	$ 8,925,549	$ 8,721,230	$ 204,319
Contractual Services	832,700	846,371	582,920	263,451
Other	575,700	1,534,209	1,020,983	513,226
Operating Transfers	-	-	-	-
Reversions	-	-	331,590	(331,590)
Total Budgeted Expenditures	$ 9,815,300	$ 11,306,129	$ 10,656,723	$ 649,406

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

COMMUNITY OFFENDER MANAGEMENT

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 29,240,500	$ 29,120,500	$ 29,120,500	$ -
Other State Funds	1,528,000	1,568,294	2,171,402	603,108
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	89,718	17,056	(72,662)
Total Revenues	30,768,500	30,778,512	31,308,958	530,446
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	$ 30,768,500	$ 30,778,512	$ 31,308,958	$ 530,446
EXPENDITURES				
Personal Services & Employee Benefits	$ 18,893,900	$ 19,266,712	$ 19,024,744	$ 241,968
Contractual Services	92,300	92,300	23,983	68,317
Other	11,782,300	11,419,500	11,136,241	283,259
Operating Transfers	-	-	-	-
Reversions	-	-	963,539	(963,539)
Total Budgeted Expenditures	$ 30,768,500	$ 30,778,512	$ 31,148,507	$ (369,995)

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

COMMUNITY CORRECTIONS / VENDOR OPERATED

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 3,881,200	$ 3,881,200	$ 3,881,200	$ -
Other State Funds	51,700	51,700	662,806	611,106
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	3,932,900	3,932,900	4,544,006	611,106
Rebudgeted Cash	545,700	545,700	-	(545,700)
Total Budgeted Revenues	$ 4,478,600	$ 4,478,600	$ 4,544,006	$ 65,406
EXPENDITURES				
Personal Services & Employee Benefits	$ 833,700	$ 833,700	$ 798,786	$ 34,914
Contractual Services	57,300	57,300	8,661	48,639
Other	3,587,600	3,587,600	3,245,991	341,609
Operating Transfers	-	-	-	-
Total Budgeted Expenditures	$ 4,478,600	$ 4,478,600	$ 4,053,438	$ 425,162

* $545,700 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

COMPUTER SYSTEMS ENHANCEMENT

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ -	$ -	$ -	$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	-	-	-	-
Rebudgeted Cash	1,044,604	1,044,604	-	(1,044,604)
Total Budgeted Revenues	$ 1,044,604	$ 1,044,604	$ -	$ (1,044,604)
EXPENDITURES				
Personal Services & Employee Benefits	$ -	$ -	$ -	$ -
Contractual Services	1,020,000	935,000	12,825	922,175
Other	24,604	109,604	24,604	85,000
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	$ 1,044,604	$ 1,044,604	$ 37,429	$ 1,007,175

*$1,044,604 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

Z 80185 – FUND 90700

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 405,000	$ 405,000	$ 405,000	$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	405,000	405,000	405,000	-
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	$ 405,000	$ 405,000	$ 405,000	$ -
EXPENDITURES				
Personal Services & Employee Benefits	$ -	$ -	$ -	$ -
Contractual Services	-	-	-	-
Other	405,000	405,000	-	405,000
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	$ 405,000	$ 405,000	$ -	$ 405,000

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

Z 80187 – FUND 90700

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 150,000	$ 150,000	$ 150,000	$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	150,000	150,000	150,000	-
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	$ 150,000	$ 150,000	$ 150,000	$ -
EXPENDITURES				
Personal Services & Employee Benefits	$ -	$ -	$ -	$ -
Contractual Services	-	-	-	-
Other	150,000	150,000	-	150,000
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	$ 150,000	$ 150,000	$ -	$ 150,000

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

Z 80188 – FUND 90700

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 445,000	$ 445,000	$ 445,000	$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	445,000	445,000	445,000	-
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	$ 445,000	$ 445,000	$ 445,000	$ -
EXPENDITURES				
Personal Services & Employee Benefits	$ -	$ -	$ -	$ -
Contractual Services	-	-	-	-
Other	445,000	445,000	-	445,000
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	$ 445,000	$ 445,000	$ -	$ 445,000

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

Z 80185 – FUND 91500

	Budgeted Amounts		Actual Amounts	Variance Favorable
	Original	Final	Budgetary Basis	(Unfavorable)
REVENUES				
State General Fund	$ 95,000	$ 95,000	$ 95,000	$ -
Other State Funds	-	-	-	-
Inter-Agency Transfers	-	-	-	-
Federal Funds	-	-	-	-
Total Revenues	95,000	95,000	95,000	-
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	$ 95,000	$ 95,000	$ 95,000	$ -
EXPENDITURES				
Personal Services & Employee Benefits	$ -	$ -	$ -	$ -
Contractual Services	-	-	-	-
Other	95,000	95,000	-	95,000
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	$ 95,000	$ 95,000	$ -	$ 95,000

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

BUILDING FUND
SHARE FUND 89800

	Budgeted Final Amounts	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES			
State General Fund	$ -	$ -	$ -
Other State Funds	-	-	-
Inter-Agency Transfers	2,172,456	2,172,457	1
Federal Funds	-	-	-
Total Revenues	2,172,456	2,172,457	1
Rebudgeted Cash	87,828	-	(87,828)
Total Budgeted Revenues	$ 2,260,284	$ 2,172,457	$ (87,827)
EXPENDITURES			
Personal Services & Employee Benefits	$ -	$ -	$ -
Contractual Services	-	-	-
Other	2,260,284	1,987,900	272,384
Operating Transfers	-	-	-
Total Budgeted Expenditures	$ 2,260,284	$ 1,987,900	$ 272,384

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

GENERAL OPERATING FUND
SHARE FUND 90700

	Budgeted Final Amounts	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES			
State General Fund	$ 245,056,500	$ 245,056,500	$ -
Other State Funds	13,116,938	13,693,205	576,267
Inter-Agency Transfers	231,980	231,980	-
Federal Funds	2,552,816	2,795,858	243,042
Total Revenues	260,958,234	261,777,543	819,309
Rebudgeted Cash	2,586,108	-	(2,586,108)
Total Budgeted Revenues	$ 263,544,342	$ 261,777,543	$ (1,766,799)
EXPENDITURES			
Personal Services & Employee Benefits	$ 112,280,077	$ 111,168,630	1,111,447
Contractual Services	49,702,984	47,656,027	2,046,957
Other	100,529,881	95,537,013	4,992,868
Operating Transfers	1,031,400	1,031,400	-
Reversions	-	4,782,813	(4,782,813)
Total Budgeted Expenditures	$ 263,544,342	$ 260,175,883	$ 3,368,459

* $2,586,108 was re-budgeted from cash balance.

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

PROBATION AND PAROLE GENERAL OPERATING FUND
SHARE FUND 91500

	Budgeted Final Amounts	Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES			
State General Fund	$ 29,215,500	$ 29,215,500	$ -
Other State Funds	1,568,294	2,171,402	603,108
Inter-Agency Transfers	-	-	-
Federal Funds	89,718	17,056	(72,662)
Total Revenues	30,873,512	31,403,958	530,446
Rebudgeted Cash	-	-	-
Total Budgeted Revenues	$ 30,873,512	$ 31,403,958	$ 530,446
EXPENDITURES			
Personal Services & Employee Benefits	$ 19,266,712	$ 19,024,744	$ 241,968
Contractual Services	92,300	23,983	68,317
Other	11,514,500	11,136,241	378,259
Operating Transfers	-	-	-
Reversions	-	963,539	(963,539)
Total Budgeted Expenditures	$ 30,873,512	$ 31,148,507	$ (274,995)

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENDITURES – BUDGET AND ACTUAL BY FUND
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

GENERAL FUND STATE CAPITAL PROJECTS FUND
SHARE FUND 99700

	Life-to-Date Budgeted Amounts	FY 08 Actual Amounts Budgetary Basis	Life-to-Date Actual Amounts Budgetary Basis	Variance Favorable (Unfavorable)
REVENUES				
State General Fund	$ 25,000	$ -	$ 2,125,000	$ 2,100,000
Other State Funds	-	-	-	-
Inter-Agency Transfers	1,000,000	-	-	(1,000,000)
Federal Funds	-	-	-	-
Total Revenues	1,025,000	-	2,125,000	1,100,000
Rebudgeted Cash	1,892,435	-	-	$ (1,892,435)
Total Budgeted Revenues	$ 2,917,435	$ -	$ 2,125,000	$ (792,435)
EXPENDITURES				
Personal Services & Employee Benefits	$ -	$ -	$ -	$ -
Contractual Services	75,000	-	-	75,000
Other	2,842,435	356,009	1,606,177	1,236,258
Operating Transfers	-	-	-	-
Reversions	-	-	-	-
Total Budgeted Expenditures	$ 2,917,435	$ 356,009	$ 1,606,177	$ 1,311,258

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING BALANCE SHEET GENERAL FUND TYPES – GAAP BASIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	Building Fund SHARE System Fund 89800	General Operating Fund SHARE System Fund 90700	Probation & Parole Fund SHARE System Fund 91500	Total *
ASSETS				
Cash and Cash Equivalents	$ 792,778	$ 28,980,740	$ 4,745,534	$ 34,519,052
Receivables net of allowance for doubtful accounts	-	153,261	-	153,261
Federal Grants Receivable	-	556,633	897	557,530
Other Receivables	-	6,890	1,070	7,960
Due from Other State Agencies	-	1,239,448	-	1,239,448
Inventories	-	4,360,296	695,925	5,056,221
Prepaid Items	-	184,506	54,452	238,958
Total Assets	$ 792,778	$ 35,481,774	$ 5,497,878	$ 41,772,430
LIABILITIES AND FUND EQUITY				
Liabilities				
Vouchers Payable	$ 520,393	$ 13,599,526	$ 693,522	$ 14,813,441
Warrants Payable - Clearing	-	2,292,239	555,923	2,848,162
Payroll Benefits Payable		1,987,071	53,898	2,040,969
Payroll Taxes Payable	-	352,302	306,220	658,522
Accrued Wages Payable	-	2,563,602	385,692	2,949,294
Due to Other Funds	-	937,363	149,038	1,086,401
Due to State General Fund	-	4,782,813	691,452	5,474,265
Stale Dated Warrants - Due to SGF	-	5,229	-	5,229
Due to Other State Agencies	-	9,005	46,063	55,068
Deferred Revenue	-	1,037,717	-	1,037,717
Other Liabilities	-	78,600	-	78,600
Total Liabilities	520,393	27,645,467	2,881,808	31,047,668
Fund Equity				
Reserved for:				
Inventories	-	4,360,296	695,924	5,056,220
Subsequent Years Expenditures	-	185,006	-	185,006
Prepaid Expenses	-	184,506	54,452	238,958
Petty Cash	-	2,075	-	2,075
Unreserved / Undesignated				
Designated for Future Expenditures	272,385	3,104,424	1,865,694	5,242,503
Total Fund Equity	272,385	7,836,307	2,616,070	10,724,762
Total Liabilities and Fund Equity	$ 792,778	$ 35,481,774	$ 5,497,878	$ 41,772,430

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GAAP BASIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	Building Fund SHARE System Fund 89800	General Operating Fund SHARE System Fund 90700	Probation & Parole Fund SHARE System Fund 91500	Total *
Revenues				
Other State Funds	$ -	$ 13,693,205	$ 2,171,402	$ 15,864,607
Federal Grants	-	2,795,858	17,056	2,812,914
Total Revenues	-	16,489,063	2,188,458	18,677,521
Expenditures, Current				
Personal Services & Employee Benefits	-	111,168,630	19,024,744	130,193,374
Contractual Services	-	47,656,027	23,983	47,680,010
Other	1,097,558	91,040,781	10,865,656	103,003,995
Expenditures, Capital Outlay	890,342	4,496,232	270,585	5,657,159
Total Expenditures	1,987,900	254,361,670	30,184,968	286,534,538
Excess (deficiency) Revenues over Expenditures	(1,987,900)	(237,872,607)	(27,996,510)	(267,857,017)
Other Financing Sources (uses)				
General Fund Appropriation	-	245,056,500	29,215,500	274,272,000
Operating Transfers-In	2,172,457	231,980	-	2,404,437
Operating Transfers-Out	-	(1,031,400)	-	(1,031,400)
Reversions to State General Fund	-	(4,782,813)	(963,539)	(5,746,352)
Net Other Financing Sources (uses)	2,172,457	239,474,267	28,251,961	269,898,685
Excess Revenues and Other Financing Sources over (under) Expenditures & Other Financing Uses	184,557	1,601,660	255,451	2,041,668
Fund Balance, Beginning of Year	87,829	6,234,643	2,360,622	8,683,094
Fund Balance, End of Year	$ 272,386	$ 7,836,303	$ 2,616,073	$ 10,724,762

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

The accompanying notes are an integral part of the financial statements

ENTERPRISE FUND

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

An allocation of balance sheet items by activity is not meaningful; therefore, only a combined balance sheet is presented in the Statement of Net Assets at both government-wide and proprietary levels of detail. Listed below is a description of the types of activities operated by the Department's Corrections Industries Division (CID), as shown in the following Schedule of Revenue and Expenses, by Enterprise.

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

Agriculture – Lease farm operations for the production of alfalfa, hay, and other crops utilizing private sector resources to employ inmates at the minimum unit of CNMCF. SCC farm program is a new program that utilizing inmates to raise cattle to maturity.

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

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

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

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

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

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

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

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES, BY ENTERPRISE
FOR THE FISCAL YEAR ENDING JUNE 30, 2008

	Furniture*	Tele-marketing*	Cleaning Products*	Reproduction	LCCF Textiles	PNM Data Entry	GCCF Print
Revenue from Sales	$ 1,927,150	$ 336,057	$ 406,254	$ 40,457	$ 1,392,976	$ 100,000	$202,078
Manufacturing Costs:							
Costs of Materials Used:							
Beginning Inventory - Materials	394,614	11,026	80,028	2,717	416,862	-	39,957
Materials Purchases	793,060	567	231,476	2,451	971,071	-	85,987
Net Material Transfers	(18,804)	-	77	(77)	19,344	237	(237)
Materials Available	1,168,870	11,593	311,581	5,091	1,407,277	237	125,707
Less Ending Inventory	(231,429)	(10,242)	(61,204)	(3,811)	(476,378)	-	(31,359)
Cost of Materials Used	937,441	1,351	250,377	1,280	930,899	237	94,348
Direct Labor - Inmate Pay	134,762	38,617	9,038	5,967	162,799	11,864	16,301
Manufacturing Overhead:							
Salaries	236,178	98,274	34,370	1,742	100,463	32,611	38,992
Benefits	128,626	39,785	17,416	808	42,606	15,662	21,602
In-State Travel	5,997	2,662	-	1,421	1,431	2,498	480
Maintenance & Repairs	21,964	724	599	214	8,205	-	16,906
Supplies	37,656	1,597	2,103	1,067	26,598	382	7,156
Contractual Services	-	650	-	-	-	-	1,709
Other Costs	5,154	9,692	615	3,678	9,513	-	15,433
Out-of-State Travel	-	-	-	-	-	-	-
Irrigation Fees	-	-	-	-	-	-	-
Depreciation	4,838	1,545	18,787	1,137	5,059	853	10,749
Miscellaneous	-	-	-	-	-	-	-
Total Manufacturing Overhead	440,413	154,929	73,890	10,067	193,875	52,006	113,027
Total Manufacturing Costs	1,512,616	194,897	333,305	17,314	1,287,573	64,107	223,676
Add Beginning Work in Process	228,881	-	-	-	4,196	-	-
Less Ending Work in Process	(220,384)	-	-	-	-	-	-
Total Cost of Goods Manufactured	1,521,113	194,897	333,305	17,314	1,291,769	64,107	223,676
Add Beginning Finished Goods	217,547	-	16,797	-	512,225	-	12,816
Less Ending Finished Goods	(176,153)	-	(45,286)	-	(699,823)	-	(3,941)
Net Finished goods Transfers	(12,865)	298	2,175	(222)	5,841	847	(15,876)
Total Cost of Goods Sold	1,549,642	195,195	306,991	17,092	1,110,012	64,954	216,675
Gross Profit	377,508	140,862	99,263	23,365	282,964	35,046	(14,597)
Allocated Overhead:							
Facility Overhead	(187,173)	-	-	-	-	-	-
Sales & Marketing	(96,503)	(7,195)	(20,343)	(2,026)	(69,754)	-	(10,119)
Distribution Center	(48,940)	-	(5,324)	-	(35,374)	-	(5,132)
Central Office	(161,571)	(46,299)	(10,837)	(7,154)	(195,186)	(14,224)	(19,544)
General Fund Subsidy	-	-	-	-	-	-	-
Other Income (Expense)	-	-	-	-	-	-	(1)
Net Income (Loss)	$ (116,679)	$ 87,368	$ 62,759	$ 14,185	$ (17,350)	$ 20,822	$ (49,393)

The accompanying notes are an integral part of the financial statements

CMU Farm	Sales & Marketing	Distribution Center	Central Office	CNMCF Admin	SNMCF Admin	Springer Farm	Total Industries
$ 181,432	$ -	$ 223,779	$ -	$ -	$ -	$ 37,193	$ 4,847,376
16,045	-	-	-	-	-	-	961,249
66,322	-	1,200	-	-	-	-	2,152,134
(27,044)	-	25,484	1,020	-	-	-	-
55,323	-	26,684	1,020	-	-	-	3,113,383
(15,476)	-	-	-	-	-	-	(829,899)
39,847	-	26,684	1,020	-	-	-	2,283,484
33,292	-	8,850	94	655	13,577	3,618	439,434
37,968	161,474	165,512	493,618	51,930	47,378	-	1,500,510
21,193	59,977	60,697	152,034	19,397	19,572	-	599,375
1,479	4,823	38,414	35,844	410	1,054	3,728	100,241
1,475	-	-	13,461	-	-	203	63,751
297	529	1,213	3,644	69	1,431	7,330	91,072
-	-	-	-	-	-	-	2,359
480	4,317	3,821	34,018	1,303	3,619	3,165	94,808
-	-	-	2,714	-	-	-	2,714
32,394	-	-	-	-	-	-	32,394
19,127	222	13,254	36,100	-	8,655	-	120,326
-	-	-	57,212	-	-	-	57,212
114,413	231,342	282,911	828,645	73,109	81,709	14,426	2,664,762
187,552	231,342	318,445	829,759	73,764	95,286	18,044	5,387,680
-	-	-	-	-	-	-	233,077
-	-	-	-	-	-	-	(220,384)
187,552	231,342	318,445	829,759	73,764	95,286	18,044	5,400,373
-	-	-	-	1,847	-	-	761,232
-	-	-	-	-	-	-	(925,203)
-	1,451	104	18,247	-	-	-	-
187,552	232,793	318,549	848,006	75,611	95,286	18,044	5,236,402
(6,120)	(232,793)	(94,770)	(848,006)	(75,611)	(95,286)	19,149	(389,026)
-	-	-	-	75,611	111,562	-	-
(9,085)	216,888	-	(1)	-	-	(1,862)	-
-	-	94,769	1	-	-	-	-
(39,915)	-	(10,611)	525,955	-	(16,277)	(4,337)	-
-	-	-	329,500	-	-	-	329,500
-	15,905	-	(7,455)	-	-	-	8,449
$ (55,120)	$ -	$ (10,612)	$ (6)	$ -	$ (1)	$ 12,950	$ (51,077)

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

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES,
FOR FURNITURE BY FACILITY
For the Fiscal Year Ending June 30, 2008

	CNMCF Furniture	SNMCF Furniture	Total Furniture
Revenue from Sales	$ 941,989	$ 985,161	$ 1,927,150
Manufacturing Costs:			
Costs of Materials Used:			
Beginning Inventory - Materials	99,009	295,605	394,614
Materials Purchases	433,698	359,362	793,060
Net Material Transfers	1,021	(19,825)	(18,804)
Materials Available	533,728	635,142	1,168,870
Less Ending Inventory	(68,442)	(162,987)	(231,429)
Cost of Materials Used	465,286	472,155	937,441
Direct Labor - Inmate Pay	56,510	78,252	134,762
Manufacturing Overhead:			
Salaries	103,719	132,459	236,178
Benefits	52,542	76,084	128,626
In-State Travel	632	5,365	5,997
Maintenance & Repairs	9,512	12,452	21,964
Supplies	16,809	20,847	37,656
Contractual Services	-	-	-
Other Costs	1,787	3,367	5,154
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	643	4,195	4,838
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	185,644	254,769	440,413
Total Manufacturing Costs	707,440	805,176	1,512,616
Add Beginning Work in Process	30,809	198,072	228,881
Less Ending Work in Process	(14,397)	(205,987)	(220,384)
Total Cost of Goods Manufactured	723,852	797,261	1,521,113
Add Beginning Finished Goods	132,004	85,543	217,547
Less Ending Finished Goods	(98,985)	(77,168)	(176,153)
Net Finished goods Transfers	136	(13,001)	(12,865)
Total Cost of Goods Sold	757,007	792,635	1,549,642
Gross Profit	184,982	192,526	377,508
Allocated Overhead:			
Facility Overhead	(75,611)	(111,562)	(187,173)
Sales & Marketing	(47,171)	(49,332)	(96,503)
Distribution Center	(23,922)	(25,018)	(48,940)
Central Office	(67,752)	(93,819)	(161,571)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	$ (29,474)	$ (87,205)	$ (116,679)

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES,
FOR TELEMARKETING BY FACILITY
For the Fiscal Year Ending June 30, 2008

	CCA Telemarketing	CCA Private Telemarketing	Total Telemarketing
Revenue from Sales	$ 192,371	$ 143,686	$ 336,057
Manufacturing Costs:			
Costs of Materials Used:			
Beginning Inventory - Materials	11,026	-	11,026
Materials Purchases	567	-	567
Net Material Transfers	-	-	-
Materials Available	11,593	-	11,593
Less Ending Inventory	(10,242)	-	(10,242)
Cost of Materials Used	1,351	-	1,351
Direct Labor - Inmate Pay	22,121	16,496	38,617
Manufacturing Overhead:		-	
Salaries	61,867	36,407	98,274
Benefits	19,934	19,851	39,785
In-State Travel	1,706	956	2,662
Maintenance & Repairs	724	-	724
Supplies	825	772	1,597
Contractual Services	650	-	650
Other Costs	5,113	4,579	9,692
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	702	843	1,545
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	91,521	63,408	154,929
Total Manufacturing Costs	114,993	79,904	194,897
Add Beginning Work in Process	-	-	-
Less Ending Work in Process	-	-	-
Total Cost of Goods Manufactured	114,993	79,904	194,897
Add Beginning Finished Goods	-	-	-
Less Ending Finished Goods	-	-	-
Net Finished goods Transfers	155	143	298
Total Cost of Goods Sold	115,148	80,047	195,195
Gross Profit	77,223	63,639	140,862
Allocated Overhead:			
Facility Overhead	-	-	-
Sales & Marketing	-	(7,195)	(7,195)
Distribution Center	-	-	-
Central Office	(26,522)	(19,777)	(46,299)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	$ 50,701	$ 36,667	$ 87,368

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF REVENUES AND EXPENSES,
FOR CLEANING PRODUCTS BY FACILITY
For the Fiscal Year Ending June 30, 2008

	WNMCF Soap Shop	WNMCF Plastics	Total Cleaning Products
Revenue from Sales	$ 196,621	$ 209,633	$ 406,254
Manufacturing Costs:			
Costs of Materials Used:			
Beginning Inventory - Materials	36,719	43,309	80,028
Materials Purchases	86,245	145,231	231,476
Net Material Transfers	-	77	77
Materials Available	122,964	188,617	311,581
Less Ending Inventory	(23,416)	(37,788)	(61,204)
Cost of Materials Used	99,548	150,829	250,377
Direct Labor - Inmate Pay	5,392	3,646	9,038
Manufacturing Overhead:			
Salaries	17,185	17,185	34,370
Benefits	8,708	8,708	17,416
In-State Travel	-	-	-
Maintenance & Repairs	570	29	599
Supplies	1,237	866	2,103
Contractual Services	-	-	-
Other Costs	615	-	615
Out-of-State Travel	-	-	-
Irrigation Fees	-	-	-
Depreciation	2,748	16,039	18,787
Loss on Disposal of Equipment	-	-	-
Miscellaneous	-	-	-
Total Manufacturing Overhead	31,063	42,827	73,890
Total Manufacturing Costs	136,003	197,302	333,305
Add Beginning Work in Process	-	-	-
Less Ending Work in Process	-	-	-
Total Cost of Goods Manufactured	136,003	197,302	333,305
Add Beginning Finished Goods	9,908	6,889	16,797
Less Ending Finished Goods	(36,599)	(8,687)	(45,286)
Net Finished goods Transfers	1,826	349	2,175
Total Cost of Goods Sold	111,138	195,853	306,991
Gross Profit	85,483	13,780	99,263
Allocated Overhead:			
Facility Overhead	-	-	-
Sales & Marketing	(9,846)	(10,497)	(20,343)
Distribution Center	-	(5,324)	(5,324)
Central Office	(6,465)	(4,372)	(10,837)
General Fund Subsidy	-	-	-
Other Income (Expense)	-	-	-
Net Income (Loss)	$ 69,172	$ (6,413)	$ 62,759

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
STATEMENT OF REVENUES & EXPENSES – BUDGET AND ACTUALS
(Non-GAAP Budgetary Basis)
For the Fiscal Year Ending June 30, 2008

CORRECTIONS INDUSTRIES DIVISION

	Budgeted Amounts		Actual Amounts	Variance Favorable
Revenues	**Original**	**Final**	**Budgetary Basis**	**(Unfavorable)**
Printing and Reproduction	$ 364,600	$ 364,600	$ 431,164	$ 66,564
Furniture Sales	3,754,300	3,404,300	1,975,571	(1,428,729)
Other Manufacturing	2,100,500	2,100,500	1,755,181	(345,319)
Farm Products	138,500	138,500	222,397	83,897
Micrographic, Data Entry & Telemarketing Services	340,500	340,500	355,558	15,058
Interest on Deposits	20,800	20,800	33,307	12,507
General Fund Subsidy	-	329,500	329,500	-
Miscellaneous Revenue	-	16,025	17,630	1,605
Total Revenues	6,719,200	6,714,725	5,120,308	(1,594,417)
Rebudgeted Cash	-	-	-	-
Total Budgeted Revenues	$ 6,719,200	$ 6,714,725	$ 5,120,308	$ (1,594,417)
Expenditures				
Personal Services & Employee Benefits	$ 2,519,400	$ 2,169,400	$ 2,099,885	$ 69,515
Contractual Services	20,600	20,600	3,044	17,556
Other	4,079,200	4,424,725	3,081,585	1,343,140
Operating Transfers	100,000	100,000	-	100,000
Total Budgeted Expenditures	$ 6,719,200	$ 6,714,725	$ 5,184,514	$ 1,530,211

The accompanying notes are an integral part of the financial statements

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGNECY FUND
For the Fiscal Year Ending June 30, 2008

	Balance as of June 30, 2007	Additions	Deletions	Balance as of June 30, 2008
ASSETS				
Cash	$ 832,729	$ 5,122,805	$ (4,724,128)	$ 1,231,406
Due from Others	546,912	354,823	(546,912)	354,823
Total Assets	1,379,641	5,477,628	(5,271,040)	1,586,229
LIABILITIES				
Due to Other State Agencies	20,804	27,647	(20,804)	27,647
Due to Private Prisons	11,559	4,142	(11,559)	4,142
Deposits Held for Others	1,347,278	1,554,440	(1,347,278)	1,554,440
Total Liabilities	1,379,641	1,586,229	(1,379,641)	1,586,229
NET ASSETS				
Total Net Assets	$ -	$ 3,891,399	$ (3,891,399)	$ -

The accompanying notes are an integral part of the financial statements

SINGLE AUDIT SECTION

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ending June 30, 2008

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Programs:			
Youth Offenders	84.331	V331A000026	$ 171,053
Pass-through programs from the New Mexico Higher Education Department			
Adult Basic Education	84.002	71-9981	173,234
Total U.S. Department of Education programs			344,287
U.S. Department of Justice			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2003-AP-BX-0687	1,564,916
Career Pathways Initiative	16.579	2007-DD-BX-0721	331,495
United States Marshal	16.738	07-JAG-PPA 02-SWIFT-FY08	6,582
Offender Workforce Development Specialist Training	16.601	07K95GJR7	19,098
Total Direct Programs			1,922,091
Pass-through programs from the State Department of Public Safety			
Residential Substance Abuse for State Prisoners	16.593	03-RT-BX-046	70,318
Residential Substance Abuse for State Prisoners	16.593	05-RT-BX-040	160,623
Bullet Proof Vest Program	16.607	1121-0235	34,460
Pass-through program from Region III Enforcement Task Force			
Narcotics Task Force	16.004		3,500
Pass-through program from Crime Victims Reparation Commission			
Violence Against Women Act (VAWA)	16.588	2002WF-BX-0057	2,580
Total pass-through programs			271,481
Total U.S. Department of Justice programs			2,193,572
U.S. Department of Health and Human Services			
Pass-through programs from the Children, Youth & Families Department			
Transformation Grant	93.243	5U79SM057464-03	7,769
Total US Department Health and Human Services			7,769
U.S. Department of the Treasury			
Pass-through programs from the Office of the Governor			
Jobs and Growth Tax Relief Reconciliation Act of 2003	21.XXX	Section 1(a), SS 401	185,227
Total US Department of the Treasury			185,227
Total Expenditures of Federal Awards			$ 2,730,855

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Mexico Corrections Department (the Department), as of and for the year ended June 30, 2008. We also have audited the individual SHARE fund financial statements and all the budgetary comparisons presented as supplementary information in the combining and individual fund financial statements and schedules as of and for the year ended June 30, 2008 and have issued our report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A **control deficiency** 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 misstatements on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

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

Internal Control Over Financial Reporting - continued

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that are required to be reported under *Government Auditing Standards,* paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 07-02, 07-05, 08-01 and 08-02.

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

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

Meyners + Company, LLC

November 17, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the State of New Mexico Corrections Department (the Department), with types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements.

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

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 **control deficiency** in the Department's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Department's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Department's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Department, the Office of the State Auditor, New Mexico Department of Finance and Administration and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Meyners + Company, LLC

November 17, 2008

NEW MEXICO CORRECTIONS DEAPRTMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

Findings for Fiscal Year 2007		Current Status
04-02	Payroll Disbursements	Resolved
05-01	Corrections Industries	Resolved
06-01	Probation and Parole Cash Receipts Procedures	Resolved
07-01	Cash Disbursements	Resolved
07-02	Procurement Violations	Repeated and Modified
07-03	Corrections Industries	Resolved
07-04	Payroll Disbursements	Resolved
07-05	Inventory Control	Repeated
07-06	Support Documentation	Resolved
07-07	Prepaid Expense	Resolved
07-08	Budget and Procurement Violation – Wal-Mart Card	Resolved
07-09	Federal Reporting – VOITIS – CFDA Number 16.586	Resolved
07-10	Federal Reporting – SVORI – CFDA Number 16.202	Resolved

NEW MEXICO CORRECTIONS DEPARTMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDING JUNE 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the State of New Mexico Corrections Department (Department).

2. Four control deficiencies were disclosed during the audit of the financial statements and are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. None of these deficiencies were considered to be material weaknesses and four of these deficiencies were considered to be other matters.

3. No instances of noncompliance material to the financial statements of the Department were disclosed during the audit.

4. There were no significant deficiencies disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.

6. The program tested as a major:

Program Name	CFDA Number
State Criminal Alien Assistance Program	16.606
Career Pathways Initiative	16.579

7. The threshold for distinguishing Types A and B programs was $300,000.

8. The Department was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

07-02 Procurement Violations – Repeated and Modified

Condition:

MCO was made aware by NMCD management of four procurement violations that occurred during FY08. None of these violations were contracts due to the fact that a procurement violations were made and the Contracts Bureau would not generate them into contracts.

Criteria:

Professional and non professional service contracts must comply with the New Mexico Procurement code (13-1-1 to 13-1-199) and 1.4.1.1 NMAC, 9/30/05 issued by the General Services Department and applicable to all executive branch state agencies.

Cause:

Circumstances required immediate payment for services to be rendered and employees were not properly trained on the procurement process.

Effect:

Services could not have been allowable.

Recommendation:

Ensure all procurement processes are followed before rendering payments for services.

Response:

It is the Department's objective to ensure that procurement transactions are carried out in accordance the New Mexico Procurement Code and all other laws, rules and regulations pertaining to governmental procurement transactions. Occasionally, Department field staff who are inexperienced with the New Mexico Procurement Code or individuals that have become lax in performing their duties, effect procurement transactions that are in violation of procurement laws, rules or regulations. Central Office Procurement staff, who are knowledgeable in the governmental procurement laws, rules and regulations, prevent these transactions from occurring. However, there are occasions where the transactions have been completed prior to Central Office Procurement staff reviewing the documentation; thus, resulting in procurement code violations. The Department ensures that when violations occur, the staff members responsible for the transactions are advised that they have violated the Procurement Code which is a misdemeanor with possible consequences. The circumstances are investigated and steps are taken to educate individuals on the procurement laws and rules in order to prevent future occurrences.

07-05 Inventory Control – Repeated

Condition:

During the inventory observation at the Central New Mexico Correctional Facility, MCO noted that inventory is taken after hours and on weekends without notifying the Warehouse Supervisor.

Criteria:

According to the State of New Mexico Model Accounting Practices (Volume 1, FIN10-Inventory) state agencies should have written polices and procedures to ensure that materials and supplies are adequately controlled and safeguarded.

Cause:

Lack of controls.

Effect:

Inventory could be improperly stated; potential for theft.

Recommendation:

MCO recommends either not allowing removal of inventory after hours, or if it is removed, a system needs to be in place to notify the supervisor so that records can be updated.

Response:

The Department concurs with the recommendation and recognizes the need to have proper controls on the warehouse inventory. The Department will review current controls and implement changes to ensure that inventory distribution is

properly tracked. Some of the changes may include limiting access after hours by reducing the number of individuals with keys to the warehouse, calling or notifying the warehouse supervisor of the need to pull inventory after hours and then ensure that the warehouse supervisor or other business office representative, is present to distribute the needed materials.

08-01 Inventory Control

Condition:

Procedures for performing inventory observation at the warehouse at the Springer Correctional Center location did not seem to be appropriate: employees did not know what the products were supposed to be labeled, inventory tags were not used, items were not being marked or labeled as they were counted.

Criteria:

According to the State of New Mexico Model Accounting Practices (Volume 1, FIN10.27-Inventory Control) specific inventory count procedures must be implemented and adhered to when performing annual inventory counting procedures.

Cause:

Lack of adherence to inventory observation procedures.

Effect:

Inventory balances could be misstated.

Recommendation:

MCO recommends NMCD ensure polices and procedures are followed when performing inventory observations.

Response:

The Department concurs with the recommendation and recognizes that inventory controls are to be followed while conducting counts of warehouse inventory. The Springer Correctional Center (SCC) will implement an audit count team who are properly trained. The original trained count team was used in other areas of the warehouse resulting in needing assistance to complete the count by the prescribed due date. In future years, SCC will ensure that counting teams will be trained ahead of time, inventory tags will be made available, and all products will be labeled either on the boxes or on the shelves.

08-02 Joint Powers Agreement Violation

Condition:

During our test work of joint powers agreements, the Department brought a violation to our attention. During the fiscal year, the Department paid another state agency for services rendered with out a valid joint powers agreement in place.

Criteria:

In order for state agencies to conduct business with one another, a joint powers agreement (JPA) as defined by Section 11-1-2(B) NMSA 1978 is required to be approved by the Department of Finance and Administration Cabinet Secretary.

Cause:

Oversight of NMCD fiscal staff.

Effect:

Immaterial amount of $2,600 was paid to other agency.

Recommendation:

We recommend a tracking system be implemented and utilized to ensure JPAs are in place for all necessary activities.

Response:

The Department concurs with the recommendation. The Financial Management Bureau will implement a tracking mechanism to ensure all agreements between NMCD and other state agencies are properly tracked and are valid prior to services being performed and payment being made. The tracking mechanism will indicate expiration dates so joint powers agreements do not lapse.

C. FINDINGS – FEDERAL PROGRAMS

None

NEW MEXICO CORRECTIONS DEPARTMENT
Exit Conference
Year Ended June 30, 2008

An exit conference was held on Monday, December 1, 2008, and attended by the following:

New Mexico Corrections Department Personnel:

Joe R. Williams, Secretary of Corrections
Jolene M. Gonzales, Deputy Secretary of Administration/Chief Financial Officer
Tim Lemaster, Deputy Secretary of Operations
Gail Oliver, Deputy Secretary of Reentry & Prison Reform
Tony E. Marquez, Jr., Director, Administrative Services Division
Willie Marquez, Director, Corrections Industries Division
Anna Martinez, Deputy Director, Corrections Industries Division
Pat S. Lopez, Deputy Director, Administrative Services Division
Donald Dorsey, Deputy Director, Adult Prisons Division
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